

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 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-a-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of the 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 by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and whether 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 law, relevant rules and regulations and instructions.

2.1.3 The Finance Department of the State Government is responsible for preparation of the annual budget by obtaining estimates from various Departments. The Departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of Departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees *etc.*

Deficiencies in financial management and budgetary control are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 85 grants/appropriations is as given in **Table 2.1:**

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary Provisions

(₹ in crore)						
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	7189.33	859.15	8048.48	6452.50	-1595.98
	II. Capital	2045.60	329.72	2375.32	1479.96	-895.36
	III. Loans and Advances	3.38	0	3.38	2.92	-0.46
Total voted		9238.31	1188.87	10427.18	7935.38	-2491.80
Charged	I. Revenue	1011.00	9.34	1020.34	1045.78	25.44
	II. Capital	0	3.05	3.05	1.74	-1.31
	III. Public Debt	420.77	0	420.77	1432.82	1012.05
Total Charged		1431.77	12.39	1444.16	2480.34	1036.18
Grand Total		10670.08	1201.26	11871.34	10415.72	-1455.62

(Source: Appropriation Accounts of the State Government)

Note: The expenditure includes the recoveries of revenue expenditure amounting to ₹ 88.03 crore and capital expenditure amounting to ₹ 47.59 crore adjusted as reduction of expenditure.

Supplementary provisions of ₹ 1,201.26 crore obtained during the year constituted 11.25 per cent of the original provision.

The overall savings of ₹ 1,455.62 crore were the result of savings of ₹ 2,616.85 crore in 82 grants and three appropriations under the Revenue Section and 65 grants under the Capital Section and one appropriation (Public Debt-Repayments) offset by an excess of ₹ 1,161.23 crore in one grant and one appropriation.

As may be seen from **Table 2.1**, against the original provision of ₹ 10,670.08 crore, expenditure of only ₹ 10,415.72 crore was incurred. The actual savings of ₹ 1,455.62 crore, constituted 100 per cent of the supplementary grant of ₹ 1,201.26 crore and two per cent of the original grant.

2.3 Financial Accountability and Budget Management

2.3.1 Excess over provisions relating to previous years 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. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion on the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 178.81 crore for the years 2008-09 to 2013-14 was still to be

regularised. The year-wise amount of excess expenditure pending regularisation for grant/appropriations are summarised in **Table 2.2**.

Table 2.2: Excess over provisions relating to previous years requiring regularisation
(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2008-09	2	-	0.01	Partially regularised ¹
2009-10	-	1	7.57	Partially regularised ²
2010-11	1	1	2.74	Yet to be discussed by PAC
2011-12	-	1	18.88	Yet to be discussed by PAC
2012-13	-	1	52.10	Yet to be discussed by PAC
2013-14	2	2	97.51	Yet to be discussed by PAC
Total	5	6	178.81	

(Source: Appropriation Accounts of the State)

Non-regularisation of the excess over grant/appropriation over the years is a breach of legislative control over grants/appropriation.

2.3.2 Excess over provisions during 2014-15 requiring regularisation

During 2014-15, excess expenditure was incurred in one appropriation and three grants over the amount authorised by the legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The details are given in **Table 2.3**.

Table 2.3: Excess over provisions requiring regularisation during 2014-15
(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	A-2 Appropriation-Debt Services (Revenue-Charged)	1010.19	1037.53	27.34
	A-2 Appropriation-Debt Services (Capital-Charged)	420.77	1432.82	1012.05
2	8 Treasury and Accounts Administration (North Goa) (Revenue-Voted)	578.70	700.54	121.84
	Total	2009.66	3170.89	1161.23

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations-Debt Services was mainly due to the increased expenditure on interest payments towards

¹Public Accounts Committee (PAC) recommended (Report No.71, pertaining to Audit Report 2008-09) for regularisation of excess expenditure of ₹ 1,22,193 incurred by Art and Culture, Grant no. 43

²PAC recommended (Report No.72, pertaining to Audit Report 2009-10) for regularisation of excess expenditure of ₹ 30,721 incurred by District and Sessions Court, South Goa, Grant no. 4

General Provident fund, aided school teachers and employees Provident fund, Goa University and Non Government PF and Defined Contribution Pension System *etc.*, which needs to be regularised.

The reasons for excess expenditure incurred in respect of Treasury and Accounts Administration, North Goa were not explained in Appropriation Accounts.

2.3.3 Appropriations vis-à-vis allocative priorities

Appropriation audit revealed that in 73 cases, savings exceeded ₹ two crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). A list of grants where savings exceeded ₹ 50 crore and also by more than 20 *per cent* of the total provision is given in **Table 2.4**.

Table 2.4: List of grants with savings of ₹ 50 crore and above also by more than 20 *per cent* of the total provision

(₹ in crore)

Sl. No.	No. and Name of grant	Original	Supplementary	Total	Actual Expenditure	Savings	Savings in <i>per cent</i> to total provision
REVENUE (VOTED)							
1	13- Transport	121.37	27.80	149.17	90.15	59.02	40
2	19- Industries Trade and Commerce	78.96	-	78.96	10.68	68.28	86
4	31- Panchayat	131.98	9.50	141.48	70.56	70.92	50
7	55- Municipal Administration	186.37	2.00	188.37	58.31	130.06	69
8	64- Agriculture	153.13	5.00	158.13	94.70	63.43	40
9	83 -Mines	162.20	250.00	412.20	47.98	364.22	88
CAPITAL (VOTED)							
11	21- Public Works Department	469.09	31.00	500.09	330.49	169.60	34
12	32- Finance	260.00	120.00	380.00	280.00	100.00	26
13	76- Electricity	208.44	28.00	236.44	168.79	67.65	29
14	81- Tribal Welfare	100.00	1.50	101.50	28.13	73.37	72
Total		1871.54	447	2346.34	1179.79	1166.55	

(Source: Appropriation Accounts of the State)

The reason furnished for unspent provisions under the major heads of account as reported in appropriation account are given below:

13-Transport – As against the original provision of ₹ 121.37 crore the expenditure incurred was only ₹ 90.15 crore (74.27 *per cent*). In spite of this, supplementary grant of ₹ 27.80 crore was also provided thereby resulting in unspent provision of ₹ 59.02 crore. The reason for saving were attributed to less receipt of bills on fuel, curtailment of domestic tours by staff, non-filling vacant posts *etc.*

19-Industries, Trade and Commerce – The grant closed with total saving of ₹ 68.28 crore out of a total provision of ₹ 78.96 crore. The reason for savings (86 *per cent*) was attributed to re-notification of subsidy schemes for industrial/investment policy, less reimbursement of taxes to village panchayats/municipalities, non-implementation of schemes *etc.*

31-Panchayats – Out of original provision of ₹ 131.98 crore expenditure incurred was only ₹ 70.56 crore (53 *per cent*). Further allotment of supplementary grant of ₹ 9.50 crore proved unnecessary. The saving occurred mainly under major head 2505- Rural Employment due to non approval for expenditure under Swarnajayanti Gram Rozgar Yojana scheme, non receipt of expenditure sanctions, less receipt of proposals for Goa Gram Samrudhi Yojana and other schemes. The other contributors to savings under major head 2515- Other Rural Development Programme were economy measures and less receipt of claims such as medical, leave travel concession.

55-Municipal Administration – Out of original provision of ₹ 186.37 crore the total expenditure was only ₹ 58.31 crore (31 *per cent*). The Supplementary provision of ₹ two crore proved unnecessary. The Savings occurred mainly due to surrender of funds under major head 2217- Urban Development due to non receipt of proposals from Goa State Urban Development Agency for various schemes and non receipt of proposals from several urban local bodies.

64-Agriculture – The original grant was ₹ 153.13 crore and expenditure incurred was only ₹ 94.70 crore (62 *per cent*). In view of this the supplementary grant of ₹ five crore proved unnecessary. The savings occurred mainly due to surrender of grants under major head 2401-Crop Husbandry which was due to increase in the market price above the cost fixed for support price and crop compensation, non-utilisation of funds by fisheries department in Rastriya Krishi Vikas Yojana and less receipt of claims.

83-Mines – As against the original grant of ₹ 162.20 crore (Revenue Voted) the expenditure incurred was only ₹ 47.98 crore (30 *per cent*) and the supplementary grant of ₹ 250 crore proved unnecessary. The saving was attributed to non filling of vacant posts and less receipts of claims.

21-Public Works Department - Under the capital head, against original provision of ₹ 469.09 crore total expenditure was only ₹ 330.49 crore (70 *per cent*). The supplementary grant of ₹ 31.00 crore proved unnecessary. The savings were mainly due to reduction in expenditure on major works.

32-Finance – 4075-Capital outlay on miscellaneous service- The total saving in the grant was ₹ 100 crore (Capital Voted). The savings in major head was due to less contribution to Goa State Infrastructure Development Corporation.

76-Electricity – 4801-Capital outlay on power projects-savings of ₹ 67.65 crore mainly attributed to non-submission of bill by contractors of underground cabling scheme and Restructured Accelerated Power Development and Reform Programme.

81-Tribal Welfare – 4225-Capital outlay on welfare of SCs, STs and OBCs – Savings was due to non-receipt of administrative approval from Government for construction of tribal bhavan, land acquisition for construction of houses for Scheduled Tribe people residing in forest area and investment in Goa State Scheduled Tribes Finance and Development Corporation.

2.3.4 Persistent savings

During the last five years, there were persistent savings of more than ₹ five crore in each case in 15 grants, as shown in **Table 2.5**.

Table 2.5: List of grants indicating persistent savings of more than ₹ five crore during 2010-15

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue (Voted)						
1	13-Transport	7.82 (18.11)	46.17 (54.46)	45.77 (49.53)	39.63 (33.42)	59.02 (39.56)
2	17-Police	8.29 (4.33)	29.80 (13.47)	25.89 (10.38)	25.85 (9.70)	21.05 (7.22)
3	21-Public Works	9.06 (2.07)	28.03 (5.30)	77.66 (13.69)	90.81 (15.38)	107.69 (16.67)
4	34-School Education	20.09 (3.19)	98.31 (13.79)	122.30 (14.84)	42.92 (5.05)	94.55 (9.83)
5	43-Art and Culture	13.68 (33.75)	50.20 (35.23)	62.65 (53.09)	46.63 (46.97)	29.01 (33.47)
6	48- Health Services	13.25 (7.90)	6.55 (3.37)	32.26 (14.01)	35.91 (13.85)	56.46 (18.38)
7	55-Municipal Administration	60.49 (43.85)	55.78 (43.95)	260.26 (82.82)	138.90 (72.71)	130.06 (69.04)
8	57- Social Welfare	13.73 (8.53)	61.86 (29.70)	18.24 (6.75)	6.74 (2.22)	39.07 (12.23)
9	61-Craftmen Training	5.68 (16.90)	10.18 (25.50)	7.20 (18.82)	11.19 (24.83)	12.35 (24.50)
10	65-Animal Husbandry	5.98 (19.39)	18.06 (37.90)	28.26 (37.97)	44.66 (46.50)	40.82 (37.86)
11	66-Fisheries	5.03 (19.85)	10.17 (31.15)	6.27 (20.31)	16.65 (31.42)	8.05 (17.16)
12	78-Tourism	5.51 (15.35)	13.19 (25.25)	21.43 (42.89)	8.93 (16.46)	8.55 (13.25)
Capital (Voted)						
	21-Public Works	62.82 (14.11)	65.13 (13.23)	199.00 (40.88)	243.19 (45.15)	169.60 (33.91)
	34-School Education	18.36 (1.00)	7.51 (28.80)	35.76 (69.30)	14.78 (40.77)	23.83 (74.19)
13	47-Goa Medical College	8.33 (76.60)	7.84 (33.66)	12.43 (84.84)	7.56 (48.15)	20.01 (70.95)

14	64- Agriculture	6.44 (43.54)	7.21 (62.10)	28.82 (79.92)	12.95 (51.80)	7.52 (37.97)
15	74- Water Resources	10.14 (4.56)	75.82 (27.67)	129.39 (53.33)	105.68 (41.41)	40.59 (22.56)
	78- Tourism	26.58 (53.22)	17.84 (41.29)	264.22 (84.86)	38.37 (34.97)	22.14 (27.87)

(Source: Appropriation Accounts of the State)
Figures in parenthesis indicate as per cent to total grants

The persistent savings of more than ₹ 25 crore and also by more than 33 per cent of the total provisions was observed in grant number 55-Municipal Administration (Revenue- Voted) during the period 2010-15. Savings exceeding 33 per cent of the total provisions in grant number 47-Goa Medical College and 64-Agriculture (Capital- Voted) were observed during these years.

The persistent savings indicated that the controls in the Departments on preparation of the budget estimates and allocating funds during the years were not effective.

2.3.5 Substantial surrenders on account of inflated budget estimates of expenditure

While preparing the budget estimates utmost care should be taken to ensure that the budget estimates are neither inflated nor under pitched. Out of the total provision of ₹ 1,379.07 crore, substantial surrenders amounting to ₹ 1,069.38 crore were made from 40 grants on account of either non-implementation or slow implementation of Schemes/Programmes. The details of the cases where the surrenders were more than 50 per cent of the provisions are given in **Appendix 2.2**.

Substantial savings indicated that budget estimates were inflated.

2.3.6 Unnecessary surrenders

In two cases, it was seen that a total amount of ₹ 3.40 crore was surrendered though excess expenditure of ₹ 1,133.88 crore was incurred under these grant/appropriation. This indicated lack of proper budgetary control. Details are given in **Table 2.6**.

Table 2.6: Surrender of grants/appropriation in cases of excess expenditure

				(₹ in crore)		
Number and Name of the grant/ appropriation			Total grant	Excess	Amount surrendered	
A-2	Appropriation-Debt	Services	420.77	1012.04	0.34	
	(Capital-Charged)					
8	Treasury and Accounts Administration		578.70	121.84	3.06	
	(North Goa) (Revenue-Voted)					
Total			999.47	1133.88	3.40	

(Source: Appropriation Accounts of the State)

The reason for surrender of grants inspite of excess expenditure against the provision, though called for was not explained by the Director of Accounts (January 2016).

2.3.7 Anticipated savings not surrendered

Rule 56 of the General Financial Rules, 2005 provides that the spending Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the Finance Department to utilise the funds on other schemes.

At the close of the year 2014-15, no part of the savings, which occurred in seven cases (₹ 63.26 crore), had been surrendered by the concerned Departments as detailed in **Table 2.7**.

Table 2.7: Grants/Appropriations in which saving occurred but no part of which had been surrendered

(₹ in crore)		
Sl. No.	Number and name of grant	Saving
1	14-Goa Sadan (Revenue Voted)	0.35
2	18-Jails (Revenue Voted)	1.93
3	18-Jails (Capital Voted)	25.63
4	33-Revenue (Capital Voted)	13.00
5	51-Goa Dental College (Revenue Voted)	0.05
6	51-Goa Dental College (Capital Voted)	9.15
7	60-Employment (Revenue Voted)	13.15
	Total	63.26

(Source: Appropriation Accounts of the State)

Similarly, out of total savings of ₹ 1,217.12 crore under 28 other grants/appropriations, with savings of ₹ 20 lakh and above in each grant/appropriation, ₹ 776.35 crore only was surrendered, leaving balance of ₹ 440.77 crore (36 per cent of the total savings) which were not surrendered. The details are given in **Appendix 2.3**.

Besides in 35 grants, savings in excess of ₹ 10 crore, aggregating ₹ 1,929.89 crore (**Appendix 2.4**) was surrendered in the last month of the financial year, indicating inadequate financial control as well as non utilisation of these funds for other development purposes.

2.4 Advances from Contingency fund

The Contingency fund of the State has been established under the Goa Contingency fund Act, 1988 in terms of Articles 267(2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and its corpus was temporarily increased from ₹ 30 crore to ₹ 230 crore vide amendment ordinance No.1 of January 2015. The balance at the beginning of 2014-15 was ₹ 0.01 crore. During the year 2014-15, ₹ 175.30 crore was drawn from the fund and the entire amount was recouped at the end of the year.

The PAC in its 62nd report (March 2008), observed that the contingency fund were utilised for pay and allowances, purchase of machinery, equipments, computers, maintenance and repairs, House Building advance to Government servants *etc.*, which could not be considered as unforeseen and unanticipated and warned of the recurrence of such irregularities in future. However, during 2014-15, it was observed that in 23 cases involving ₹ 136.50 crore, the departments drew advances from the contingency fund for payment of salaries and implementation of Centrally Sponsored Schemes though the expenditure was considered foreseeable (**Appendix 2.5**).

2.5 Un-reconciled expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, Departmental officers are required to reconcile periodically and before the close of the accounts of a year, the Departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). Even though non-reconciliation of Departmental figures was pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2014-15. During 2014-15, 47 out of 86 BCAs, had not carried out any reconciliations for the entire year in respect of 3,972 units under their control, involving ₹ 3,913.18 crore and 11 BCAs had carried out such reconciliations only for part of the year in respect of 489 units under their control, involving ₹ 452.67 crore. The un-reconciled periods in case of the partially reconciled units ranged from one to eight months. The details of 25 major BCAs (out of 58) amounting to ₹ 4,109.02 crore who did not reconcile their expenditure are indicated in **Table 2.8**.

Table 2.8: Major Budget Controlling Authorities who did not reconcile their figures

Sl. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Director of Education	875.10
2	Principal Chief Engineer, Public Works Department	870.22
3	Director of Social Welfare	280.13
4	Director of Women and Child Development	273.43
5	Chief Electrical Engineer	258.93
6	Director of Health Services	257.91
7	Secretary, Water Resources	244.20
8	Director of Higher Education	184.31
9	Director of Transport	100.85
10	Director of Panchayats	70.77

11	Director of Animal Husbandry and Veterinary Services	67.23
12	Director of Information Technology	61.59
13	Director of Municipal Administration	58.44
14	Director of Art and Culture	58.01
15	Under Secretary, General Administration Department	54.49
16	Director of Agriculture	50.33
17	Conservator of Forests	48.70
18	Director of Mines	47.98
19	Director of Fisheries	41.65
20	Under Secretary, Finance	40.90
21	Director of Tourism	39.91
22	State Director of Craftsmen Training	39.18
23	Dean, Goa Medical College	36.88
24	Principal, Goa Engineering College, Farmagudi	27.08
25	Secretary, Legislature	20.80
Total		4109.02

(Source: Directorate of Accounts)

2.6 Outcome of review of selected grant

A review on the budgetary procedure and control over expenditure in respect of Grant No. 21–Public works was conducted. Important points noticed during the review are detailed below:

As against the budget provision of ₹ 1,145.94 crore (₹ 645.85 crore under revenue head and ₹ 500.09 crore under capital head) the actual expenditure was ₹ 868.65 crore (₹ 538.16 crore under revenue head and ₹ 330.49 crore under capital head) resulting in the total saving of ₹ 277.29 crore (₹ 107.69 crore under revenue head and ₹ 169.60 crore under capital head). An amount of ₹ 30.53 crore (₹ 13.53 crore under revenue head and ₹ 17.00 crore under capital head) was surrendered (March 2015) against the savings of ₹ 277.29 crore. The balance of ₹ 246.76 crore was not surrendered.

As per rule 56(2) of the General Financial rules, 2005 savings as well as provisions that cannot be profitably utilised should be surrendered to the Government immediately when they are foreseen without waiting till the end of the year.

2.7 Conclusion and Recommendations

During 2014-15, expenditure of ₹ 10,415.72 crore was incurred against the total provision of ₹ 11,871.34 crore, resulting in notional savings of ₹ 1,455.62 crore. The overall savings were the net result of savings of ₹ 2,616.85 crore; offset by an excess of ₹ 1,161.23 crore. This excess requires regularisation under Article 205 of the Constitution of India.

The Departments may closely monitor the expenditure against the allocations and should avoid incurring expenditure in excess of the grants. Funds may be surrendered well before the close of the year so as to enable their utilisation for other developmental schemes.

Advances from the contingency fund may be drawn only for meeting expenditure of unforeseen and emergent character instead of payment for salaries of staff/implementation of Centrally Sponsored Schemes etc. which are considered foreseeable.

The reconciliation of expenditure figure by the BCAs must be strictly enforced.