

CHAPTER – II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

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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. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are therefore complementary to 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 Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 82 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision for the year 2014-15

(₹ in crore)								
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)	Amount* surrendered	Percentage of savings surrendered by 31 March 2015 (col. 7/col.6)
	1	2	3	4	5	6	7	8
Voted	I Revenue	7325.16	310.90	7636.06	6180.95	(-)1455.11	1476.54	101.47
	II Capital	2217.50	227.52	2445.02	1023.35	(-)1421.67	1416.53	99.64
	III Loans and Advances	3.97	0.00	3.97	0.19	(-)3.78	3.06	80.95
Total Voted		9546.63	538.42	10085.05	7204.49	(-)2880.56	2896.13	100.54
Charged	IV Revenue	628.13	0.37	628.50	613.04	(-)15.46	10.15	65.65
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	2302.67	0.00	2302.67	2306.08	(+)3.41	1.96	NA
Total Charged		2930.80	0.37	2931.17	2919.12	(-)12.05	12.11	100.50
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total		12477.43	538.79	13016.22	10123.61	(-)2892.61	2908.24	100.54

* Entire amount was surrendered on 31 March 2015.

The overall saving of ₹ 2892.61 crore was the result of saving of ₹ 2909.98 crore in 71 grants and 6 appropriations under Revenue Section, 51 grants under Capital Section offset by excess of ₹ 17.37 crore in 5 grants under Revenue Section and 3 grants under Capital Section and 1 appropriation (Public Debt-Repayment). During the year, though the overall saving was ₹ 2892.61 crore only, the amount surrendered was ₹ 2908.24 crore (100.54 per cent).

The savings/excess (Detailed Appropriation Accounts for the year 2014-15) were intimated to all concerned Controlling Officers requesting them to explain the significant variations. Around one per cent (one Department) (August 2015) of the replies were obtained from various Controlling Officers of the State before finalisation of the Appropriation Accounts 2014-15.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 81 cases, savings exceeded rupees one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 2934.49 crore, savings of ₹ 2251.15 crore (76.71 per cent) occurred in ten grants¹⁴ as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)								
Sl. No.	Grant No	Name of the Grant/Appropriation	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage
1	2	3	4	5	6	7	8	9
Revenue (Voted)								
1	11	District Administration & Special Welfare schemes	199.70	0.30	200.00	115.39	84.61	42
2	27	Planning Machinery	201.00	0.00	201.00	91.73	109.27	54
3	31	School Education	1240.10	0.00	1240.10	906.69	333.41	27
4	35	Medical, Public Health & Family Welfare	462.53	8.65	471.18	396.86	74.32	16
5	42	Rural Development	624.88	0.00	624.88	268.75	356.13	57
6	43	Social Security & Welfare	156.45	32.40	188.85	135.37	53.48	28
7	59	Irrigation & Flood Control	190.24	0.00	190.24	61.96	128.28	67
8	72	Land Resource Development	186.42	0.00	186.42	102.75	83.67	45
Capital (Voted)								
9	27	Planning Machinery	893.74	0.00	893.74	77.90	815.84	91
10	36	Urban Development	237.21	0.00	237.21	75.69	161.52	68
11	64	Housing	37.51	61.14	98.65	48.02	50.63	51
Total			4429.78	102.49	4532.27	2281.11	2251.16	50

¹⁴ Exceeding ₹ 50 crore in each case.

The reasons for savings had not been intimated (August, 2015) by the departments mentioned above.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 50 lakh in each case and also by 10 per cent or more of the total grant in four cases during the last five years (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2010-2015

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount of savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
Capital-Voted						
1	27-Planning Machinery	65.27	260.55	392.24	480.45	815.84
2	35- Medical, Public Health and Family Welfare	5.49	7.68	21.97	6.49	28.68
3	36- Urban Development	104.62	52.57	117.71	121.81	161.52
4	55- Power Projects	27.73	20.65	56.18	34.76	39.06

The reasons for persistent savings had not been intimated by any department (August 2015).

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of ₹ 15.21 crore was incurred in 5 cases as detailed in Table 2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to that effect.

Table 2.4: Expenditure incurred without provision during 2014-15

(₹ in crore)

Number and Name of		Amount of Expenditure without provision
Grants	Head of Account	
11-District Administration & Special Welfare Schemes	2575-03-800-11 (Backward Area Development Programme)	0.80
37-Municipal Administration	4217-60-051-37 (Works)	10.86
38- Information and Public Relations	2220-60-102-01 (Information Centre, New Delhi)	0.02
43- Social Security and Welfare	4235-02-800-03 (Construction of Tribal Welfare Training Complex)	3.50
58- Roads and Bridges	3054-80-799-01 (Stock (Dr))	0.03
Total		15.21

2.3.4 Excess over provision 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 of the Appropriation Accounts by the Public Accounts Committee (PAC).

However, the excess expenditure amounting to ₹ 572.19 crore for the years 2000-01, 2005-06, 2008-09 to 2013-14 was not regularised till October 2015 (**Appendix 2.2**).

2.3.5 Excess over provision during 2014-15 requiring regularisation

Appendix 2.3 contains the summary of total excess in 9 grants amounting to ₹ 38.78 crore over authorisation from the Consolidated Fund of the State during 2014-15 requiring regularisation under Article 205 of the Constitution.

2.3.6 Persistent Excess in Grants

There were persistent savings of more than 10 *per cent* or more of the total grant and the excess occurred in four out of five years in three cases during the last five years (**Table 2.5**).

Table 2.5: List of Grants indicating Persistent Excess during 2010-2015

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount of excess				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Voted						
1	35- Medical, Public Health & Family	2.19	4.26	7.54	1.62	-
2	62- Civil Administration Works	0.05	-	4.90	3.89	1.49
Capital-Voted						
1	50- Animal Husbandry & Dairy	0.55	9.26	5.23	9.11	-

2.3.7 Appropriateness of supplementary provision

Supplementary provision aggregating ₹ 104.22 crore obtained by 9 Departments, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision were not utilised by the concerned departments as detailed in **Appendix 2.4**.

In 4 cases, supplementary provision of ₹ 93.30 crore proved insufficient by ₹ one crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 19.85 crore (**Appendix 2.5**).

2.3.8 Excessive/Insufficient 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 needed. Injudicious re-appropriation proved excessive or insufficient resulting in savings of ₹ 51.07 crore in 50 sub-heads and excess of ₹ 478.04 crore in 60 sub-heads as detailed in **Appendix 2.6**.

2.3.9 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders

issued by the Finance Department revealed that out of a total of 82 grants, re-appropriation was done in 58 grants (70 *per cent*) on the last day without stating specific reasons for withdrawal of provision or additional provision. This re-appropriation on last day of the financial year resulted in unnecessary savings in some grants on the one hand and avoidable excess in some grants on the other hand as discussed in *Para 2.3.8* above.

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 75 Sub Heads. Out of the total provision amounting to ₹ 3339.13 crore in those Sub Heads, ₹ 2575.93 crore (77.08 *per cent*) were surrendered, which included cent *per cent* surrender under a Sub Head (₹ 0.56 crore). The details of such cases are given in **Appendix 2.7**.

2.3.11 Surrender in excess of actual savings

In 8 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 458.97 crore, the amount surrendered was ₹ 473.54 crore resulting in excess surrender of ₹ 14.57 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.12 Anticipated savings not surrendered

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2014-15, there were 4 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in those cases was ₹ 0.85 crore (**Appendix 2.9**).

An amount of ₹ 37.76 crore being savings in 5 grants, ₹ 2 crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 27 cases (surrender of funds for ₹ 10 crore and above), ₹ 2716.97 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2015 indicating inadequate financial control. Thus, those funds could not be utilised for other developmental purposes.

2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 6 Major Heads listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 *per cent* of the total expenditure for the year either during the last quarter or during the last month of the financial year.

The expenditure in the month of March/last quarter of the financial year was upto 100 per cent of the total expenditure in 2 cases which indicates lack of effective financial control and violation of financial rules.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule 309 of Central Treasury Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). The total amount of DCC bills received upto the period 2014-15 was only ₹ 203.41 crore (52.30 per cent) against ₹ 388.93 crore drawn on AC bills leading to pendency of DCC bills of ₹ 185.52 crore as on 31 March 2015. Year wise details are given in Table 2.6.

Table 2.6: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(₹ in crore)

Year	AC bills drawn		DCC bills submitted		Outstanding DCC bills	
	Number	Amount	Number	Amount	Number	Amount
Up to 2012-13	263	202.35	126	107.29	137	95.06
2013-14	139	95.89	123	90.49	16	5.40
2014-15	52	90.69	7	5.63	45	85.06
Total	454	388.93	256	203.41	198	185.52

As on 31 March 2015, there were 198 unadjusted AC bills involving ₹ 185.52 crore drawn by various Departments. Details are given in Appendix 2.13.

Non-submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

An analysis of pending AC bills in respect of Civil Police Department showed that 25 AC bills amounting to ₹ 59.76 crore was pending regularisation as follows:-

Table 2.7: Pendency of DCC bills in respect of Civil Police Department as on 31 March 2015

(₹ in crore)

Year	Number of Vouchers	Amount
2011-12	5	16.26
2012-13	5	9.15
2013-14	9	24.28
2014-15	6	10.07
Total	25	59.76

As can be seen from the above table, out of pending DCC bills of 25 vouchers of ₹ 59.76 crore as on March 2015, maximum number of pending AC bills pertained to 2013-14 involving 9 vouchers (36 per cent) of ₹ 24.28 crore (40.63 per cent). As

most of the AC bills are outstanding for a long time, efforts may be made for clearance of AC bills on priority basis.

2.4.2 Reconciliation of Receipts and Expenditure

As per General Financial Rules, all the Controlling Officers are required to reconcile the receipts and expenditure booked by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). During the year 2014-15, all 82 CCOs had reconciled their figures (both receipt & expenditure) in full. Thus, there was cent *per cent* reconciliation in respect of all 82 CCOs.

2.5 Outcome of the Review of Selected Grant

A review of Grant No. 58-Roads and Bridges was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and Capital heads during the year 2014-15.

2.5.1 Budget and expenditure

The summarised position of budget provision and actual expenditure there against during 2014-15 in respect of Grant No. 58-Roads and Bridges is given in **Table 2.8**.

Table 2.8: Summarised Position of budget provision and actual expenditure

(₹ in crore)

Nature of Expenditure	Budget Provision				Total	Actual Expenditure			Saving(-)/ Excess(+)
	Original		Supplementary			Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	210.65	0.00	11.55	0.00	222.20	213.97	0.00	213.97	(-)8.23
Capital	0.00	341.72	0.00	0.00	341.72	0.00	314.34	314.34	(-)27.38
Total	210.65	341.72	11.55	0.00	563.92	213.97	314.34	528.31	(-)35.61

The above table shows that during the year 2014-15 there was overall savings of ₹ 35.61 crore representing 6.31 *per cent* of the total budget provision as a result of savings under Revenue expenditure (₹ 8.23 crore) and Capital expenditure (₹ 27.38 crore). As per Financial Rules, the spending departments are required to surrender the anticipated savings to the Finance Department as and when occurred. The Department however, surrendered ₹ 21.87 crore (₹ 0.14 crore under Revenue section and ₹ 21.73 crore under Capital section) during the year 2014-15 against the savings of ₹ 35.61 crore.

An analysis of the expenditure vis-à-vis the budget provision revealed that there was a saving of ₹ 27.38 crore under Capital section. This was mainly due to the fact that the Department expended ₹ 58.98 crore only against the the actual provision of ₹ 175.00 crore in Road works under PMGSY.

2.5.2 Savings/excess in the grant

Audit Review also disclosed excess ranging between ₹ 26.53 crore and ₹ 29.79 crore in 2010-12 and savings ranging between ₹ 14.56 crore and ₹ 240.23 crore during 2012-15 as detailed in **Table 2.7**.

Table 2.9: Details of Savings/excess during 2010-15

(₹ in crore)

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2010-11	104.94	313.74	418.68	106.58	341.89	448.47	(+)29.79
2011-12	146.80	372.84	519.64	173.75	372.42	546.17	(+)26.53
2012-13	160.58	602.91	763.49	191.02	332.24	523.26	(-)240.23
2013-14	190.34	368.56	558.90	180.69	363.65	544.34	(-)14.56
2014-15	222.20	341.72	563.92	213.97	314.34	528.31	(-)35.61

(Source: Appropriation Accounts of respective years)

The occurrence of savings in the last three years which had not been surrendered within the due dates indicates that budgetary control was deficient in the Department.

2.5.3 Excessive supplementary provision

It was noticed that during 2014-15 under the Major Head, 3054-Roads and Bridges Plan and Non Plan against the total provision of ₹ 222.20 crore (Original: ₹ 210.65 crore and Supplementary: ₹ 11.55 crore) an expenditure of ₹ 213.97 crore was incurred. As the expenditure was less than the total provision, the supplementary provision of ₹ 11.55 crore proved to be excessive by ₹ 8.23 crore.

2.5.4 Injudicious Re-appropriation of funds

The overall position of a Major Head where the re-appropriations done proved injudicious is shown in **Table 2.10**:

Table 2.10: Injudicious re-appropriation during 2014-15

(₹ in crore)

Sl No.	Major Head (Details)	Total provision	Re-appropriation	Excess (+)/Savings (-)
Capital Section				
1	5054- Capital Outlay on Roads and Bridges	341.71	(-)66.73	(-)5.65
Grand Total		341.71	(-)66.73	(-)5.65

(Source: Appropriation Accounts)

From the above table, it is seen that injudicious re-appropriation proved injudicious resulting in savings of ₹ 5.65 crore in a Major Head under the Grant No. 58.

2.5.5 Re-appropriation on the last day of the financial year

According to Financial Rules, reasons for additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure” etc. should be avoided.

It was noticed that during 2014-15, re-appropriation orders of ₹ 115.26 crore in respect of Grant No. 58- Roads and Bridges were issued on 31 March 2015 being the last day of the financial year 2014-15 where either there was no scope for expenditure or the expenditure against re-appropriation had already been incurred during that year. This indicated poor financial management and inadequate control over expenditure. The details are given in **Table 2.11**.

Table 2.11 Details of Re-appropriation on 31 March 2015

(₹ in lakh)

Sl. No.	Head of Account	Savings			Excesses		
		Plan/CSS	Non-Plan	Total	Plan/CSS	Non-Plan	Total
Revenue Section							
1	3054-Roads and Bridges	0.00	11.82	11.82	0.00	11.82	11.82
Capital Section							
2	5054-Capital Outlay on R&B	103.44	0.00	103.44	103.44	0.00	103.44
Total		103.44	11.82	115.26	103.44	11.82	115.26

2.5.6 Expenditure incurred through re-appropriation

Details of a case where the entire expenditure under the Grant was met out through re-appropriation during 2014-15 are given in **Table 2.12**.

Table 2.12 Cases where expenditure during 2014-15 was incurred through Re-appropriation only

(₹ in lakh)

Sl. No	Head of Account	Provision	Re-appropriation	Expenditure incurred	Percentage of expenditure through Re-appropriation
1	4552-04-800(1)- Roads & Bridges (NEC)	0.00	4500.00	4500.00	100

It would be seen from the table above that in a case the entire expenditure under the Grant during 2014-15 was incurred through re-appropriation only without getting the demands approved from the State legislature.

2.6 Advances from contingency fund

The advances taken from the contingency fund are to be made only for meeting expenditure of an unforeseen and emergent character pending authorisation of such expenditure by the State Legislature. The fund is to be recouped by debiting the expenditure to the concerned functional major head in the Consolidated Fund of the State.

During the year no expenditure was incurred under this fund. An amount of ₹ 0.35 crore pertaining to expenditure from the contingency fund a number of years back had not been recouped till the end of the year 2014-15.

2.7 Conclusion and recommendations

The overall saving of ₹ 2892.61 crore was the result of saving of ₹ 2909.98 crore in 71 grants and 6 appropriations under Revenue Section, 51 grants under Capital Section offset by excess of ₹ 17.37 crore in 5 grants under Revenue Section and 3 grants under Capital Section and 1 appropriation (Public Debt-Repayment). During the year, though the overall saving was ₹ 2892.61 crore, the amount surrendered was ₹ 2908.24 crore (100.54 *per cent*). There was an excess expenditure of ₹ 38.78 crore in 9 grants during 2014-15. This excess expenditure together with an excess expenditure of ₹ 572.19 crore pertaining to 2000-01, 2005-06 and 2008-09 to 2013-14 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was noticed in 6 cases in which expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter of 2014-15 and in some cases in the month of March 2015. There were 198 AC Bills involving ₹ 185.52 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore, was fraught with the risk of misappropriation.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excess persisted for the last five years. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date the amounts are drawn.