

CHAPTER II: Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amount of voted grants and appropriations charged for different purposes as specified in the Schedules appended to the Appropriation Accounts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Accounts in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and Accounts.

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India seek to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure in 2012-13 against 73 Grants/Appropriations is given in **Table 2.1** below:

Table 2.1: Summarized position of Actual Expenditure vis-à-vis Original/Supplementary Provisions

<i>(₹ in crore)</i>						
	Name of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure ¹	Savings (-)/ Excess (+)
Voted	I - Revenue	3842.54	1182.80	5025.34	4484.22	(-) 541.12
	II - Capital	2637.11	1284.26	3921.37	1206.87	(-) 2714.50
	III - Loans & Advances	4.46	0.11	4.57	3.95	(-) 0.62
TOTAL VOTED		6484.11	2467.17	8951.28	5695.04	(-) 3256.24
Charged	IV - Revenue	361.26	3.37	364.64	302.02	(-) 62.62
	V - Capital					
	VI - Public Debt-Repayment	228.24	2.91	231.15	166.64	(-) 64.51
TOTAL CHARGED		589.51	6.28	595.79	468.66	(-) 127.13
Appropriation to Contingency Fund (if any)		-	-	-	-	-
GRAND TOTAL		7073.62	2473.45	9547.07	6163.70	(-) 3383.37

The overall savings of ₹ 3383.37 crore was the result of savings of ₹ 3446.01 crore in 59 Grants and 4 Appropriations under Revenue Section, 42 Grants and 1 Appropriation under Capital Section, offset by excess of ₹ 62.65 crore in 3 Grants under Revenue and 1 Grant under Capital Sections.

¹ These are gross figures without taking into account recoveries adjusted in accounts as reduction of expenditure under Capital Expenditure (₹59.43 lakh).

Savings/excess (detailed in the Appropriation Accounts) were intimated (October 2012) to Controlling Officers, with a request to give reasons for significant variations. Out of 159 Major Heads, explanations for variations were received for 90 Major Heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 45 cases, savings exceeded ₹ 1 crore in each case - more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 3446.01 crore, savings of ₹ 3205.89 crore (93.03 per cent) exceeding ₹ 10 crore in each case occurred in 31 Grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with Savings of ₹ 10 crore and above

(₹ in crore)						
Sl. No	Number and Name of Grant	Original Provision	Supplementary Provision	Total	Actual Expenditure	Savings
REVENUE – VOTED						
1.	6 - District Administration	326.25	84.06	410.31	381.26	29.06
2.	8 - Police	248.93	120.24	369.16	350.85	18.31
3.	11 - Social Welfare	151.93	1.11	153.04	129.89	23.14
4.	14 - Education	500.95	177.97	678.92	657.56	21.36
5.	15 - Health & Family Welfare	234.92	49.05	283.97	259.27	24.70
6.	23 - Forest	273.58	2.25	275.83	119.59	156.24
7.	24 - Agriculture	119.36	7.18	126.55	98.03	28.52
8.	26 - Rural Works	78.40	9.99	88.39	75.05	13.34
9.	27 - Panchayat	104.07	3.19	107.26	33.50	73.76
10.	31 - Public Works	113.19	20.19	133.38	123.07	10.31
11.	32 - Roads & Bridges	125.00	222.11	347.11	303.16	43.95
12.	38 - Water Resources Dept.	141.07	35.88	176.95	135.95	41.00
13.	45 - Civil Aviation	22.47	-	22.47	8.47	14.00
14.	47 - Administration of Justice	19.37	1.31	20.68	4.61	16.07
CAPITAL – VOTED						
15.	8 - Police	13.10	20.35	33.45	12.55	20.90
16.	11 - Social Welfare	82.77	-	82.77	48.93	33.85
17.	14 - Education	53.73	29.89	83.61	51.10	32.52
18.	15 - Health & Family Welfare	2.30	43.31	45.61	13.13	32.49
19.	16 - Art & Cultural Affairs	0.80	30.23	31.03	4.48	26.55
20.	26 - Rural Works	24.93	130.44	155.37	87.79	67.59
21.	31 - Public Works	31.06	104.91	135.97	44.98	90.99
22.	32 - Roads & Bridges	189.21	406.23	595.44	349.78	245.66
23.	33 - North Eastern Areas	98.64	19.27	117.91	87.69	30.22
24.	34 - Power	59.73	98.73	158.46	109.24	49.22
25.	38 - Water Resources Department	62.40	26.37	88.77	21.94	66.83
26.	40 - Housing	3.00	22.48	25.48	13.04	12.44
27.	50 - Secretariat Economic Services	1764.02	-	1764.02	8.67	1755.35
28.	56 - Tourism	21.02	39.30	60.32	26.40	33.92
29.	57 - Urban Development	133.71	78.62	212.33	96.03	116.30
30.	59 - Public Health Engineering	21.41	22.03	43.45	30.65	12.79
CAPITAL – CHARGED						
31.	97 - Public Debt	228.24	2.91	231.15	166.64	64.51
TOTAL		5249.56	1809.60	7059.19	3853.30	3205.89

2.3.2 Persistent Savings

In eight cases (**Table 2.3**), during the last five years there were persistent savings of more than ₹ 1 crore each - 10 per cent or more of the total grant.

Table-2.3: List of Grants indicating Persistent Savings during 2008-13

(₹ in crore)

Sl. No	Number and Name of Grant	Amount of Savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
REVENUE – VOTED						
1.	24 - Agriculture	12.11 (15)	16.76 (15)	26.64 (20)	36.70 (27)	28.52 (23)
2.	45 - Civil Aviation	9.45 (20)	7.31 (22)	6.56 (30)	16.95 (50)	14.00 (62)
3.	50 - Secretariat Economic Services	1179.28 (99)	784.95 (99)	663.43 (99)	228.76 (97)	2.99 (30)
CAPITAL – VOTED						
4.	34 - Power	45.87 (28)	62.52 (27)	12.62 (12)	45.14 (27)	49.22 (31)
5.	38 - Water Resources Department	18.02 (20)	35.95 (49)	21.80 (19)	40.79 (40)	66.83 (75)
6.	56 - Tourism	6.15 (16)	6.19 (17)	19.47 (37)	7.18 (16)	33.92 (56)
7.	57 - Urban Development	8.31 (24)	83.84 (53)	55.57 (32)	61.29 (58)	116.30 (55)
8.	97 - Public Debt	121.08 (66)	88.38 (44)	104.77 (55)	83.49 (38)	64.51 (28)

(Figures in parentheses indicate percentage of savings to total provision)

One Grant, viz. 'Secretariat-Economic Services' posted large savings persistently for the last 5 years. There were also instances of inadequate provision of funds and unnecessary/excessive/re-appropriations, indicating poor budgeting and inadequate control over allocations.

2.3.3 Excess Expenditure

In 2 cases, expenditure aggregating ₹ 371.28 crore exceeded the approved budget provision by ₹ 1 crore or more in each case or by more than 20 per cent of the total provisions (Table 2.4).

Table 2.4: Details of Grants/Appropriations where excess expenditure was more than ₹ 1 crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No.	Grant No.	Name of Grant/Appropriation	Total Grant/Appropriation	Total Expenditure	Percentage of Excess Expenditure
REVENUE – VOTED					
1.	13	Directorate of Accounts	290.83	334.31	14.95
2.	43	Fisheries	18.40	36.97	100.90
TOTAL			309.23	371.28	115.85

2.3.4 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. However, it was noticed that expenditure of ₹ 507.40 Lakh was incurred in 2 Grants and 2 Appropriation, as detailed in Appendix - 2.2, without any provision in the Original Estimates/Supplementary Demand and without any re-appropriation orders to that effect. Significant cases of such expenditure involving expenditure in excess of ₹ 1 crore are given in Table 2.5.

Table-2.5: Expenditure incurred without provision during 2012-13

(₹ in crore)

Grant/Appropriation Number - Major Head of Account - Sub Head - Detailed Head	Expenditure Without Provision
16-2205-102-04	0.33
97-2049-04-101-01	4.61
97-2049-01-305-01	0.13

2.3.5 Excess over provisions relating to previous year requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get any excess over a Grant/Appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Constitution, the regularization of excess expenditure is done after completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 1327.70 crore from 1986-87 to 2011-12 was yet to be regularized, as detailed in **Appendix 2.3**.

2.3.6 Excess over provisions during 2012-13 requiring regularisation

Table 2.6 contains a summary of total excesses in 5 cases of Grants amounting to ₹ 63.06 crore over authorization from the Consolidated Fund during 2012-13, which required regularization under Article 205 of the Constitution.

Table-2.6: Excess over provisions requiring regularization during 2012-13

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
REVENUE – VOTED				
1.	5 – Secretariat Administration	6199.66	6241.04	0.41
2.	13 – Directorate of Accounts	29083.03	33430.51	43.47
3.	43 – Fisheries	1840.23	3696.99	18.57
4.	62 – Directorate of Transport	237.48	242.06	0.46
CAPITAL – VOTED				
5.	23 – Forest	232.87	247.87	0.15
TOTAL		37593.27	43858.47	63.06

2.3.7 Unnecessary/Excessive/Inadequate Supplementary Provision

Supplementary provisions aggregating ₹ 254.92 crore obtained in 23 cases, (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of the original provisions, as detailed in **Table 2.7**.

Table-2.7: cases of Unnecessary Supplementary Provision (₹ 10 lakh or more in each case)

(₹ in crore)

Sl. No.	Grant No.	Name of Grant/Appropriation	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
REVENUE – VOTED						
1.	11	Social Welfare	151.93	129.89	22.04	1.10
2.	23	Forests	273.58	119.59	153.99	2.25
3.	24	Agriculture	119.36	98.03	21.33	7.18
4.	26	Rural Works	78.40	75.05	3.35	9.99
5.	27	Panchayat	104.07	33.50	70.57	3.19
6.	38	Water Resources Department	141.07	135.95	5.11	35.88
7.	41	Land Management	12.78	10.41	2.37	0.23
8.	47	Administration of Justice	19.37	4.61	14.76	1.31
9.	50	Secretariat Economic Services	9.24	7.11	2.12	0.87
10.	52	Sports & Youth Services	13.45	13.24	0.21	0.76
11.	54	State Tax and Excise	14.51	12.36	2.16	0.89

Sl. No.	Grant No.	Name of Grant/Appropriation	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
REVENUE – VOTED						
12.	56	Tourism	14.73	14.61	0.12	0.34
13.	57	Urban Development	14.26	14.05	0.21	3.21
14.	60	Textile and Handicraft	28.95	25.10	3.85	1.50
15.	66	Hydro Power Development	44.74	42.35	2.39	0.60
CAPITAL – VOTED						
16.	8	Police	13.10	12.55	0.55	20.35
17.	14	Education	53.73	51.10	2.63	29.88
18.	33	North Eastern Areas	98.64	87.69	10.95	19.27
19.	38	Water Resources Department	62.40	21.94	40.46	26.37
20.	41	Land Management	-	-	-	7.20
21.	48	Horticulture	1.86	0.06	1.82	1.02
22.	57	Urban Development	133.71	96.03	37.68	78.62
23.		Public Debt	228.24	166.64	61.60	2.91
TOTAL			1632.12	1171.86	460.27	254.92

In 4 cases, as shown in **Table 2.8** below, the supplementary provision of ₹ 59.69 crore proved insufficient by more than ₹ one crore in each case, leaving an aggregate excess expenditure of ₹ 62.62 crore over the supplementary provision.

Table-2.8: Cases of Insufficient Supplementary Provisions

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
REVENUE – VOTED						
1.	5 – Secretariat Administration	44.00	18.00	62.00	62.41	0.41
2.	13 – Directorate of Accounts	252.89	37.92	290.81	334.31	43.5
3.	43 – Fisheries	15.78	2.63	18.41	36.97	18.56
CAPITAL – VOTED						
4.	23 – Forests	1.19	1.14	2.33	2.48	0.15
TOTAL		313.86	59.69	373.55	436.17	62.62

2.3.8 Excessive/Unnecessary Re-appropriation of Funds

Re-appropriation is transfer of funds within a Grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are required. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh in each Sub-head of 151 Grants/Appropriations, as detailed in **Appendix 2.4**.

2.3.9 Unexplained Re-appropriation

According to the Budget Manual, reasons for additional expenditure and savings should be explained in the Re-appropriation Statement and vague expressions such as “less requirement of funds”, “requirement of more funds,” etc., should be avoided. Scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of some cases, reasons given for additional provision/withdrawal of provision in the re-appropriation orders were release of additional funds by the Government of India for major works, non-receipt of funds from the Finance Department, non-completion of construction works in time, etc., while in most cases, vague expressions like, ‘based on actual requirement,’ etc., were shown as reasons for re-appropriation.

2.3.10 Substantial Surrenders

Substantial surrenders (cases where more than 50 *per cent* of the total provision was surrendered) were made in respect of seven Grants. Out of the total provision of ₹ 27.07 crore in these cases, ₹ 16.78 crore (61.99 *per cent*) was surrendered during the year, reasons for which were not stated. Details of such cases are given in **Table 2.9** below.

Table-2.9: Cases of Substantial Surrenders made during the year

<i>(₹ in crore)</i>					
Sl. No.	Grant No.	Name of Grant	Head of Account	Amount Surrendered	% of Surrender
1.	35	Information and Public Relations	07-4220-60-800-03	2.46	73.21
2.	45	Civil Aviation	3275-800-01	13.78	68.22
3.	55	State Lotteries	2075-103-01	0.54	57.45
TOTAL				16.78	61.99

2.3.11 Anticipated Savings not surrendered

As per the Budget Manual, spending Departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the end of Financial Year 2012-13, there were 64 Grants/Appropriations where there were savings (₹ 10 lakh and above in each case), but were not surrendered by Departments concerned. The amount involved in these cases was ₹ 1280.46 crore (**Appendix 2.5**). Out of the 64 cases, savings were more than ₹ one crore in 43 cases.

Similarly, out of total savings of ₹ 3281.22 crore under 43 Grants/Appropriations (where savings of ₹ 1 crore and above occurred in each Grant/Appropriation), an amount aggregating ₹ 2277.42 crore (69.41 *per cent* of total savings) was not surrendered, details of which are given in **Appendix 2.6**. Due to non-surrender of anticipated savings by Departments concerned, there was no scope on the part of the Finance Department to utilize the funds for other purposes.

2.3.12 Rush of Expenditure

Rush of expenditure at the end of the financial year can lead to infructuous, nugatory or ill-planned expenditure. As far as possible, Government expenditure is required to be evenly phased over the year. However, it was noticed that in 2012-13, compared to the total expenditure during the year, expenditure during the 4th quarter and in the month of March ranged between 33.25 *per cent* and 94.56 *per cent* and 21.34 *per cent* to 99.72 *per cent* respectively in case of 37 Major Heads of Account, as indicated in **Table 2.10**:

Table-2.10: Cases of Rush of Expenditure towards the end of the Financial Year

(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the Year	Expenditure during January - March 2013		Expenditure during March 2013	
			Amount	% of Total Expenditure	Amount	% of Total Expenditure
1.	2011	20.18	15.38	76.21	15.20	75.32
2.	2013	10.44	7.23	69.25	7.22	69.16
3.	2014	4.61	3.07	66.59	2.72	59.00
4.	2015	16.58	11.79	71.11	10.77	64.96
5.	2039	12.36	6.50	52.59	5.72	46.28
6.	2051	4.11	1.74	42.34	1.74	42.34
7.	2052	70.04	36.18	51.66	35.00	49.97
8.	2053	137.62	60.59	44.03	41.97	30.50
9.	2054	12.84	6.42	50.00	5.40	42.06
10.	2055	347.17	149.15	42.96	117.69	33.90
11.	2056	5.44	2.39	53.86	2.93	53.86
12.	2058	5.38	3.18	59.11	3.16	58.86
13.	2059	122.97	50.36	40.95	35.19	28.62
14.	2070	15.93	9.89	62.08	7.11	44.63
15.	2071	330.70	193.55	58.53	134.91	40.80
16.	2202	647.92	327.72	50.58	223.32	34.47
17.	2204	18.65	11.62	62.31	10.61	56.89
18.	2205	27.10	18.68	68.93	17.15	63.28
19.	2215	192.18	138.83	72.24	99.00	51.51
20.	2220	12.98	8.54	65.79	7.85	60.48
21.	2235	103.16	57.34	55.58	45.49	44.10
22.	2251	8.30	4.04	48.67	4.04	48.67
23.	2402	37.55	19.51	51.96	16.23	43.22
24.	2403	69.78	38.34	54.94	30.23	43.32
25.	2405	36.97	19.85	53.69	18.38	49.72
26.	2406	118.51	62.44	52.69	47.57	40.14
27.	2408	22.18	16.59	74.80	15.40	69.43
28.	2425	8.75	4.70	53.71	3.63	41.49
29.	2501	7.16	-	-	7.14	99.72
30.	2515	71.72	27.49	38.33	21.31	29.71
31.	2575	142.18	134.45	94.56	133.51	93.90
32.	2702	132.68	99.10	74.69	88.60	66.78
33.	2801	380.53	126.53	33.25	81.22	21.34
34.	3054	331.32	239.97	72.43	185.47	55.98
35.	3425	13.92	12.14	87.21	11.81	84.84
36.	3451	115.09	101.49	88.18	90.07	78.26
37.	3456	19.34	12.05	62.31	10.44	53.98

2.4 Non-reconciliation of Departmental Figures

2.4.1 Pending submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

Rules provide that draws through Abstract Contingent Bills (AC Bills) require presentation of Detailed Countersigned Contingent Bills (DCC Bills) to the Controlling Officer (CO) and transmission of the same to the Accountant General. A Certificate is also required to be attached to every AC Bill to the effect that DCC Bills have been submitted to the CO in respect of all 1 month old AC Bills (drawn more than a month before the date of the Bill).

Records available in respect of some Drawing & Disbursing Officers (DDOs)/COs revealed that from April 2009 onwards, 1138 DCC Bills amounting to ₹ 18.83 crore

were not furnished to the Accountant General as of March 2013. Thus, due to non-submission of DCC Bills, the actual expenditure against these drawls remained un-assessed, indicating a serious deficiency in control over expenditure. The year-wise position is given in **Table 2.11 below**.

Table-2.11
Position of Pending DCC Bills

Year	Number of Pending DCC Bills	AMOUNT (₹ in crore)
2010-11	482	11.04
2011-12	307	0.82
2012-13	162	4.63
TOTAL	951	16.49

2.5 Conclusion and Recommendations

In 2012-13, there were net savings of ₹ 3383.37 crore, which was the result of savings of ₹ 3446.01 crore, offset by excess of ₹ 62.65 crore. The excess of ₹ 62.65 crore needed to be regularized as per Article 205 of the Constitution. There were large persistent savings in 4 Grants for the last 5 years. There were instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the Financial Year was another chronic feature noticed in the overall Financial Management. In many cases, anticipated savings were not surrendered, leaving no scope for utilizing these funds for other development purposes. Detailed Bills were not submitted for a large amount of advances drawn on Abstract Contingent Bills.

Budgetary Controls should be strictly observed to strengthen Financial Management.