

## CHAPTER 2

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

Audit of Appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given in the Appropriation Act and if the expenditure is required to be charged under the provisions of the Constitution, it is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations, and instructions.

#### 2.2 Mechanism for Budget Management

The significant provisions of the Bihar Budget Manual (as adopted by Jharkhand) relating to budget management are as under:

- (i) The Budget Estimates of the State are to be prepared in the form prescribed by the Finance Department (**Rule 52**).
- (ii) The estimates under each Major Head prepared by the Controlling Officers of different departments are to be examined by the Finance Department and compiled for presentation of the first edition budget to the Government (**Rule 79**).
- (iii) 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 (**Rule 112**).
- (iv) Supplementary grants should be obtained in consultation with the Finance Department to meet new specific items of expenditure or to cover probable excesses in the voted grant (**Rule 117**).

Audit observed large savings in several grants during 2017-18, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

#### 2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2017-18 against 60 grants/appropriations is as given in **Table 2.1**.

**Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Grants for the year 2017-18**

(₹ in crore)

	Nature of Expenditure	Total Grant/Appropriation	*Actual Expenditure	Saving (-)/ Excess (+)	Amount Surrendered	Amount Surrendered only in March 2018	Percentage of Savings surrendered in March (Col 6/Col 5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Voted	(I) Revenue	58,084.33	46,301.28	11,783.05	7,336.38	7,336.38	100.00
	(II) Capital	14,189.95	11,952.71	2,237.24	1,100.39	1,100.39	100.00
	(III) Loans and Advances and Inter State Settlement	2,022.87	1,851.67	171.20	0.00	0.00	0.00
<b>Total Voted</b>		<b>74,297.15</b>	<b>60,105.66</b>	<b>14,191.49</b>	<b>8,436.77</b>	<b>8,436.77</b>	<b>100.00</b>
Charged	(IV) Revenue	4,806.96	4,759.96	47.00	128.29	128.29	100.00
	(V) Capital	0.00	0.00	0.00	0.00	0.00	0.00
	(VI) Public Debt-Repayment	3,057.17	2,949.50	107.67	48.67	48.67	100.00
<b>Total Charged</b>		<b>7,864.13</b>	<b>7,709.46</b>	<b>154.67</b>	<b>176.96</b>	<b>176.96</b>	<b>100.00</b>
<b>Grand Total</b>		<b>82,161.28</b>	<b>67,815.12</b>	<b>14,346.16</b>	<b>8,613.73</b>	<b>8,613.73</b>	<b>100.00</b>

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

\*The expenditure figures are in gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 109.16 crore).

Note: Expenditure in respective heads was overstated to the extent of ₹ 571 crore drawn through AC bills during 2017-18 against which DC bills were not submitted as on 03 October 2018.

During 2017-18, the savings of ₹ 14,346.16 crore (17.46 per cent of the total budget) was the result of total savings of ₹ 14,611.66 crore (₹ 12,095.55 crore in 54 voted grants and four appropriations under the Revenue Section and ₹ 2,516.11 crore in 37 grants and one appropriation under the Capital Section), offset by excess of ₹ 265.50 crore in one grant and one appropriation.

It was noticed during scrutiny that against total savings of ₹ 14,346.16 crore during the year, ₹ 8,613.73 crore (60.04 per cent) was surrendered in the month of March 2018 leaving the Finance Department virtually no time to utilise the funds for other development purposes.

It was also observed that the Finance Department failed to utilise the Monthly Civil Accounts and Monthly Appropriation Accounts sent by the Principal Accountant General (A&E) to ensure better financial management and avoid large savings and excess expenditure within the grants.

Further, it was noticed that reasons for savings/ excess were furnished in only 323 out of 1,504 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2017-18, whereas, reasons for savings in 1,168 sub-heads and reasons for excesses in 13 sub-heads were not furnished by the departments.

*Recommendation: The Finance Department should monitor trend of expenditure by Departmental Controlling Officers so that funds are not retained unnecessarily and are surrendered at the earliest.*

## 2.4 Financial Accountability and Budget Management

### 2.4.1 Appropriations against allocative priorities

Out of total savings of ₹ 14,346.16 crore, savings of ₹ 11,501.23 crore (80 *per cent*) occurred in 24 cases relating to 21 grants as indicated in **Table 2.2**. In these cases, savings exceeded ₹ 100 crore and was 20 *per cent* or more of the grant.

**Table 2.2: List of Grants with savings of ₹ 100 crore and above and 20 *per cent* or more of the grant**

(₹ in crore)					
Sl. No.	Number and name of the Grant/Appropriation	Total Grant	Actual expenditure	Savings	Percentage of Savings to Total Grant
<b>Revenue-Voted</b>					
1	42-Rural Development Department (Rural Development Division)	5,575.70	3,342.13	2,233.57	40.06
2	59-School Education and Literacy Department (Primary and Adult Education Division)	7,032.03	5,327.95	1,704.08	24.23
3	20-Health, Medical Education and Family Welfare Department	3,519.16	2,537.71	981.45	27.89
4	60-Women, Child Development and Social Security Department	3,342.46	2,523.16	819.30	24.51
5	51-Welfare Department (Welfare Division)	1,869.73	1,089.71	780.02	41.72
6	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	1,550.39	838.92	711.47	45.89
7	58-School Education and Literacy Department (Secondary Education Division)	1,747.35	1,156.72	590.63	33.80
8	18-Food, Public Distribution and Consumer Affairs Department	1,346.34	917.62	428.72	31.84
9	39-Home, Jail and Disaster Management Department (Disaster Management Division)	792.92	523.24	269.68	34.01
10	41-Road Construction Department	551.66	291.19	260.47	47.22
11	23-Industries Department	466.97	233.28	233.69	50.04
12	2-Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Division)	375.42	215.49	159.93	42.60
13	54-Agriculture, Animal Husbandry and Co-operative Department (Dairy Division)	308.98	175.47	133.51	43.21
14	45-Information Technology and e-Governance Department	192.41	72.80	119.61	62.16
15	27-Law Department	415.05	295.76	119.29	28.74
16	43-Higher and Technical Education Department (Science and Technology Division)	421.43	312.04	109.39	25.96
17	26-Labour, Employment and Skill Development Department	241.69	133.60	108.09	44.72

Sl. No.	Number and name of the Grant/Appropriation	Total Grant	Actual expenditure	Savings	Percentage of Savings to Total Grant
<b>Revenue-Charged</b>					
18	14-Repayment of Loans	230.00	0.00	230.00	100.00
<b>Capital-Voted</b>					
19	49-Water Resources Department	1,911.06	1,230.06	681.00	35.63
20	20-Health, Medical Education and Family Welfare Department	525.00	309.49	215.51	41.05
21	50-Water Resources Department (Minor Irrigation Division)	667.48	459.09	208.39	31.22
22	51-Welfare Department (Welfare Division)	366.44	198.91	167.53	45.71
23	36-Drinking Water and Sanitation Department	456.35	332.26	124.09	27.19
24	43-Higher and Technical Education Department (Science and Technology Division)	440.78	328.97	111.81	25.37
<b>Total Voted</b>		<b>34,346.80</b>	<b>22,845.57</b>	<b>11,501.23</b>	<b>33.49</b>

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

Major instances of savings under Grants No. 42 and 59 are given below:

- a) Grant No. 42 - Rural Development Department (Rural Development Division)
  - (i) Out of allocation of ₹ 2,216.98 crore under Over All Rural Employment Scheme-National Rural Employment Guarantee Act, ₹ 1,770.68 crore (80 per cent) was not utilised by the Department mainly due to transfer of wage component directly to Ne-FMS (National Electronic Fund Management System) Account by GoI and less release of Central/State share.
  - (ii) Entire allocation of ₹ 89.97 crore under *Pradhan Mantri Krishi Sinchai Yojana* was not utilised, of which ₹ 86.47 crore was surrendered by the department while, ₹ 3.50 crore lapsed at the end of the financial year.
  - (iii) Out of total allocation of ₹ 497.97 crore, ₹ 125.29 crore (25 per cent) was not utilised under *Swarn Jayanti Gram Swarajgar Yojana*.
- b) Grant No. 59-School Education and Literacy Department (Primary and Adult Education Division)
  - (i) The entire allocation of ₹ 550.74 crore for Strengthening of Primary and Middle Schools under Grants-in-aid to Jharkhand Education Project Council (J.E.P.C.) was not utilised by the Department, of which ₹ 220.00 crore was surrendered ₹ 330.74 crore lapsed at the end of the financial year. Against the allocation of ₹ 150.00 crore for *Jharkhand Balika Awasiya Vidyalaya Yojana*, ₹ 129.32 crore (86 per cent) remained unutilised.
  - (ii) Allocation amounting to ₹ 223.54 crore (14 per cent) was not utilised and surrendered against grants-in-aid of ₹ 1,600.00 crore for *Sarva Siksha Abhiyan*.

- (iii) Under *Gyanodaya* Scheme (Primary Education), entire allocation of ₹ 105.00 crore remained unutilised and was surrendered by the Department.
- (iv) ₹ 19.40 crore (97 *per cent*) out of total allocation of ₹ 20.00 crore for Central and State Scheme under special component plan for Scheduled Castes/Tribes and others, was surrendered by the District Institute of Education and Training (D.I.E.T.)

Besides the cases detailed above, in 43 cases (31 grants/ appropriations), savings exceeded ₹ 10 crore or more and was 20 *per cent* or more of the grant in each case as detailed in **Appendix 2.1** with the total savings aggregating to ₹ 12,209.64 crore. Further, in 83 sub-head/schemes under 25 grants/appropriations, savings exceeded ₹ 20 crore in each case and aggregated to ₹ 5,983.83 crore (54 *per cent* of total savings). Details are given in **Appendix 2.2**.

*Recommendations: The Finance Department should prepare budget based on actual requirement obtained from the field units and ensure optimum utilisation of the amount allocated.*

#### **2.4.2 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.

During 2017-18, out of savings of ₹ 13,704.92 crore under 39 grants/ appropriations, ₹ 6,119.50 crore (₹ one crore and above in each case) was not surrendered, as detailed in **Appendix 2.3**. Further, it was observed that during 2017-18, in one grant (Grant No. 41), surrender of ₹ 3.35 crore was in excess of the actual savings which indicates that expenditure was made even after submission of surrender letter by the concerned Department. Details of 168 cases (₹ 10 crore or more in each case) where savings amounting to ₹ 5,388.34 crore was surrendered in March 2018 are given in **Appendix 2.4**.

*Recommendation: All anticipated savings should be surrendered on time so that the funds can be utilised for other development purposes.*

#### **2.4.3 Persistent savings**

In 11 cases (10 departments), there were persistent savings of 10 *per cent* or more of the total grants, during the last five years (**Table 2.3**).

**Table 2.3: List of Grants indicating persistent savings during 2013-18**

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue-Voted</b>						
1	20-Health, Medical Education & Family Welfare Department	171.13(15)	967.84(42)	947.27(34)	707.26(27)	981.45(28)
2	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	566.53(58)	552.00(58)	750.47(56)	526.05(36)	711.47(46)
3	18-Food, Public Distribution and Consumer Affairs Department	570.55(50)	439.49(34)	505.63(39)	394.96(26)	428.72(32)
4	40-Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	125.67(32)	99.80(26)	112.41(26)	161.11(31)	74.20(14)
5	23-Industries Department	120.80(41)	148.57(40)	132.47(31)	153.01(34)	233.69(50)
6	49-Water Resources Department	85.14(26)	87.83(25)	105.11(29)	132.77(33)	70.89(18)
7	26-Labour, Employment and Skill Development Department	308.12(30)	349.95(28)	1088.29(73)	110.77(39)	108.09(45)
8	2-Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Division)	35.53(22)	41.73(25)	37.66(20)	95.59(33)	159.93(43)
9	43-Higher and Technical Education Department (Science and Technology Division)	18.45(25)	21.31(15)	24.90(24)	29.27(17)	109.39(26)
10	17-Commercial Tax Department	8.18(13)	23.36(32)	18.45(27)	19.49(27)	8.08(11)
<b>Capital-Voted</b>						
11	49-Water Resources Department	1,130.96(68)	1,196.28(68)	544.62(33)	389.76(26)	681(36)

Figures in bracket indicate percentage of savings to total budget under the grant

Persistent large savings over the years indicate improper estimation under the Grants. Details of savings in some major schemes under six departments providing Social and Economic Services are depicted below:

### **Grant No. 1 - Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)**

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	National Food Security Mission	63.51	18.42 (29)	70.01	41.67 (60)	60.00	28.22 (47)
2	National Horticulture Mission Programme	105.00	57.40 (55)	90.00	43.10 (48)	75.00	35.17 (47)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

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

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Dal-Bhat Yojana	23.00	11.91 (52)	25.00	11.65 (47)	30.00	14.77 (49)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

**Grant No. 42 - Rural Development Department  
(Rural Development Division)**

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Swarnajayanti Gram Swarajgar Yojana for General	400.00	227.80 (57)	362.00	86.98 (24)	497.97	125.29 (25)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

**Grant No. 58 - School Education and Literacy Department  
(Secondary Education Division)**

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Construction of Girls Hostel	73.56	58.18 (79)	47.30	23.82 (50)	40.95	4.94 (12)
2	Rashtriya Madhyamik Shiksha Abhiyan	198.59	80.53 (41)	198.57	40.91 (21)	203.33	111.99 (55)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

**Grant No. 59 - School Education and Literacy Department  
(Primary and Adult Education Division)**

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Grants-in-aid to Sarva Siksha Abhiyan	1,997.02	961.21 (48)	1,699.50	635.68 (37)	1,600.00	610.15 (38)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

**Grant No. 60 - Women, Child Development and  
Social Security Department**

(₹ in crore)

Sl. No.	Name of Scheme/Head	2015-16		2016-17		2017-18	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Integrated Child Development Scheme (ICDS)	589.36	299.97 (51)	400.00	148.95 (37)	404.53	88.75 (22)
2	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls	66.04	45.32 (69)	68.76	39.74 (58)	68.78	56.33 (82)
3	Integrated Child Protection Scheme (ICPS)	27.60	21.24 (77)	24.00	9.80 (41)	41.35	12.68 (31)

Source: Appropriation Accounts of the Government of Jharkhand for the years 2015-16, 2016-17 and 2017-18

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

*Recommendation: All anticipated savings should be surrendered on time so that the funds can be utilised for other development purposes.*

#### 2.4.4 Advances from Contingency Fund

Advances from the Contingency Fund are to be made only for meeting expenditure of unforeseen and emergent character, postponement of which, till authorisation by the Legislature, would be undesirable. The corpus of the Contingency Fund was ₹ 500 crore during 2017-18.

It was noticed that during the period 2013-14 to 2017-18 the expenditure on natural calamities from Contingency Fund consumed only one per cent to 11 per cent of the total drawal, except 2017-18 when it was 31 per cent of the total drawal from the fund.



Further, Audit found that during 2017-18, ₹ 337.55 crore was withdrawn on 49 occasions from the Contingency Fund. Out of these, on 24 occasions, a total amount of ₹ 226.17 crore was withdrawn for meeting expenditure that should have been foreseen at the time of preparation of the budget estimates, and were therefore, neither unforeseen nor of emergent nature as detailed in Table 2.4.

**Table 2.4: Expenditure from Contingency Fund of the State**

Sl. No.	Head of account	Detail of work	Advance (₹ in crore)
1	2070-00-104-04	Investigation Bureau	0.50
2	2070-00-104-01	Office of Public Commissioner	0.18
3	2070-00-800-11	Jharkhand State Formation Day Celebration	5.00
4	2014-00-102-03	Machine and Equipment	2.12
5	2014-00-102-01	Purchase of new motor vehicles	0.06
6	2015-00-106-03	Domestic Tour and Office Expenses	1.70
7	2011-02-103-01	Purchase of new motor vehicles	0.36
8	2515-00-001-54	Office Expenses	30.00
9	2235-02-106-39	Salary and Allowances	0.85
10	2235-60-200-13	Grants-in-aid	3.06
11	2052-00-090-24	Purchase of new motor vehicles	0.14
12	2055-00-109-01	Contractual Allowance and Uniform expenses	20.00
13	2055-00-001-03	Supply and Materials	2.00
14	2055-00-001-12	Other Expenses	5.15
15	2217-80-191-06	Grants-in-aid	12.28
16	2217-80-192-06	Grants-in-aid	5.97
17	4700-80-789-12	Accelerated Irrigation Benefits Programme and other Resources Programme	30.00
18	4700-80-796-12	Accelerated Irrigation Benefits Programme and other Resources Programme	45.00
19	4055-00-211-01	Police Modernisation and Construction of Buildings	10.30
20	4055-00-211-01	Supply and Materials	7.30
21	3454-01-101-05	Honorarium	4.00
22	2220-60-101-02	Advertisement and Publicity	8.28
23	2220-60-796-21	Other Expenditure	21.41
24	2220-60-796-05	Publication	10.51
<b>Total</b>			<b>226.17</b>

Source: Data compiled by Principal Accountant General (A&E) Jharkhand

Thus, the Contingency Fund was used by the State as an imprest account for meeting non-contingent expenditure.

However, the total withdrawal from the fund during 2017-18 was recouped through supplementary budgets in the month of August 2017 (₹ 136.09 crore), December 2017 (₹ 200.85 crore) and February 2018 (₹ 0.60 crore).

*Recommendation: The State Government should ensure that advances from the Contingency Fund are utilised only to meet emergent and unforeseen expenditure.*



### 2.4.5 Excess over provisions in previous years requiring regularisation

Under 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.

Excess expenditure of ₹ 2,749.87 crore over provisions for the years 2001-02 to 2016-17 was yet to be regularised (November 2018) as detailed in **Appendix 2.5**. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.5**.

**Table 2.5: Excess relating to previous years requiring regularisation**

(₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	25 & 32		0.04
2002-03	32		0.08
2003-04	46		0.29
2004-05	40		@
2006-07	38		\$
2010-11	32		0.10
2011-12	15 & 25	14	420.16
2012-13	7, 15 & 42	14	1,263.18
2013-14	15	13 & 14	694.05
2014-15	42	13	361.21
2016-17	32	14	10.75
<b>Total</b>			<b>2,749.87</b>

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

@ excess amount was ₹ 1,072 only

\$ excess amount was ₹ 81,665 only

In addition, the following excess as given in **Table 2.6** below, pertaining to 2017-18 is also to be regularised.

**Table 2.6: Excess over provisions requiring regularisation during 2017-18**

(₹ in crore)

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
<b>Charged Appropriation</b>				
1	13-Interest Payment	4,467.99	4,661.68	193.69
<b>Voted-Grant</b>				
2	15- Pension	5,841.43	5,913.24	71.81
<b>Total</b>		<b>10,309.42</b>	<b>10,574.92</b>	<b>265.50</b>

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

*Recommendation: The Finance Department should take immediate steps to regularise the excess expenditure of ₹ 3,015.37 crore.*

### 2.4.6 Avoidable/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 3,225.18 crore (50 per cent) obtained in 41 cases (₹ one crore or more in each case) during the year, out of total supplementary budget provision of ₹ 6,487.86 crore, proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in **Appendix 2.6**. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and large savings had occurred under these sub-heads.

### 2.4.7 Excessive/Insufficient re-appropriation of funds

Injudicious re-appropriation under 19 sub-heads during 2017-18 as detailed in **Appendix 2.7** proved excessive or insufficient. As shown in the said appendix, under 10 schemes/ sub-heads, additional funds of ₹ 38.59 crore were provided through re-appropriation leading to savings of ₹ 34.43 crore while in two schemes/sub-heads, ₹ 7.59 crore was re-appropriated to other schemes/sub-heads resulting in excess expenditure of ₹ 0.13 crore in those schemes/sub-heads at the end of year. Further, ₹ 12.47 crore was re-appropriated to three schemes/sub-heads which proved insufficient considering the excess expenditure of ₹ 0.39 crore under those schemes.

### 2.4.8 Substantial surrender of funds

In 88 cases, funds amounting to ₹ 1,438.45 crore (cases where 100 *per cent* of the provisions and surrender of more than ₹ five crore in each case) were surrendered, resulting in non-implementation of schemes/programmes as detailed in **Appendix 2.8**.

*Recommendation: The Government should ensure that excessive, unnecessary supplementary provision and injudicious surrender is avoided.*

## 2.5 Rush of expenditure

Rule 113 of the Jharkhand Budget Manual stipulates that rush of expenditure in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained.

It was observed, however, that in 13 grants, expenditure of ₹ 5,956.80 crore (59.08 *per cent*) was incurred in the last quarter of the year against the total expenditure of ₹ 10,083.23 crore as detailed in **Appendix 2.9**. Of this, an expenditure of ₹ 3,913 crore (38.81 *per cent* of the total expenditure) was incurred in the month of March 2018. Further, it was observed that ₹ 9.30 crore was drawn through AC bills in March 2018 by Tourism, Agriculture and Urban Development Departments as shown in the Appendix.

Rush of expenditure in the closing month of the financial year entails risk of misuse of public money and unhealthy practices.

*Recommendation: The State Government should frame rules to control rush of expenditure during the fag end of the financial year.*

## 2.6 Departmental figures not reconciled

Every year, the Accountant General (Accounts & Entitlements) reiterates to Budget Controlling Officers, the requirements of the Bihar Budget Manual, to reconcile their monthly and quarterly figures of receipts and expenditure with the books of the Principal Accountant General (A&E).

Audit observed, however, that HoDs did not reconcile receipts amounting to ₹ 14,777.89 crore (24.24 *per cent*) against the total receipts of ₹ 60,960.38 crore during 2017-18. Similarly, out of total expenditure of ₹ 67,705.95 crore during the year 2017-18, ₹ 38,030.28 crore (66.17 *per cent*) was not reconciled. Details of un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 34,824.28 crore during 2017-18 are given in **Appendix 2.10**.

*Recommendation: The Finance Department should evolve a mechanism making it mandatory for the Controlling Officers to reconcile, on monthly basis, their receipt and expenditure with the PAG (A&E).*

## **2.7 Budgetary Process for Grant No. 42 - Rural Development Department (Rural Development Division)**

### **2.7.1 Introduction**

The Rural Development Department (RDD), Government of Jharkhand implements several programmes that aim at alleviating rural poverty through creation of infrastructure and by generating sustainable employment opportunities for the rural poor.

A review of the budgetary process of Grant No. 42- Rural Development Department (Rural Development Division) for the year 2017-18 was conducted between July and October 2018 in the Secretariat and eight<sup>1</sup> selected districts during the year. This Grant contains four<sup>2</sup> Revenue Major Heads and one<sup>3</sup> Capital Major Head.

Against the total budget provision of ₹ 6,074.60 crore the RDD utilised only ₹ 3,836.63 crore (63 per cent) resulting in a savings of ₹ 2,237.97 crore (37 per cent) at the end of the financial year. Moreover, ₹ 1,283.34 crore out of total savings of ₹ 2,237.97 crore, was surrendered by the Department and balance of ₹ 954.63 crore was allowed to lapse as shown in **Table 2.7**.

**Table 2.7: Details of budget provisions, expenditure and savings during 2017-18**

(₹ in crore)			
Details	Capital Voted	Revenue Voted	Total
Original Grant	476.89	5,522.58	5,999.47
Supplementary Grant	22.01	53.12	75.13
<b>Total Grant</b>	<b>498.90</b>	<b>5,575.70</b>	<b>6,074.60</b>
Expenditure	494.51	3,342.12	3,836.63
Savings	4.39	2,233.58	2,237.97
Surrender	2.98	1,280.36	1,283.34
Lapse	1.41	953.22	954.63

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

### **Audit findings**

#### **2.7.2 Delay in submission of Budget Estimates**

Rule 62 of Bihar Budget Manual as adopted by the Government of Jharkhand provide the budget calendar for correct and timely preparation of budget for the State. Finance Department, Government of Jharkhand revised (October 2016) the prescribed dates of submission of General Budget and Estimate of Establishment Expenditure from 1<sup>st</sup> October to 16<sup>th</sup> December 2016 and 21<sup>st</sup> November 2016 respectively.

Scrutiny of records revealed that against the target date of 16<sup>th</sup> December 2016 the RDD submitted Budget Estimates (BEs) for General Budget and Estimates

<sup>1</sup> Bokaro, Chatra, Dumka, East Singhbhum, Garhwa, Giridih, Palamu and Sahibganj

<sup>2</sup> 2501- Special Programmes for Rural development, 2505- Rural Employment, 2515- Other Rural Development Programmes, 3451- Secretariat Economic Service

<sup>3</sup> 4515-Capital Outlay on other Rural Development Programmes

of Establishment Expenditure to the Finance Department on 09 January 2017 and 21<sup>st</sup> November 2016 i.e., with a delay of 23 and 49 days respectively.

Further, it was noticed that in the eight test checked districts, the District Rural Development Agencies (DRDAs) submitted estimates of establishment expenditure to the RDD with delays ranging between four days to 47 days against the target date (14<sup>th</sup> November 2016) fixed by RDD, while general budget was not submitted at all.

Non-compliance of budget calendar not only affects the schedule of preparation of budget estimates but also curtails the time required for its scrutiny at different levels.

### 2.7.3 Budget Estimate prepared without obtaining requirements

According to Rules 65 of Budget Manual (BM), the Controlling Officer (CO) should examine the budgets received from the Disbursing Officers to see that they are correct, that all details and explanations have been given, and that explanations are adequate.

We noticed in audit that provisions of BM were not followed and budget estimates (State, Central and Centrally Sponsored Schemes) were prepared at the Department level without obtaining requirements from disbursing officers.

It was further noticed that there were wide variations between the expenditure and budget provisions of the Department leading to huge savings during the last three years ranging from 27 per cent to 40 per cent of the total allocation.

### 2.7.4 Avoidable Supplementary Provision

As per comments below Rule 57 of Bihar Budget Manual (as adopted), the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

We noticed in audit that during 2017-18, in six out of 82 sub-heads, additional fund was provided through supplementary provisions in spite of non-utilisation of the original provisions for those schemes.

As shown in **Table 2.8**, expenditure of ₹ 227.35 crore was incurred against the original provision of ₹ 237.39 crore, whereas, additional fund of ₹ 12.77 crore was provided through supplementary provision. Thus, the supplementary provision was not necessary at all and could have been avoided.

**Table 2.8: Details of budget provisions**

(₹ in crore)

Sl. No.	Revenue Major Heads	Original	Expenditure during 2017-18	Supplementary Provision
1	2501-06-796-04	8.58	5.46	6.33
2	2501-06-796-14	10.20	8.97	0.56
3	2501-06-800-04	7.02	4.06	5.13
4	2505-01-796-01	1.50	1.46	0.31
5	2515-00-102-10	207.12	204.92	0.18
6	2515-00-796-09	2.97	2.48	0.26
<b>Total</b>		<b>237.39</b>	<b>227.35</b>	<b>12.77</b>

Source: Appropriation Accounts of the Government of Jharkhand for the year 2017-18

### 2.7.5 Surrender on the last day of the financial year

As per Rule 112 of Budget manual (as adopted), all anticipated savings should be surrendered to Government immediately as soon as they are foreseen without waiting till the end of the year. No savings should be held in reserve for possible future excesses. Further, as per Rule 135, when the need for surrender manifests itself, the controlling officer should carefully estimate the amount that he can surrender.

We observed that against the budget provision of ₹ 6,074.60 crore, ₹ 1,283.34 crore (₹ 2.98 crore under capital heads and ₹ 1,280.36 crore under revenue heads), was surrendered on 31<sup>st</sup> March 2018 leaving no scope for utilisation of the funds on other important schemes.

### 2.7.6 Non-utilisation of whole budget provision

As per comments below Rule 57 of Bihar Budget Manual (as adopted), the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

Scrutiny of Appropriation Accounts for the year 2017-18 revealed that the entire budget provision of ₹ 89.98 crore was not utilised by the Department in six schemes under *Pradhan Mantri Krishi Sinchai Yojana* (PMKSY).

### 2.7.7 Rush of expenditure

As per provision (Rule 113 of Budget Manual), rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. Hence, rush of expenditure particularly in the closing month should be avoided.

We observed that in 16 out of 93 heads (Capital-11 and Revenue-82), entire expenditure for the year 2017-18 was incurred in the month of March 2018. Further, it was noticed that in seven out of eight test-checked DRDAs, expenditure in the month of March 2018 ranged between 25 to 61 *per cent* of the expenditure during the year as detailed in **Appendix 2.11**.

### 2.7.8 Non-reconciliation of departmental expenditure figures

Rule 134 of Budget Manual requires that Controlling Officer should arrange to reconcile departmental accounts with books of Principal Accountant General (A&E) on monthly basis to avoid chances of misclassification of expenditure and receipts.

Out of total expenditure of ₹ 3,836.64 crore during the year 2017-18, an amount of ₹ 1,174.39 crore was not reconciled by the Department with the books of the Principal Accountant General (A&E) as detailed in **Table 2.9**.

**Table 2.9: Non-reconciliation of amount by the department**

(₹ in crore)

Sl. No	Major Heads	Total Expenditure (As per appropriation)	Reconciled amount	Un-reconciled amount
1	2501	633.04	304.63	328.41
2	2505	2,433.95	2,277.08	156.87
3	2515	270.03	64.47	205.56
4	3451	5.11	5.03	0.08
5	4515	494.51	11.04	483.47
	<b>Total</b>	<b>3,836.64</b>	<b>2,662.25</b>	<b>1,174.39</b>

Source: Records of the Pr. Accountant General (A&E)

Further, it was also noticed in eight test-checked DRDAs that ₹ 74.17 crore out of total expenditure of ₹ 74.53 crore during the year 2017-18, was not reconciled with the books of Principal Accountant General (A&E) as detailed in **Table 2.10**:

**Table 2.10: Details of unreconciled amount**

(₹ in crore)

Sl. No	Name of DRDAs	Total Expenditure	Reconciled amount	Un-reconciled amount
1	DRDA, Bokaro	8.75	0.00	8.75
2	DRDA, Palamu	10.82	0.36	10.46
3	DRDA, Garhwa	8.11	0	8.11
4	DRDA, Giridih	11.31	0	11.31
5	DRDA, Dumka	9.69	0	9.69
6	DRDA, Sahibganj	8.96	0	8.96
7	DRDA, East Singhbhum	10.99	0	10.99
8	DRDA, Chatra	5.9	0	5.9
	<b>Total</b>	<b>74.53</b>	<b>0.36</b>	<b>74.17</b>

## 2.8 Budgetary Process for Grant No. 45 - IT & e-Governance Department

### 2.8.1 Introduction

The Department of Information Technology (IT) & e-Governance has been functioning as an independent entity since June, 2003.

A review of budgetary process of Grant No. 45 - IT & e-Governance Department for the year 2017-18 was conducted between July and September 2018 in the Secretariat. It was seen that against the total budget provision of ₹ 214.41 crore (Plan ₹ 212.60 crore and Establishment ₹ 1.81 crore) for the year 2017-18, the Department utilised only ₹ 74.25 crore (Plan ₹ 72.54 crore and Establishment expenditure ₹ 1.71 crore) (34.63 per cent) and ₹ 140.16 crore (65.37 per cent) was surrendered. Further, as shown in **Table 2.11**, the Department was unable to utilise more than 50 per cent of its allocation during the last four years, except in 2016-17.

**Table 2.11: Budgetary position of the Department for last four years**

(₹ in crore)

Year	Nature of Expenditure	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage of savings
2014-15	Revenue	91.28	6.03	97.31	49.10	48.21	52.86
	Capital	30.50	1.14	31.64	11.69	19.95	
	<b>Total</b>	<b>121.78</b>	<b>7.17</b>	<b>128.95</b>	<b>60.79</b>	<b>68.16</b>	
2015-16	Revenue	107.71	90.63	198.34	108.77	89.57	53.18
	Capital	34.00	00.00	34.00	0.01	33.99	
	<b>Total</b>	<b>141.71</b>	<b>90.63</b>	<b>232.34</b>	<b>108.78</b>	<b>123.56</b>	
2016-17	Revenue	148.35	9.27	157.62	123.68	33.94	21.32
	Capital	33.50	0.00	33.50	26.70	6.80	
	<b>Total</b>	<b>181.85</b>	<b>9.27</b>	<b>191.12</b>	<b>150.38</b>	<b>40.74</b>	
2017-18	Revenue	187.99	4.42	192.41	72.79	119.62	65.37
	Capital	22.00	0.00	22.00	1.46	20.54	
	<b>Total</b>	<b>209.99</b>	<b>4.42</b>	<b>214.41</b>	<b>74.25</b>	<b>140.16</b>	

Source: Appropriation Accounts of the Government of Jharkhand for the respective years



## Audit findings

### 2.8.2 Avoidable Supplementary provision

During 2017-18, the budgetary provision of IT & e-Governance Department was ₹ 200.75 crore (original: ₹ 196.45 crore and supplementary: ₹ 4.30 crore) for 15 schemes. Scrutiny revealed that the Department could not utilise the supplementary provision of ₹ 2.80 crore provided for two schemes was not utilised as detailed in **Table 2.12**. Thus, supplementary demand of ₹ 2.80 crore proved unnecessary and could have been avoided.

**Table 2.12: Avoidable Supplementary provision**

(₹ in crore)

Name of Scheme	Original budget	Supplementary budget	Total	Funds utilised	Savings
e-Office	2.00	1.21	3.21	02.00	1.21
e-Governance Computerisation of New Government Department (TSP)	10.39	1.59	11.98	08.08	3.90
<b>Total</b>	<b>12.39</b>	<b>2.80</b>	<b>15.19</b>	<b>10.08</b>	<b>5.11</b>

Source: Departmental figures

The Department stated (October 2018) that due to non-finalisation of assessment for requirement of hardware and delayed confirmation of the requirement led to non- utilisation of the funds.

Reply is not tenable as the assessment/confirmation of requirement should have been obtained before demand for supplementary provision.

### 2.8.3 Non-surrender of unutilised funds

During 2017-18, against the total budget provision of ₹ 214.41 crore, the IT & e-Governance Department had savings of ₹ 140.16 crore which was not surrendered and lapsed on 31 March 2018.

The Department could have anticipated the savings and surrendered it so that it could have been utilised by the Government on other schemes.

### 2.8.4 Non-utilisation of the entire budget provision

Scrutiny of records revealed that the entire budget allocation (100 *per cent*) for the financial year in seven schemes remained unutilised and was surrendered by the Department as detailed in **Table 2.13**.

**Table 2.13: Details of schemes and Budget allocation**

(₹ in crore)

Sl. No.	Name of Scheme	Budget Estimate	Surrender
1	Establishment of Grievance & Emergency Services Call Centre for home	2.00	2.00
2	Grant for Software Technology Park	1.00	1.00
3	e-Mulakat	0.40	0.40
4	IT Enabled Services Incentives	3.20	3.20
5	National e-Governance Action Plan (1368)	11.15	11.15
6	Establishment of IT Park	0.50	0.50
7	Maintenance of Data Centre-LAN Portal	5.00	5.00
<b>Total</b>		<b>23.25</b>	<b>23.25</b>

Source: Department of IT & e-Governance



As evident from the above table, no work was done under the seven schemes during the year and the entire allocation was surrendered by the Department.

*Recommendation: While preparing budget estimates, the departments of the State Government should adhere to the provisions as contained in Budget Manual to make it more realistic. Further, the trend of expenditure during the year must be monitored by the Finance Department so that savings are minimised, funds are not retained unnecessarily and are surrendered in time by the departments.*