
Chapter-2

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

CHAPTER 2

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 amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue Expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

2.1.2 Audit of Appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whenever 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 and regulations and instructions.

2.2 Mechanism for Budget Management

As per Rule 52 of Bihar Budget Manual (as adopted by Jharkhand State), the Budget Estimates of the State are to be prepared in the form prescribed by the Finance Department. According to Rule 79 of the Budget Manual, the estimates under each Major Head prepared by the Controlling Officers of the different departments are to be examined by the Finance Department and compiled for presentation of the first edition budget to the Government. Rules regarding control over expenditure are embodied in the Jharkhand Financial Rules. As per Rule 112 of the Budget Manual of the State, all anticipated savings should be surrendered to the Government immediately when they are foreseen unless they are required to meet excesses over grant under some other units. No savings should be held in reserve for possible future excesses. Further, as per Rule 117 of Budget Manual in order to meet new specific items of expenditure or to cover probable excesses in the voted grant, supplementary grants should be obtained in consultation with the Finance Department.

We observed large savings and excesses over the grants during 2013-14, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 60 grants/appropriations is as given in **Table 2.1**:

Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Provisions during 2013-14

(₹ in crore)

	Nature of expenditure	Original/grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	27899.81	2114.18	30013.99	20823.17	(-)9190.82
	II Capital	6466.40	1394.26	7860.66	4923.59	(-)2937.07
	III Loans and Advances and Inter State Settlement	838.40	54.16	892.56	271.91	(-)620.65
	Total Voted	35204.61	3562.60	38767.21	26018.67	(-)12748.54
Charged	IV Revenue	2535.26	3.87	2539.13	2670.01	(+)130.88
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	1809.02	6.32	1815.34	1996.92	(+)181.58
	Total Charged	4344.28	10.19	4354.47	4666.93	(+)312.46
Grand Total		39548.89	3572.79	43121.68	30685.60	(-)12436.08

Source: Appropriation Accounts of Government of Jharkhand 2013-14

* The expenditure figures are gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 21.29 crore) and capital voted expenditure (₹ 201.09 crore).

Note: Expenditure was overstated to the extent of ₹ 560 crore drawn on AC bills during 2013-14 against which DC bills were not submitted as on 30 June 2014.

During 2013-14, the overall savings of ₹ 12,436.08 crore was the result of savings of ₹ 13,130.13 crore (₹ 9,572.41 crore in 55 grants and two appropriations under the Revenue Section and ₹ 3,557.73 crore in 30 Grants under the Capital Section), offset by excess of ₹ 694.05 crore in one Grant and two Appropriations.

The head-wise expenditure status was provided by the Accountant General (A&E), Jharkhand monthly to the State Government through Monthly Civil Accounts Statement and Monthly Appropriation Accounts. In spite of this, appropriate steps were not taken by the Government Departments to avoid large savings and excess expenditure over the grants. Out of 1,433 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2013-14, reasons for savings in 1,310 sub-heads and reasons for excesses in 53 sub-heads were not furnished by the departments.

2.4 Financial Accountability and Budget Management

2.4.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 45 cases (35 grants), savings aggregating ₹ 12,037.60 crore exceeded by ₹ 10 crore or more in each case and also by 20 per cent or more of the total provision as detailed in **Appendix 2.1**. Against the total savings of ₹ 13,130.13 crore, savings of ₹ 11,876.80 crore (90 per cent)¹ occurred in 26 cases relating to 23 Grants as indicated in **Table 2.2**.

¹ Exceeding ₹ 100 crore in each case.

Table 2.2: List of Grants with savings of ₹ 100 crore and above*(₹ in crore)*

Sl. No.	No. and name of the Grant/Appropriation	Original	Supplementary	Total	Actual expenditure	Savings
Revenue-Voted						
1	1-Agriculture and Sugarcane Development Department	939.41	43.34	982.75	416.22	566.53
2	10-Energy Department	1753.65	501.31	2254.96	1536.82	718.14
3	18-Food, Public Distribution and Consumer Affairs Department	994.33	149.87	1144.20	573.65	570.55
4	20- Health, Medical Education and Family Welfare Department	1133.20	4.56	1137.76	966.63	171.13
5	21-Higher Education	662.98	0.00	662.98	491.78	171.20
6	22-Home Department	2786.70	99.67	2886.37	2684.80	201.57
7	23-Industries Department	290.94	1.04	291.98	171.18	120.80
8	26-Labour, Employment and Training Department	996.20	22.05	1018.25	710.13	308.12
9	35-Planning and Development Department	642.46	0.43	642.89	109.28	533.61
10	39-Disaster Management Department	458.76	5.30	464.06	316.07	147.99
11	40-Revenue and Land Reforms Department	397.17	0.28	397.45	271.78	125.67
12	42-Rural Development Department	756.60	0.27	756.87	538.76	218.11
13	48-Urban Development Department	1287.35	107.66	1395.01	493.84	901.17
14	51-Welfare Department	810.64	65.24	875.88	627.92	247.96
15	56- Panchayati Raj and National Rural Employment Programme (Special Division) Department	1627.28	665.65	2337.93	869.88	1468.05
16	58-Secondary Education	740.97	58.96	799.93	582.89	217.04
17	59-Primary and Public Education	4369.24	0.00	4369.24	2628.97	1740.27
18	60-Social Welfare, Women and Child Development Department	1233.96	2.42	1236.38	841.05	395.33
Capital-Voted						
19	8-Civil Aviation Department	0.00	279.99	279.99	110.00	169.99
20	10- Energy Department	766.88	0.00	766.88	175.34	591.54
21	20- Health, Medical Education and Family Welfare Department	291.80	26.75	318.55	166.18	152.37
22	41- Road Construction Department	1775.94	450.00	2225.94	1877.26	348.68
23	42-Rural Development Department	599.00	0.00	599.00	249.42	349.58
24	43-Science and Technology Department	170.15	0.00	170.15	52.56	117.59
25	49- Water Resources Department	1640.00	20.00	1660.00	529.04	1130.96
26	50-Minor Irrigation Department	298.60	20.30	318.90	126.05	192.85
Total		27469.21	2525.09	29994.30	18117.50	11876.80

Source: Appropriation Accounts of Government of Jharkhand

Further, in 117 sub-head/schemes under the above grants savings occurred (exceeding ₹ 20 crore and above in each case) aggregating ₹ 9,527.28 crore (73 per cent of total savings). Details of savings along with reasons for savings exhibited in the Appropriation Accounts 2013-14 are given in **Appendix 2.2**. Large savings may adversely affect implementation of the development programmes in the State.

2.4.2 Persistent savings

In 16 cases (15 departments), there were persistent savings of 10 per cent or more of the total grants in each case, during the last five years (**Table 2.3**).

Table 2.3: List of Grants indicating Persistent Savings during 2009-14

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	178.10(44)	181.21(39)	228.82(35)	264.25(37)	566.53(58)
2	2-Animal Husbandry Department	54.21(27)	46.11(22)	31.52(23)	35.50(22)	35.53(22)
3	17- Finance (Commercial Tax) Department	3.79 (11)	8.27 (17)	11.24 (18)	27.17 (38)	8.18(13)
4	18- Food, Public Distribution and Consumer Affairs Department	98.68 (28)	84.27 (13)	168.00 (15)	307.90 (28)	570.55(50)
5	19- Forest and Environment Department	61.60 (23)	68.35 (23)	52.20 (19)	48.17 (15)	60.50(18)
6	20-Health, Medical Education & Family Welfare Department	480.56(45)	178.41(21)	277.93(25)	326.13(53)	171.13(15)
7	23- Industry Department	73.27(32)	31.89(18)	157.41(45)	82.94(29)	120.80(41)
8	26- Labour, Employment and Training Department	162.39 (23)	148.44 (19)	193.07 (23)	232.43 (25)	308.12(30)
9	35- Planning and Development Department	72.02 (82)	14.00 (46)	291.78 (58)	594.38 (88)	533.61(83)
10	40-Revenue and Land Reforms Department	47.00 (17)	27.94 (11)	79.15 (24)	77.17 (23)	125.67(32)
11	43- Science & Technology Department	66.06(59)	51.83(41)	40.29(42)	37.03(40)	18.45(25)
12	49- Water Resources Department	57.85(22)	30.98(13)	83.77(27)	92.55(29)	85.14(26)
13	51- Welfare Department	304.76(28)	208.83(16)	309.14(33)	250.26(31)	247.96(28)
Capital-Voted						
14	10- Energy Department	383.67 (61)	132.56 (32)	1130.05 (87)	252.30 (32)	591.54(77)
15	41- Road Construction Department	230.19(31)	146.70(18)	899.94(53)	174.55(10)	348.68(16)
16	49- Water Resources Department	277.49(56)	153.71(40)	714.70(78)	1232.85(74)	1130.96(68)

Figures in bracket indicate percentage of savings with respect to total grant

Source: Appropriation Accounts

It may be seen from the above table that large savings continued over the years indicating improper estimation under the Grants. Further, details of savings in some major schemes under four Departments performing Social and Economic Services mentioned in the above table are discussed below:

Grant No. 18 - Food, Public Distribution and Consumer Affairs Department

Large savings occurred under 'Mukhyamantri Khadyanna Sahayata Yojna', 'Mukhyamantri Dal-Bhat Yojna', 'Above Poverty Line (APL) Scheme' and 'Computerisation Yojna' in the State as shown in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-102-13)	0.00	0.00	235.83	84.47 (36)	126.23	22.03(17)
2	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-789-13)	0.00	0.00	84.49	24.49 (29)	54.10	9.58(18)
3	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-796-13)	0.00	0.00	335.36	88.52 (26)	206.06	41.02(20)
4	Mukhyamantri Dal-Bhat Yojna (3456-00-102-23)	2.75	1.16(42)	4.45	0.93(21)	7.83	4.12(53)
5	Mukhyamantri Dal-Bhat Yojna (3456-00-789-23)	1.08	0.41(38)	1.67	0.44(26)	1.97	1.09(55)
6	Mukhyamantri Dal-Bhat Yojna (3456-00-796-23)	4.28	1.44(34)	6.83	2.70(40)	8.05	3.64(45)
7	APL Scheme (3456-00-102-16)	8.62	7.93 (92)	9.24	9.09 (98)	16.60	16.44 (99)
8	APL Scheme (3456-00-789-16)	2.11	2.06 (98)	2.40	2.39 (99)	1.22	1.20 (98)
9	APL Scheme (3456-00-796-16)	5.74	4.71 (82)	6.81	6.34 (93)	4.57	3.79 (83)
10	Computerisation Yojna (3456-00-102-27)	0.00	0.00	13.82	12.60 (91)	34.86	34.62 (99)
11	Computerisation Yojna (3456-00-789-27)	0.00	0.00	4.76	4.74 (99)	3.96	3.87 (98)
12	Computerisation Yojna (3456-00-796-27)	0.00	0.00	18.00	16.86 (94)	22.13	19.74 (89)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2011-12, 2012-13, 2013-14.

During 2012-13 savings occurred under 'Mukhyamantri Khadyanna Sahayata Yojna' 'APL Scheme' and 'Computerisation Yojna' due to non-receipt of allotted funds from Central Government, lifting of less food grains and less sanction of funds for Public Distribution System computerisation by the Central Government respectively. Reasons for savings in other cases during the last two/three years were not intimated by the department.

Grant No. 26- Labour, Employment and Training Department

Significant savings occurred in 'National Health Insurance Scheme' and 'Indira Gandhi National Handicapped Pension Scheme' during last three years. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14	
		Budget	Savings	Budget	Savings	Budget	Savings
1	National Health Insurance Scheme (2230-01-103-10)	12.00	7.74 (66)	10.00	8.30 (83)	8.00	4.02(50)
2	National Health Insurance Scheme (2230-01-789-10)	6.00	4.11 (69)	5.00	2.35(47)	4.00	2.04(51)
3	National Health Insurance Scheme (2230-01-796-10)	12.00	5.17 (43)	10.00	8.25 (83)	0.00	0.00
4	Indira Gandhi National Handicapped Pension Scheme (2235-03-101-06)	6.96	3.12 (45)	4.83	1.00(21)	7.42	2.11(28)
5	Indira Gandhi National Handicapped Pension Scheme (2235-03-789-06)	4.26	2.99 (70)	2.35	1.08(46)	3.09	1.40(45)
6	Indira Gandhi National Handicapped Pension Scheme (2235-03-796-06)	11.22	8.21 (73)	6.18	3.53(57)	8.65	5.08(59)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2011-12, 2012-13 and 2013-14.

Reason for savings during 2011-12 and 2012-13 under 'National Health Insurance Scheme' was given as non-preparation of Smart Cards. In other cases reasons for savings were not intimated by the department.

Grant No. 35 Planning and Development Department

Significant savings occurred in 'Mukhyamantri Lakshmi Ladli Yojna' during 2011-12 to 2013-14 as shown below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Lakshmi Ladli Yojna (2235-02-102-01))	54.44	43.80(80)	143.87	118.01(82)	75.63	39.70(52)
2	Mukhyamantri Lakshmi Ladli Yojna (2235-02-796-01))	54.00	40.94(76)	144.00	118.35(82)	75.71	42.70(56)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2011-12, 2012-13 and 2013-14.

The reasons for savings in the above cases were not intimated by the department.

Grant No. 42 Rural Development Department

Significant savings were noticed in 'Swarnajayanti Gram Swarojgar Yojna Scheme' and 'Indira Awas Yojna Scheme for General' during 2011-12, 2012-13 and 2013-14 as well as 'Adarsh Gram Yojna' during 2012-13 and 2013-14. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-789-05)	19.08	9.89(52)	20.40	14.90(73)	13.95	8.74(63)
2	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-796-05)	25.30	6.91(27)	26.64	16.92(64)	28.80	19.89(69)
3	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-800-05)	19.80	9.04(46)	36.26	36.26(100)	39.20	21.24(54)
4	Swarnajayanti Gram Swarojgar Yojna (2501-06-796-01)	34.43	22.08(64)	29.42	18.99(65)	11.78	4.21(36)
5	Swarnajayanti Gram Swarojgar Yojna (2501-06-800-01)	21.39	15.68(73)	35.78	28.26(79)	11.77	8.91(76)
6	Indira Awas Yojna Scheme for General (2505-01-796-02)	69.00	24.78(36)	54.00	12.83(24)	59.40	8.05(14)
7	Indira Awas Yojna Scheme for General (2505-01-702-02)	54.00	12.48(23)	73.50	35.02(48)	80.85	38.77(48)
8	Adarsh Gram Yojna (2515-00-102-28)	0.00	0.00	29.40	12.09(41)	22.05	18.38(83)
9	Adarsh Gram Yojna (2515-00-789-28)	0.00	0.00	9.00	3.65(41)	6.75	5.37(80)
10	Adarsh Gram Yojna (2515-00-796-28)	0.00	0.00	21.60	8.59(40)	16.20	11.89(73)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2011-12, 2012-13 and 2013-14.

During the last three years, no reasons for savings under the schemes were furnished by the department.

2.4.3 Advances from Contingency Fund

The Contingency Fund of the State was established under Section 4 of Jharkhand Contingency Fund Act 2001 in terms of the provisions of Article 267(2) and 283 (2) of the Constitution of India. Advances from the Fund are to be given only for meeting expenditure of unforeseen and emergent character, postponement of which, till authorisation by the Legislature, would be undesirable. The corpus of the fund in the State is ₹ 150 crore.

Review of relevant records revealed that the advances from Contingency Fund were made to meet expenditure which was neither unforeseen nor of emergent nature. On 45 occasions ₹ 336.33 crore was withdrawn during 2013-14. However, the total withdrawal from the fund during 2013-14 was recouped during the year. Details of some cases are given in the **Table 2.4** below:

Table 2.4: Expenditure from Contingency Fund of the State

Sl.No.	Head of account	Detail of work	Amount of Advance (₹ in lakh)
1	2011-02-101-06	Pay & Allowance of Leader of Opposition Party	50.00
2	2011-02-103-01	Purchase of New Motor Vehicles	23.00
3	2045-00-103-03	Pay and Allowance	10.52
4	2051-00-103-01	Pay and Allowance	15.55
5	2052-00-090-07	Pay and Allowance	32.00
6	2059-80-001-01	Pay and Allowance	7.21
7	2070-00-104-01	Tender Allowance	13.92
8	2071-01-117-03	Grants-in-aid to Contributory Pension Scheme	3000.00
9	2406-01-105-38	Purchase of New Motor Vehicles	110.89
10	2406-01-796-13	Wages (Supply & Materials)	352.17
11	2515-00-001-79	Grants-in-aid (Non-Salary)	4500.00
12	2515-00-796-79	Grants-in-aid (Non-Salary)	9000.00
13	2515-00-789-79	Grants-in-aid (Non-Salary)	1500.00
14	2851-00-001-01	Pay and Allowance	39.34
15	3451-00-090-07	Professional Service	500.00
16	3451-00-090-01	Pay and Allowance	65.00
Total			19219.60

Source: Information compiled by office of the Accountant General (A&E) Jharkhand

The above mentioned expenditure does not meet the criteria for drawal from Contingency Fund as these expenditure are not of an unforeseen or of an emergent character. Thus, these should have been postponed till authorisation by the Legislature of the State.

2.4.4 Excess over provisions during 2013-14 requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature.

Table 2.5 contains the summary of total excess in two appropriations and one grant amounting to ₹ 694.05 crore over and above authorisation from the Consolidated Fund of the State by the State Legislature during 2013-14, which requires regularisation under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularisation during 2013-14
 (₹ in crore)

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
Charged Appropriation				
1.	13- Interest Payment	2475.02	2614.44	139.42
2	14-Repayment of Loans	1815.34	1996.92	181.58
Voted Grant				
3	15-Pension	3111.26	3484.31	373.05
Total		7401.62	8095.67	694.05

Source: Appropriation Accounts of Government of Jharkhand 2013-14

Excess expenditure in the above grants amounting to ₹ 694.05 crore, was incurred in excess of budget provision under different sub-heads of the grants.

2.4.5 Excess over provisions relating to previous years requiring regularisation

Excess expenditure over provisions, amounting to ₹ 9,803.97 crore for the years 2001-02 to 2012-13, was yet to be regularised (October 2014) under Article 205 of the Constitution as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.6**. Non-regularisation of the excess over grants/appropriations over the years is a breach of legislative control over appropriations.

Table 2.6: Excess relating to previous years requiring regularisation
 (₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	3, 25, 32		0.04
2002-03	10, 32	13,14	1241.49
2003-04	10, 39,46	13,14	937.25
2004-05	23,39,40	13,14	576.07
2005-06	10, 29	13	3121.47
2006-07	38	13,14	1245.87
2007-08	15	14	334.44
2008-09	12	14	228.89
2009-10		14	116.71
2010-11	15	13,32	318.40
2011-12	15,25	14	420.16
2012-13	7,15,42	14	1263.18
Total			9803.97

Source: Appropriation Accounts of Government of Jharkhand

2.4.6 Avoidable/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 1,907.43 crore obtained in 47 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in *Appendix 2.4*. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and huge savings occurred under these sub-heads.

2.4.7 Excessive/insufficient re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional

funds are needed. Injudicious re-appropriation under 26 sub-heads during 2013-14 as detailed in **Appendix 2.5** proved excessive or insufficient. Under 24 schemes/sub-heads, additional funds of ₹ 19.36 crore were provided through re-appropriation leading to savings of ₹ 15.70 crore under the same while in two schemes/sub-heads ₹ 0.56 crore were re-appropriated to other schemes/sub-heads, though there was excess expenditure of ₹ 5.66 crore in those schemes/sub-heads at the end of year.

2.4.8 Anticipated savings not surrendered

As per Rule 112 of the Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Out of total savings of ₹ 13,130.13 crore during 2013-14 significant savings (₹ one crore and above in each grant/appropriation) aggregating to ₹ 11,505.90 crore occurred under 42 grants/ appropriations. Of these, a total of ₹ 8,731.52 crore (66 *per cent* of the total savings) were not surrendered, details of which are given in **Appendix 2.6**.

Besides, in 26 cases, where the surrender of funds was in excess of ₹ Five crore each, ₹ 1,519.89 crore was surrendered on the last two working days of March 2014 (**Appendix 2.7**), leaving no scope for utilisation of these funds for other developmental purposes. This indicated poor financial control.

2.5 Rush of expenditure

According to Rule 113 of the Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. Contrary to this, in respect of 20 heads of accounts listed in **Appendix 2.8**, expenditure (exceeding ₹ 20 crore in each case) incurred in the last quarter of the year 2013-14 was more than 50 *per cent* of the total expenditure of the year.

It was noticed that entire expenditure during the year under the Major Heads '2810-Non-Conventional Sources of Energy for New and Renewable Energy' (₹ 11.87 crore) and '4404-Share Capital to Milkfed under Dairy Development' (₹ 10.00 crore) was incurred in the month of March 2014.

2.6 Non-reconciliation of Departmental figures

Though non-reconciliation of departmental figures by Controlling Officers (COs) with the books of the Accountant General (A&E) was pointed out regularly in our Audit Reports, the irregularities continued to persist during 2013-14. It was noticed that against the total receipts of ₹ 30,863.02 crore during 2013-14, a total amount of ₹ 12,792.03 crore (41.45 *per cent*) was not reconciled. Similarly, out of total expenditure of ₹ 30,463.22 crore during the year 2013-14, an expenditure of ₹ 17,947.18 crore (58.91 *per cent*) was not reconciled with the books of the Accountant General (A&E), Jharkhand as of 15 June 2014. Un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 17,380.93 crore during 2013-14 is given in **Appendix 2.9**.

Due to non-reconciliation of departmental figures with the books of the Accountant General (A&E), chances of misclassification of expenditure and receipts could not be ruled out.

2.7 Deficiencies in Budgetary Controls in Grant No. 20 Health, Medical Education and Family Welfare Department

A review of Budgetary process of Grant No. 20 – Health, Medical Education and Family Welfare Department for the year 2013-14 was conducted. This Grant contains three² Revenue Major Heads of Accounts and one Capital³ Major head. Audit scrutinized records of 31 units covered under the Grant.

Important observations are summarised below:

2.7.1 Non-adherence to prescribed schedule

Rule 62 of the Bihar Budget Manual (as adopted by Jharkhand) provides schedule for preparation of Budget Estimates. During review of Grant No. 20 we observed that though the Finance Department (FD) issued instructions to Health, Medical Education and Family Welfare Department (Department) on 16 November 2012 to send copy of prepared Budget Estimates (BE) and Comprehensive Outlay of Budget Transaction (COBT) for the year 2013-14 to the FD by 24 December 2012, the same were sent to Finance Department on 01 February 2013 after a delay of 38 days. Scrutiny of 31 units⁴ revealed that 11 units have submitted the BE with a delay ranging from two days to 26 days to the department where as six units failed to submit the BE to the department, six units did not produced BE file to audit and only eight units submitted the BE timely. Thus, the department did not adhere to the submission schedule.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that COBT was prepared on the basis of Budget Estimate received from all field offices.

Reply was not convincing as six test checked field units had not submitted Budget Estimate (Plan) for 2013-14.

2.7.2 Inflated Budget Estimate

Rule 131 of the Budget Manual states that the estimating officers should provide for everything that can be foreseen to the extent as much as is necessary in the budget. Further, Rule 132 provides that there should be little possibility of normal expenditure differing widely from the budget provision.

² Major Head 2210-Medical and Public Health, 2211-Family Welfare and 2251-Secretariat-Social Services

³ Major Head 4210-Capital Outlay on Medical and Public Health

⁴ **Office of the:** National Rural Health Mission (Jharkhand), Director in Chief, Director Drugs, Director Food, Director AYUSH, Director RIMS, Director RINPAS and JMHDPCCL.

Divisions under Health, Medical Education and Family Welfare Department: EE Kolhara (Chaibasa), EE North Chhotanagpur (Hazaribagh) and EE South Chhotanagpur (Ranchi)

Civil Surgeon Office: Ranchi, Jamshedpur, Dhanbad, Hazaribagh and Chaibasa

Superintendent Office: Dhanbad (PMCH), Jamshedpur (MGMMCH), Ranchi, Hazaribagh and Chaibasa.

ACMO Office: Ranchi, Hazaribagh, Jamshedpur, Dhanbad and Chaibasa

RCH Office: Ranchi, Hazaribagh, Jamshedpur, Dhanbad and Chaibasa.

- It was observed that out of total budget provision of ₹ 1,456.31 crore for the year 2013-14, an expenditure of ₹ 1,132.81 crore (77.79 *per cent*) was incurred by the department. Out of total savings of ₹ 323.50 crore (22.21 *per cent*), ₹ 287.99 crore lapsed and ₹ 35.51 crore was surrendered. Analysis of Appropriation Accounts 2013-14 revealed that entire budget provisions under 34 sub-heads (out of 136) aggregating to ₹ 47.76 crore remained unutilised (**Appendix 2.10**) and eventually surrendered or lapsed.

We also observed that the department had persistent savings of ₹ 265.01 crore (24.72 *per cent*), ₹ 455.65 crore (31.74 *per cent*) and ₹ 586.65 crore (38.27 *per cent*) respectively against the provision during the years 2010-11, 2011-12 and 2012-13 as detailed in **Appendix 2.11**.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that during 2013-14 funds were surrendered due to prohibition on important decision in the light of Lok Sabha Election. For the years 2010-11, 2011-12 and 2012-13 no specific reasons were provided by the department.

Further, audit scrutiny of 31 units revealed following deficiencies in Budget estimate:

- **Avoidable Budget provision for vacant posts:** Rule 55 (1) of the Budget Manual provides that budget should be made only for men on duty.

Scrutiny of budget files of five out of 31 field units test checked (**Appendix 2.12**) for the year 2013-14 revealed that budget provision of ₹ 7.47 crore were made for 225 vacant posts which remained unutilized and ultimately resulted in savings of ₹ 7.47 crore.

While accepting the fact the Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that special attention would be given in future.

- **Excess allotment against demand:** In the BE for the year 2013-14, against the demand of ₹ 3.60 lakh, ₹ 16.38 lakh and ₹ nil, respectively raised by the offices of Superintendent, Sadar Hospital, Ranchi, Superintendent, Patliputra Medical College and Hospital (PMCH), Dhanbad and Superintendent, Mahatma Gandhi Memorial Medical College and Hospital (MGMMCH), Jamshedpur, fund of ₹ 20.00 lakh, ₹ 40.00 lakh and ₹ 40.00 lakh respectively were allotted by the department under detailed head “50-Stipend”. Thus excess allotment of fund by the department to the units resulted in surrender of ₹ 80.02 lakh.

While accepting the fact the Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that the matter has been noted for future.

- **Avoidable/Irregular Budget Provision for construction of already existing Health Sub-Centres and Panchkarm Therapy Centres:**
 - Analysis of surrender report of Executive Engineer, North Chhotanagpur Division, Hazaribagh revealed that though there was no demand by the unit, a provision of ₹ 1.06 crore was made in the budget

for construction of four already existing health sub-centres by the department. The irregular allotment without demand and assessment of requirement resulted into non-utilisation and surrender of the entire funds.

- Scrutiny of allotment letter revealed that a sum of ₹ 2.04 crore was sanctioned on 15 February 2014 and released on 20 February 2014 to the Director, AYUSH to establish Panchkarm Therapy Centre at 12 districts. Allotment letter instructed the Director AYUSH to form a Committee to adjudge the requirement of machines, tools, medicines etc. The said fund remained unutilised as the post of Director, AYUSH was vacant since October 2013 to June 2014. Thus, the department did not assess the condition for implementation of the scheme prior to the allotment of the fund which resulted in its eventual surrender.

While accepting the facts, the Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that the matter has been noted for future.

2.7.3 Injudicious supplementary provision

As per Rule 115 of Budget Manual, Supplementary demands are undesirable in principle and a free resort to them inevitably leads to laxity in budgetary control. Their admissibility, apart from the question of the actual provision of funds, would, therefore, be closely scrutinized. The justification of a supplementary demand should rest upon circumstances which are exceptional.

We observed that during the year 2013-14 ₹ 31.31 crore was provided through Supplementary grants in anticipation of expenditure. Out of the total supplementary grants, provision of ₹ 14.39 crore made under 16 sub-heads (**Appendix 2.13**) proved unjustified as the final expenditure under these heads was less even than the Original provisions in Budget Estimate.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated that special attention would be given on this matter in future.

2.7.4 Late release of funds

A sum of ₹ 6.78 lakh for the construction of Maternity and Child Health Centre sanctioned by the department on 12 January 2013 and allotted to the Executive Engineer North Chhotanagpur Division, Hazaribagh on 29 March 2014 was received by the unit only on 31 March 2014. The entire allotment remained unutilised as the fund was released and received late. While accepting the fact the Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that the matter has been noted for future.

2.7.5 Rush of Expenditure

As mentioned in Para 2.5, under Rule 113 of Budget Manual, rush of expenditure particularly in the closing month should be avoided.

We observed that during the year 2013-14 under 26 sub-head (out of 136) expenditure of ₹ 141.24 crore (76 *per cent*) out of total expenditure of ₹ 187.52 crore was incurred in the month of March 2014 (**Appendix 2.14**).

Further Scrutiny of monthly accounts and Budget Control Register of the 11 units⁵ revealed that expenditure of ₹ 38.07 crore (ranging from 27 to 100 *per cent*) out of total expenditure of ₹ 98.21 crore in these units during 2013-14 was spent in the month of March 2014 (**Appendix 2.15**). Huge expenditure in the last month of the year was contrary to the provision of Rule 113 of Budget Manual.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that field offices were being directed in this regard.

2.7.6 Non-reconciliation of departmental expenditure figures

Rule 134 of Budget Manual, requires Departmental Accounts to be reconciled with Accountant General's book on monthly basis to avoid chances of misclassification of expenditure and receipts.

We observed that out of total expenditure of ₹ 1,132.81 crore during the year 2013-14, the Department reconciled a sum of ₹ 9.81 crore (0.86 *per cent*) only as of August 2014. Thus, expenditure of ₹ 1,123.00 crore remained unreconciled in contravention of the Rule cited above (**Appendix 2.16**).

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that field offices were being directed in this regard.

2.7.7 Funds drawn and kept in bank accounts and Personal Ledger (PL) Account

Rule 300 of Jharkhand Treasury code (JTC) as adopted by the State stipulates that no money should be withdrawn from treasury unless it is required for immediate payment. It is not permissible to draw advances in anticipation of demands from the Treasury either for the execution of works, the completion of which is likely to take a considerable time or to prevent the lapse of appropriations. Rule further stipulates that if money is drawn in advance, the unspent balance of the amount so drawn should be refunded to the treasury by short drawal in the next bill or with a challan at the earliest possible opportunity and in any case before the end of financial year in which the amount was drawn.

- Scrutiny of records of 2013-14 revealed that against the sanction/allotment order of the department, the Director-in-Chief withdrew ₹ 27.00 crore through AC bills and transferred (between December 2013 to March 2014) the funds to the Jharkhand Medical & Health Infrastructure Development & Procurement Corporation Ltd (JMHDPCCL) for purchase of Medicines, equipments etc. JMHDPCCL parked the amount in four bank accounts and did not incur expenditure as of July 2014. Thus, the entire fund ₹ 27.00 crore was not intended for immediate disbursement and was parked outside Government accounts.

⁵ (i) EE, South Chhotanagpur Division, (ii) EE, North Chhotanagpur Division, (iii) EE, Kolhan Division, (iv) RINPAS, (v) Superintendent, Sadar Hospital, Ranchi, (vi) C S cum CMO, Ranchi, (vii) RIMS, (viii) Superintendent, Sadar Hospital, Hazaribagh, (ix) C S cum CMO, Jamshedpur, (x) MGMMCH, Jamshedpur and (xi) C S cum CMO, Chaibasa.

- During 2013-14, Rajendra Institute of Medical Science (RIMS) received (27 March 2014) Grants-in-aid of ₹ 20.00 crore for development works through State Plan Budget. The entire amount was deposited in PL Account (28 March 2014) and remained unutilised as of July 2014.

Thus provision of fund of ₹ 47.00 crore in above cases was not immediately required and was parked in Bank Account/PL Account in violation of provision of JTC code which showed deficiency in budgetary control by the department.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that purchase was under process and Director, RIMS was directed for necessary action.

2.7.8 Non-submission of DC bills

Rule 320 of JTC states that DC bill (in T.C. form 39) supported with sub-vouchers and countersigned by the Controlling Officer is required to be submitted to the Accountant General (A&E) not later than 25th of the month following that to which they relate.

During 2013-14 we observed that a sum of ₹ 50.24 crore was withdrawn through AC bills in the Department against which DC bills amounting ₹ 62.18 lakh only were submitted as of September 2014, leaving a outstanding balance of ₹ 49.61 crore (*Appendix 2.17*). We observed in six test checked units that DC bills were not submitted due to non-utilisation of funds and non-submission of vouchers by various beneficiary hospitals.

Non-submission of DC bills in time in contravention of the provisions of the JTC reflected weak monitoring and deficiency in Budgetary control by the Department.

The Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that field offices were being directed to submit DC Bills.

2.7.9 Irregular drawal of fund

Under Rule 318 of JTC, contingent charges requiring countersignature by the Controlling Officers after payments can be drawn as an advance from the Treasury in an AC Bill (Form T.C. 38) without any supporting voucher. The expenditure is debited under the relevant service head. Under Rule 320 and Rule 322, DC Bill (in Form T.C. 39) supported with sub-vouchers and countersigned by the Controlling Officers is required to be submitted to the Accountant General (A&E) not later than 25th of the following month. As per sanction order of the department, medical assistance fund under *Asadhya Rog* for BPL family scheme were to be drawn in AC Bills.

During scrutiny of files we observed that on the basis of instructions in the sanction order, out of allotment of ₹ 9.46 crore a sum of ₹ 2.98 crore was withdrawn from Treasury by four units through bills prepared in Form T.C. 37 and Form T.C. 76 (used for drawal of fully vouched contingent bill and drawal of Loans and Advances respectively) instead of prescribed Form T.C. 38. Thus drawal of funds in Form T.C. 37 and Form T.C. 76 was irregular as the funds drawn were neither fully vouched contingent bills nor an advance and it also bypassed a procedural requirement under Rule 318,

thereby making the system vulnerable to misappropriation as there was no requirement to submit detailed contingent bills supported with sub-vouchers countersigned by Controlling Officers against the funds drawn on Form T.C. 37 and T.C. 76.

While accepting the fact, the Joint Secretary, Health, Medical Education and Family Welfare Department stated (October 2014) that the matter was noted for future and field offices were being directed to draw AC bills in proper form and thereafter submit DC bills.

2.8 Conclusion and Recommendations

Large Savings due to improper Budget estimation

- There were large savings of ₹ 13,130.13 crore (30 *per cent*) against total budget provision of ₹ 43,121.68 crore during 2013-14 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 15 departments performing Social and Economic Services.

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised.

Advances from Contingency Fund

- Advances amounting ₹ 336.33 crore on 45 occasions were withdrawn from Contingency Fund during 2013-14 to meet expenditure which was neither unforeseen nor of emergent nature.

Advances from the Contingency Fund should be given only for meeting expenditure of unforeseen and emergent character.

Excess over provisions during 2013-14 requiring regularisation

- Excess expenditure of ₹ 694.05 crore was incurred over provisions during 2013-14, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure occurred during 2001-2013 was yet to be regularised.

Regularisation of excess expenditure in the current year and as well as that occurred in the previous years should be given priority.

Non-reconciliation of Departmental figures

- The Controlling Officers did not reconcile 59 *per cent* of total expenditure and 41 *per cent* of total receipts of the departments with the books of the Accountant General (A&E), Jharkhand during 2013-14.

Controlling officers should reconcile their expenditure and receipts figures every month with those in the books of the Accountant General (A&E).

Deficiencies in Budgetary Controls in Health, Medical Education and Family Welfare Department

- The Health, Medical Education and Family Welfare Department was not following the provisions of the Budget Manual resulting in lack of budgetary control in the Department.

The Health, Medical Education and Family Welfare Department should adhere to the provisions of the Budget Manual by adopting budget monitoring system in the Department.