

CHAPTER-II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

CHAPTER II

Financial Management and Budgetary Control

2.1 Introduction

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 is thus a control document facilitating management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

Audit of appropriations 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 provisions of the constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 57 Grants and two Appropriations is given in **Table 2.1**:

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

(₹ in crore)								
Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving	Amount Surrendered	Amount Surrendered on 31 March 2016	Percentage of Savings surrendered on 31 March 2016 to total amount of Savings
Voted								
I. Revenue	7096.99	569.17	7666.16	5834.93	1831.23	1264.45	1264.45	69.05
II. Capital	1603.41	183.96	1787.37	1110.66	676.71	260.65	260.65	37.92
III. Loans and Advances	27.90	141.14	169.04	158.35	10.69			
Total Voted	8728.30	894.27	9622.57	7103.94	2518.63	1525.10	1525.10	60.55
Charged								
IV. Revenue	524.49	1.70	526.19	517.24	8.95	2.14	2.14	23.91
V. Capital	...	0.14	0.14	...	0.14	...	...	...
VI. Public Debt- Repayment	480.46	...	480.46	337.57	142.89	142.89	142.89	100
Total Charged	1004.95	1.84	1006.79	854.81	151.98	145.03	145.03	95.43
Appropriation to Contingency Fund (if any)	...	...	...	...	...	...	...	...
Grand Total	9733.25	896.11	10629.36	7958.75	2670.61	1670.13	1670.13	62.54

The overall saving of ₹ 2670.61 crore was the result of saving of ₹ 2838.10 crore in 48 Grants under Revenue Section, 22 Grants and two Appropriations under Capital Section, offset by excess of ₹ 167.49 crore in seven Grants under Revenue Section. Out of the total savings of ₹ 2670.61 crore, ₹ 1670.13 crore (62.54 per cent) was surrendered during the year and the balance savings of ₹ 1000.48 crore (37.46 per cent) remained un-surrendered.

The savings/excess were intimated (July 2016) to the Controlling Officers requesting them to explain the significant variations. Department-wise position involving substantial amount of savings/excess (exceeding ₹ 10 crore) for which reasons were not furnished (August 2016) by the departments concerned is given in **Appendix 2.1**.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 41 cases, savings of ₹ 2424.97 crore exceeded ₹ 1 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.2**). Against the savings of ₹ 2424.97 crore, savings of ₹ 2064.33 crore (85.13 per cent) over ₹ 50 crore and above occurred in 12 cases relating to 10 Grants and one case of Appropriation.

Reasons for excessive savings in the above cases had not been furnished (August 2016).

2.3.2 Persistent Savings

In eight cases, during the last five years, there were persistent savings of more than ₹ 50 lakh in each case and also by 20 per cent or more of the total provision (**Table 2.2**).

Table 2.2: List of Grants indicating Persistent Savings during 2011-16

(₹ in crore)

Sl. No.	Number and Name of the grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue-Voted						
1.	11- Other Taxes and Duties on Commodities and Services, etc	226.21 (57)	106.00 (37)	45.73 (23)	77.67 (32)	65.34 (48)
2.	40-North Eastern Areas, etc.	12.80 (34)	90.13 (77)	76.64 (80)	48.27 (77)	91.81 (84)
3.	43 – Housing, Crop Husbandry, Agricultural, Research and Education etc.	101.50 (31)	214.12 (47)	233.36 (52)	234.43 (48)	135.99 (34)
4.	50 – Forestry and Wildlife, Agricultural Research and Education, etc.	26.40 (25)	58.95 (43)	53.29 (30)	74.59 (34)	54.30 (31)
Capital-Voted						
5.	19 – Secretariat General Services, Public Works, etc.	59.53 (65)	68.00 (58)	79.23 (42)	95.11 (57)	39.66 (27)
6.	29- Urban Development, Capital Outlay on Housing, etc.	24.48 (20)	231.75 (92)	244.77 (69)	147.60 (72)	136.79 (86)

Sl. No.	Number and Name of the grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
7.	34-Welfare of Scheduled Castes, etc.	15.65 (96)	19.36 (100)	15.21 (80)	15.77 (49)	4.98 (62)
8.	39-Cooperation, etc.	6.20 (36)	8.33 (54)	7.79 (48)	9.30 (62)	5.04 (54)

(Figures in the parentheses indicate percentage of saving to total provision)

Eight Grants, viz. ‘Other Taxes and Duties on Commodities and Services, etc.’, ‘North Eastern Areas’, ‘Housing Crop Husbandry, Agricultural, Research and Education, etc.’ ‘Forestry and Wildlife, etc.’, ‘Secretariat General Services, Public Works, etc.’, ‘Urban Development’, ‘Welfare of Scheduled Castes, etc’, and ‘Co-operation’ have posted large savings persistently for the last five years.

2.3.3 Expenditure without Budget Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds in Budget. It was, however, noticed that expenditure of ₹ 37.02 crore was incurred in 22 cases as detailed in **Appendix 2.3** without any budget provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Seven significant cases of such expenditure involving expenditure in excess of ₹ 1 crore are given in **Table 2.3**.

Table 2.3: Expenditure incurred without provision during 2015-16

Sl. No.	Grant/Appropriation Number – Major Head of Accounts - Sub-Head - Detailed Head	(₹ in crore) Expenditure without provision
1.	21 – CSS – 2202 – 80 – 003 – (05) D.I.E.T – General	5.65
2.	26 – 2211 – 101 – (02) Rural Family Welfare Sub-Centres – Sixth Schedule (Part II) Areas	2.58
3.	26 – (Centrally Sponsored Scheme) – 2211 – 001 – (02) District Family Welfare Bureau – Sixth Schedule (Part II) Areas	2.96
4.	26 – CSS – 2211 – 001 – (02) District Family Welfare Bureau – General	1.31
5.	26 – CSS – 2211 – 003 – (01) Regional Health and Family Welfare Training Centre – General	1.05
6.	26 – CSS – 2211 – 101 – (02) Rural Family Welfare Sub-Centres – Sixth Schedule (Part II) Areas	12.44
7.	26 – CSS – 2211 – 101 – (02) Rural Family Welfare Sub-Centres - General	4.33

2.3.4 Drawal of funds to avoid lapse of budgetary provision

As per Paragraph 152 (iii) of Budget Manual, controlling officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case latest by the 15th March. Further, as per Rule 211 of Meghalaya Treasury Rules, 1986, no money shall be drawn from the Treasury unless it is required for immediate disbursement. Contrary to the prescribed procedure, ₹ 373.18 crore was transferred in March 2016 into the head of Account ‘8443 – Civil Deposits’ primarily to exhaust the unspent budgetary provision. Instances of such transfer (over ₹ five crore in each case) in respect of the 12 cases involving ₹ 373.05 crore are mentioned in **Appendix 2.4**.

2.3.5 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 excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As indicated in the Reports of the Comptroller and Auditor General of India for the previous year, excess expenditure of ₹ 1807.38 crore for the years from 1971-72 to 2014-15 had not been regularised, details of which are given in **Appendix 2.5**.

2.3.6 Excess over provision during 2015-16 requiring regularisation

Table 2.4 contains the summary of total excess in six Grants and one case of Appropriation under Revenue Section amounting to ₹ 167.49 crore over authorisation from the Consolidated Fund during 2015-16 and requires regularisation under Article 205 of the Constitution.

Table 2.4 : Excess over provision requiring regularisation during 2015-16

(₹ in lakh)				
Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (+) (per cent to Total Grant/Appropriation)
Revenue – Voted				
1.	7 – Stamps and Registration	167.00	176.97	9.97 (5.97)
2.	20 – Other Administrative Services, etc.	3443.79	3446.27	2.48 (0.07)
3.	24 – Pensions and Other Retirement Benefits	44652.00	58943.72	14291.72 (32.01)
4.	26 – Medical and Public Health, Family Welfare, etc.	49047.00	51277.39	2230.39 (4.55)
5.	27 – Water Supply and Sanitation, Housing, etc.	17725.20	17928.96	203.76 (1.15)
6.	56 – Roads and Bridges, etc.	14903.00	14910.08	7.08 (0.05)
Revenue – Charged				
1.	2 – Governor	809.85	813.26	3.41 (0.42)
Total				16748.81

In one of the above cases, viz. Grant No.24 - Pension & other retirement benefits, excess expenditure incurred by more than ₹ 50 crore of the budget provision has been observed consistently for the last five years (**Table 2.5**).

Table 2.5 : Persistent excess expenditure during 2011-16

(₹ in crore)						
Sl. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2011-12	2012-13	2013-14	2014-15	2015-16
1.	24- Pension and other Retirement benefits (Revenue - Voted)	139.17	73.49	53.89	114.63	142.92

2.3.7 Excessive/inadequate supplementary provision

Supplementary provision aggregating ₹ 377.33 crore obtained in 24 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.6**. In four cases supplementary provision of ₹ 26.89 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 167.28 crore (**Table 2.6**).

Table 2.6: Insufficient Supplementary Provision

Number and Name of Grant	(₹ in crore)				
	Original Provision	Supplementary provision	Total	Expenditure	Excess
20 – Other Administrative Services, etc. Revenue – Voted	32.77	1.67	34.44	34.46	0.02
24 – Pensions and Other Retirement Benefits Revenue – Voted	446.32	0.20	446.52	589.44	142.92
26 – Medical and Public Health, Family Welfare, etc. Revenue – Voted	484.18	6.29	490.47	512.77	22.30
27 – Water Supply and Sanitation, Housing, etc. Revenue – Voted	158.52	18.73	177.25	179.29	2.04
Total	1121.79	26.89	1148.68	1315.96	167.28

In three cases, no supplementary provision was obtained resulting in an excess expenditure of ₹ 0.20 crore as given in **Table 2.7**.

Table 2.7: Excess expenditure but no Supplementary Provision were obtained

Number and Name of Grant	(₹ in crore)		
	Original Provision	Expenditure	Excess
2 – Governor, Capital Outlay on Housing - Revenue–Charged	8.10	8.13	0.03
7 – Stamps and Registration – Revenue – Voted	1.67	1.77	0.10
56 – Roads and Bridges, Capital Outlay on Roads and Bridges Revenue – Voted	149.03	149.10	0.07
Total	158.80	159.00	0.20

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. As per the Appropriation Accounts, re-appropriation made under 217 sub-heads proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh. Instances of 63 such cases where excess/saving was ₹ one crore or above in each case are detailed in **Appendix 2.7**.

2.3.9 Unexplained re-appropriations

According to Paragraph 115 of the Budget Manual (Volume I), read with Form ‘K’ of re-appropriation statement, reasons for all re-appropriations of ₹ 1,000 or more should be given. Scrutiny of Appropriation Accounts revealed that reasons for re-appropriations made during 2015-16 under various head of accounts were not explained in detail. Reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like “less requirement of funds”, “less

expenditure than anticipated”, “non-receipt of sanction”, “non-approval of Scheme”, “discontinuation of Scheme”, “less claim”, “revised budget outlay” and “reduction of provision” etc.

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 107 sub-heads on various grounds like non-receipt of sanction, less expenditure, non-release of fund, etc.. Out of the total provision of ₹ 1354.13 crore in the 107 sub-heads, ₹ 1252.34 crore were surrendered, which included 100 per cent surrender in 68 schemes. The details of such cases involving surrender of entire provision (over ₹ 1 crore) crore are given in **Appendix 2.8**.

2.3.11 Surrender in excess of actual saving

The spending departments, as per the provision of the Budget Manual, are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by controlling officers results in surrender in excess of overall saving grant/appropriation.

In 18 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 477.88 crore, the amount surrendered was ₹ 493.15 crore resulting in excess surrender of ₹ 15.27 crore (**Appendix 2.9**). Some significant cases are shown in **Table 2.8**.

Table 2.8 : Cases of surrender in excess of savings

(₹ in lakh)					
Sl No.	Number and Name of Grant/Appropriation	Total Grant	Saving	Amount surrendered	Amount surrender in excess of savings
1.	8 – State Excise Revenue – Voted	1554.00	107.00	217.12	110.12
2.	10 – Taxes on Vehicles, other Administrative Services, Road Transport, etc. Capital--Voted	3700.55	394.56	465.57	71.01
3.	13 – Secretariat General Services, Secretariat Social Services, Secretariat Economic Services, etc. Revenue – Voted	13092.48	1029.82	1126.21	96.39
4.	22 – Other Administrative Services, Housing, Census, Survey and Statistics Revenue – Voted	2827.76	124.04	199.08	75.04
5.	34 – Welfare of Scheduled Caste/ Scheduled Tribe and Other Backward Classes, Social Security and Welfare, Nutrition, etc. Revenue – Voted	18754.65	59.67	1025.50	965.83

2.3.12 Anticipated savings not surrendered

As per Paragraph 152 (iii) of Budget Manual, controlling officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case latest by the 15th March. At the close of the year 2015-16, there were however, 10 Grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in those cases was ₹ 328.99 crore (12.32 per cent of the overall savings of ₹ 2670.61 crore) (**Appendix 2.10**).

Similarly, out of total savings of ₹ 1660.94 crore under 22 other Grants (savings of ₹ 1 crore and above in each Grant), amount aggregating ₹ 873.00 crore (52.56 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.11**. Besides, in 53 cases, (surrender of funds in excess of ₹ 1 crore), ₹ 1667.98 crore were (**Appendix 2.12**) surrendered on the last working day of March 2016, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.13 Rush of expenditure

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. As such, Government expenditure is required to be evenly phased out throughout the year as far as possible. It was however, noticed that during 2015-16, compared to the total expenditure during the year the expenditure during the fourth quarter ranged between 46.78 per cent and 100 per cent and in the month of March it ranged between 43.95 per cent and 100 per cent in respect of four illustrative major heads of account as indicated in **Table 2.9** below:

Table 2.9: Cases of Rush of Expenditure towards the end of the financial year 2015-16

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2016	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2205	18.34	8.58	46.78	8.06	43.95
2.	2225	1.15	1.15	100.00	1.15	100.00
3.	2401	211.63	157.83	74.58	148.70	70.26
4.	2406	120.18	66.57	55.39	58.36	48.56

As can be seen from the table above, the uniform flow of expenditure during the year, which is a primary requirement of budgetary control, was not maintained, indicating deficient financial management.

2.4 Reconciliation of departmental figures

2.4.1 Detailed Countersigned Contingent Bills against Abstract Contingency Bills

According to the Meghalaya Treasury Rules, 1985, the Controlling Officers are to submit Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Accountant General (AG) within a month from the date

of receipt of such bills in his office. As per Finance Accounts for the year 2015-16 (Volume I), the total amount of DCC bills received during 2014-15 and 2015-16 was ₹ 14.09 crore against the amount of AC bills of ₹ 22.45 crore leading to an outstanding balance of 58 DCC bills amounting to ₹ 8.36 crore as of March 2016. Year wise details are given in the table below:

Table 2.10 Outstanding DCC Bills

(₹ in crore)				
Year	Amount of AC bills drawn	Amount of DCC bills submitted	Outstanding amount of AC bills	Percentage of Outstanding AC bills
2014-15	14.25	14.09	0.16	1.12
2015-16	8.20	Nil	8.20	100
Total	22.45	14.09	8.36	37.24

Non-adjustment of advances for long period is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers (COs) of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Budget Manual stipulates that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of COs in this regard continued to persist. During 2015-16, 13 out of 59 COs did not reconcile expenditure amounting to ₹ 1136.23 crore (14.28 per cent of total gross expenditure of ₹ 7958.75 crore) as of March 2016. Out of the unreconciled expenditure of ₹ 1136.23 crore, ₹ 574.44 crore related to the Directors of Accounts and Treasury followed by ₹ 158.35 crore in respect of the Additional Secretary Finance (Economic Affairs) and ₹ 63.79 crore in respect of Secretary Finance, Planning and Public Works Department.

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts is created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. As on 01 April 2015, there were 13 PD accounts with a balance of ₹ 5.35 crore. Out of 13 PD accounts, seven PD accounts remained inoperative for period ranging from 10 years to 14 years and were closed during 2015-16. No PD account was opened during 2015-16. As on 31 March 2016, six PD accounts involving ₹ 5.58 crore were in existence.

2.6 Review of Budgetary Process

2.6.1 Introduction

A major concern is that budgetary process are being undertaken in a mechanical and routine fashion and adequate due diligence is not being given to ensure high level of preparedness before the budget is finalised. This could reduce the effectiveness of the Government to ensure that developmental goals are achieved as intended by Government.

2.6.2 Budget and Accounts

The Annual Financial Statement of the estimated receipt and expenditure of the State for a financial year is laid before the House of the Legislature in accordance with Article 202 of the Constitution of India. The estimates of expenditure embodied in the Annual Finance Statement shall show separately – (a) the sums required to meet expenditure charged upon the Consolidated Fund of the State, and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State.

Government accounts are kept in three parts, namely Part –I Consolidated Fund, Part - II Contingency fund and Part – III Public Account. The details of transactions under the three parts are classified according to various Major Heads, Sub-Major Heads, Minor Heads, Sub-Heads and Detailed Heads of accounts prescribed by the Controller General of Accounts.

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue-consisting of receipt heads (Revenue Account) and expenditure heads (Revenue Account), (b) Capital, Public Debt, Loans, *etc.* – consisting of receipt heads (Capital Account) and Expenditure Heads (Capital Account). No money (except expenditure charged upon the Consolidated Fund) can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose necessary Demands for Grants are placed before the Legislature at the beginning of each financial year. The Grants, as and when passed by the Legislature, are incorporated in an Appropriation Act authorising necessary appropriation from the Consolidated Fund. In Public Account, records are kept for all transactions relating to public moneys other than those of the Consolidated Fund and the Contingency Fund.

2.6.3 Examination and evaluation of the budgetary system

The findings of Audit after examining and evaluating the budget documents of the Government of Meghalaya for the year 2015-16 are given in the succeeding paragraphs.

2.6.4 Budget Process

As contemplated in Paragraphs 1 and 78 of Budget Manual¹, the duty of preparing budget estimates (Receipts and Expenditure) and revised estimates for laying before the Legislature vests with the Finance Department. The budget estimates are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and revised estimates are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the revised and budget estimates. The estimates of receipts should show the amount expected to be actually realised within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years' receipts.

During scrutiny of records of Finance Department it was noticed that the departmental budget estimates were not submitted by the Administrative Departments within the target date (31 October 2014) fixed by the Finance (Budget) Department in August 2014. Instances of such delays are given in **Table 2.11**.

Table 2.11: Statement showing the date of submission of Budget Estimates

Sl. No.	Name of the Department	Grant Number (Head of Accounts)	Date of submission of Departmental Budget Estimates	Period of delay
1.	Secretariat Administrative	13 (2052, 2251)	11.01.2015	Two months
2.	Home (Police)	16 (2055, 2070)	17.02.2015	Three months
3.	Health & Family Welfare	26 (2210)	10.02.2015	Three months
4.	Public Health Engineering	27 (2215)	15.02.2015	Three months
5.	Urban Development	29 (2217)	20.01.2015	Two months
6.	Tourism	57 (3452)	09.02.2015	Three months

As can be seen from the above table, there were delays ranging from two months to three months in submission of departmental budget estimates to the Finance Department. Consequently, there was less time for scrutiny of these estimates by the Finance Department.

¹ Budget Manual of the Government of Assam (Volume I) as adopted by the Government of Meghalaya

2.6.5 Actual receipts in Consolidated Fund vis-à-vis provision

The position of Revenue and Capital receipts under Consolidated Fund during 2013-14 to 2015-16 is presented in **Table 2.12** below:

Table 2.12: Revenue and Capital Receipts

(₹ in crore)

Year	Revenue Account				Capital Account			
	Budget Provision	Actual Receipt	Shortfall in receipt	Percentage of shortfall	Budget Provision	Actual Receipt	Shortfall/ Excess in receipt	Percentage of shortfall/ excess
2013-14	8583.40	6266.73	2316.67	26.99	694.52	495.90	(-)198.62	(-)28.60
2014-15	11127.60	6428.25	4699.35	42.23	740.61	746.72	6.11	0.82
2015-16	8403.02	7043.13	1359.89	16.18	1029.02	856.01	(-)173.01	(-)16.81

Source: Annual Financial Statement & Finance Accounts

It can be seen from the table above, the shortfall of revenue receipts ranged between 16.18 per cent and 42.23 per cent during 2013-16. As regards to capital receipts there was a shortfall in actual receipts by 16.81 per cent during 2015-16 as compared to the previous year where the actual receipts exceeded the budget provision. In view of that, it is necessary that a more reliable and scientific method of forecasting revenues needs to be adopted to achieve better planning of expenditure.

2.6.6 Estimates of expenditure under Consolidated Fund

The estimates of expenditure should be prepared for the charges that will be needed for actual payment during the year. It is of great importance that the expenditure estimates should be accurately framed. The Finance Department could not furnish to Audit the departmental estimates and revised estimates, if any, received from the various departments, though called for in September 2016. Thus, it could not be verified whether proposals of the departments were duly considered in framing the budget.

Budget provisions for expenditure (gross) and actual there against under revenue and capital accounts during 2013-14 to 2015-16 are shown in the **Table 2.13** below:

Table 2.13

(₹ in crore)

Year	Revenue Account				Capital Account (including Loans and Advances and Public Debt)			
	Budget provision (O + S)	Actual expenditure	Saving	Percentage of savings	Budget provision (O + S)	Actual expenditure	Saving	Percentage of savings
2013-14	7982.02	5556.38	2425.64	30.39	2069.71	1416.51	653.20	31.56
2014-15	10435.95	6259.71	4176.24	40.02	2141.11	1377.26	763.85	35.68
2015-16	8192.35	6352.17	1840.18	22.46	2437.01	1606.59	830.42	34.08

(O: Original; S: Supplementary)

In all the three years there was overestimation of expenditure which resulted in savings ranging from 22.46 per cent to 40.02 per cent under Revenue Account and 31.56 per cent to 35.68 per cent under Capital Account. This was indicative of the

fact that contrary to the prescribed budgetary regulations, estimation was made without proper analysis of actual needs.

2.6.7 Inaccuracy in preparation of revised estimates

According to Paragraphs 29 and 50 of the Budget Manual, the revised estimate of receipts should be the best forecast that the estimating officer can make and the revised estimates for expenditure should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of requirements.

Significant cases of variation between the revised estimates and the actuals during 2015-16 under both receipts and expenditure heads of accounts are given below:

Table 2.14: Variation between revised estimated and actuals
(₹ in crore)

Sl. No.	Number and name of head of accounts	Budget Estimates (BE)	Revised estimates (RE)	Actuals	Variation Excess (+)/ Shortfall (-) from RE (per cent)
RECEIPTS					
1.	0029 – Land Revenue	4.77	4.77	3.18	- 1.59 (33.33)
2.	0055 – Police	9.69	9.69	16.28	+ 6.59 (68.01)
3.	0059 – Public Works	12.57	12.57	8.39	- 4.18 (33.25)
4.	0070 – Other Administrative Services	8.86	8.86	3.49	- 5.37 (60.61)
5.	0202 – Education ,Sports, Art and culture	2.29	2.29	0.77	- 1.52 (66.38)
6.	0210 – Medical and Public Health	2.12	2.12	1.55	- 0.57 (26.89)
7.	0230 – Labour and employment	2.17	2.17	2.81	+ 0.64 (29.49)
8.	0853 – Non-Ferrous Mining and Metallurgical Industries	112.21	112 .21	60.75	- 51.46 (45.86)
EXPENDITURE					
1.	2029-Land Revenue	18.54	18.54	13.76	- 4.78 (25.78)
2.	2071 – Pension and other Retirement Benefit	446.32	446.32	589.44	+ 143.12 (32.07)
3.	2203 – Technical Education	14.58	14.58	36.57	+ 21.99 (150.82)
4.	2225 – Welfare of Schedule Caste/Tribe and OBC	10.60	10.60	1.15	- 9.45 (89.15)
5.	2245-Relief on Account of Natural Calamities	24.79	24.79	56.84	+ 32.05 (129.29)
6.	2402 – Soil and water Conservation	334.51	334.51	82.24	- 252.27 (75.41)
7.	2404-Dairy Development	11.52	11.52	33.99	+ 22.47 (195.05)
8.	2405-Fisheries	27.34	27.34	14.18	- 13.16 (48.13)
9.	2415-Agri Research and Education	3.83	3.83	11.81	+ 7.98 (208.36)
10.	2702-Minor Irrigation	110.30	110.30	38.54	- 71.76 (65.06)
11.	2801-Power	121.08	121.08	63.29	- 57.79 (47.73)
12.	3451 – Secretariat Economics Services-II Planning Board etc.	546.67	546.67	91.58	- 455.09 (83.25)
13.	3452 – Tourism	111.80	111.80	19.91	- 91.89 (82.19)
14.	3456 – Civil Supplies	15.48	15.48	25.64	+ 10.16 (65.70)

Wide variations ranging from 26.89 per cent to 68.01 per cent under Receipt heads and 25.78 per cent to 208.36 per cent under Expenditure heads between the budget provision and actual particularly with reference to revised estimates, indicated

absence of proper care in estimating the revised estimates by the concerned controlling officers as envisaged in the Budget Manual and failure of the Finance (Budget) Department in exercising adequate check over the rough preliminary revised estimates.

2.6.8 Errors in Budgetary Process

2.6.8.1 Paragraph 98 of the Budget Manual requires that when the expenditure requiring provision is obligatory, a supplementary grant or appropriation may be taken towards the end of the year provided that the total provision made by law under the grant concerned, is not exceeded before the Supplementary Demand is obtained.

It was observed that the expenditure in the State was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) the original grants and supplementary grants were ₹ 7096.99 crore and ₹ 569.17 crore respectively aggregating to ₹ 7666.16 crore, against which the actual expenditure was ₹ 5834.93 crore resulting in savings of ₹ 1831.23 crore. This was more than the supplementary provision.
- Similarly under Capital (voted) including Loans and Advances, the original and supplementary grants were ₹ 1631.31 crore and ₹ 325.10 crore respectively aggregating to ₹ 1956.41 crore against which the actual expenditure was ₹ 1269.01 crore, resulting in savings of ₹ 687.40 crore. This was more than the supplementary grants.

In the above cases, the supplementary provision of ₹ 569.17 crore under Revenue (voted) and ₹ 325.10 crore under Capital (voted) obtained during the year, proved unnecessary as the actual expenditure did not come up to the level of original provision as indicated in **Table 2.15**:

Table 2.15: Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)						
Sl. No.	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-) / Excess (+)
1.	Revenue (voted)	7096.99	569.17	7666.16	5834.93	(-)1831.23
2.	Capital (voted)	1631.31	325.10	1956.41	1269.01	(-)687.40
Total		8728.30	894.27	9622.57	7103.94	(-)2518.63

2.6.8.2 Expenditure relating to minor works, repairs and grants-in-aid is to be classified as revenue expenditure. Capital expenditure is incurred with the object of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. As per Finance Accounts for the year 2015-16 (Volume-I), the State Government made budget provision and incorrectly classified ₹ 60.38 crore on

major works under the Revenue section and ₹ 1.20 crore on minor works under the Capital section. Instances of such cases are given in **Appendix 2.13**.

Due to such misclassification, the revenue surplus of the State Government for the year 2015-16 was understated by ₹ 59.18 crore. The misclassification though reported (July 2016) by the Accountant General (A&E) to the State Government, remained un-rectified.

2.6.9 Technical and qualitative application of resources

Budget provisions (revised), actual expenditure and shortfall (savings) under Plan and Non-Plan heads of both revenue and capital sections in respect of Social Services and Economic Services for the years 2013-16 are presented in **Table 2.16**.

Table 2.16: Social Services and Economic Services

Year	Budget Estimate (net)			Actual expenditure			Shortfall (-)/Excess (+) to BE	
	(percentage to total provisions)			(percentage to provision of respective sector)			Non-Plan Amount (per cent)	Plan Amount (per cent)
	Non-Plan	Plan	Total	Non-Plan	Plan	Total		
Social Services								
2013-14	1137.41 (28.69)	2827.42 (71.31)	3964.83	1171.40 (102.99)	1193.48 (42.21)	2364.88	+ 33.99 (2.99)	- 1633.94 (57.79)
2014-15	1428.54 (24.76)	4340.41 (75.24)	5768.95	1255.71 (87.90)	1477.87 (34.05)	2733.58	- 172.83 (12.10)	-2862.54 (65.95)
2015-16	1183.21 (38.19)	1914.88 (61.81)	3098.09	1347.55 (113.89)	1337.30 (69.84)	2684.85	+ 164.34 (13.89)	- 577.58 (30.16)
Total	3749.16 (29.22)	9082.71 (70.78)	12831.87	3774.66 (100.68)	4008.65 (44.13)	7783.31	+ 25.50 (0.68)	- 5074.06 (55.87)
Economic Services								
2013-14	665.45 (20.13)	2640.04 (79.87)	3305.49	710.13 (106.71)	1628.87 (61.70)	2339.00	+ 44.68 (6.71)	- 1011.17 (38.30)
2014-15	811.76 (21.77)	2916.58 (78.23)	3728.34	819.84 (101.00)	1712.90 (58.73)	2532.74	+8.08 (1.00)	-1203.68 (41.27)
2015-16	735.30 (19.74)	2989.21 (80.26)	3724.51	721.80 (98.16)	1699.20 (56.84)	2421.00	-13.50 (1.84)	- 1290.00 (43.16)
Total	2212.51 (20.57)	8545.83 (79.43)	10758.34	2251.77 (101.77)	5040.97 (58.99)	7292.74	+ 39.26 (1.77)	-3504.85 (41.01)

Source : Memorandum of Budget Estimates and Finance Accounts

- **Social services**

During 2013-16, provision for Non-Plan and Plan expenditure under Social services were ₹ 3749.16 crore and ₹ 9082.71 crore respectively which constituted 29.22 per cent and 70.78 per cent of the total provision. However, the actual expenditure under Non-Plan and Plan was ₹ 3774.66 crore and ₹ 4008.65 crore respectively which constituted 100.68 per cent and 44.13 per cent of the total provision. While there was a shortfall in Plan expenditure against the budget provision during all the three years, the actual Non-Plan expenditure exceeded the budget provision during 2013-14 and 2015-16. While the actual Plan expenditure during 2013-16 fell short of the budget provision by 55.87 per cent, this percentage of Non-Plan expenditure exceeded the budget provision by 0.68 per cent.

- **Economic Services**

Non-Plan expenditure far surpassed the budget provision during all the two years (2013-15) while there was a shortfall during 2015-16. There was a decline in Plan expenditure *vis-à-vis* the budget provision, which decreased to 56.84 *per cent* during 2015-16 against 61.70 *per cent* during 2013-14. While the overall shortfall during 2013-16 over the expectation (provisions) under Plan expenditure was 41.01 *per cent*, the Non-Plan expenditure exceeded the budget provision by 1.77 *per cent* during the period.

To sum up, the above position indicated that the State was not able to utilise the budget provision made under Plan component of Social and Economic Services in comparison to the Non-Plan component, basically meant for payment of salary and office expenses.

2.6.10 Budgetary control/monitoring system

As per paragraph 152 (i) of Budget Manual, for the purpose of facilitating the watch over progress of expenditure and the provision of additional funds when necessary a statement in duplicate was to be submitted to the Finance Department twice a year (by 25th November and 1st January). Statements/returns received, if any, from the different Controlling Officers/ Heads of Departments, though called for (September 2016) from the Finance (Budget) Department, were not furnished to Audit. However, shortcomings in the budget formulation as discussed in the foregoing paragraphs indicated that the prescribed budgetary control/monitoring system to watch over the progress of expenditure remained ineffective and the Finance Department could not take any initiative to contain the trend of shortcomings like excess expenditure, persistent savings, *etc.*

2.7 Outcome of Review of Selected Grant

A review on budgetary procedure and control over expenditure was conducted (October 2016) in respect of “Grant No. 21 – Miscellaneous General Services, General Education, Technical Education, Sports and Youth Services, Art and Culture, Other Scientific Research, Census, Surveys and Statistics (Major Head of Accounts : 2202, 2203, 2204, 2205, 3425, 3454), Capital Outlay (Major Head of Accounts : 4202) on Education, Loans for Education, Sports, Arts and Culture” in which significant savings were noticed during 2015-16. Important points noticed during review are detailed below:

2.7.1 Excessive supplementary provision/ non surrender of savings

Against a budget provision of ₹ 1490.74 crore (including supplementary provision of ₹ 67.87 crore) under the revenue head, the actual expenditure was ₹ 1284.07 crore resulting in final savings of ₹ 206.67 crore constituting 13.86 *per cent* of the total provision. In view of the final savings of ₹ 206.67 crore, the supplementary provision of ₹ 67.87 crore obtained under this grant was unnecessary.

Under capital account, budget provision of ₹ 30.75 crore (original provision only), no expenditure was incurred during 2015-16 resulting in savings of the entire provision of ₹ 30.75 crore.

Against the available savings of ₹ 206.67 crore, only ₹ 111.60 crore (54 per cent) was surrendered during the year contrary to the provision in Paragraph 152(iii) of the Budget Manual which provide for surrender of all anticipated savings to the Finance Department latest by 15 March so that the same could be utilised for other purposes. Since the actual expenditure was ₹ 1284.06 crore which did not come up even to the original provision of ₹ 1422.87 crore, the supplementary provision of ₹ 67.87 crore obtained during the year proved unnecessary indicating unrealistic budgeting.

Persistent saving over the years (ninth year in succession) implies blockade of funds which could have been utilised in other productive schemes. These need to be reviewed by the Finance Department.

2.7.2 Savings

As per the Detailed Appropriation Accounts for the year 2015-16, under Grant No - 21, 100 per cent savings had occurred in 12 cases, which exceeded ₹ one crore, (Table 2.17) as no part of the budget provision was utilised.

Table 2.17 : Cases where no part of budget provisions was utilised

(₹ in lakh)		
Name of Scheme	Final Grant ²	Savings
2202 General Education		
01 Elementary Education		
0004 (04) Assistance for construction Repairs of primary school Buildings – Plan	140.00	140.00
02 Secondary Education		
0041 (35) Construction of Girl's hostel – Plan	164.13	164.13
0025 (24) Upgradation of existing Education Infrastructure/Setting of residential School in the Pattern of Navodaya Vidyalay - Plan	350.00	350.00
0030 (26) Intervention for Education Facility Improvement – Plan	281.51	281.51
0024 (07) Post Metric Scholarship for Minorities - Plan	1761.67	1761.67
03 University and Higher Education		
0007 (07) Non-Lapsable Central Pool of Resources – Sixth Schedule (Part-II) Areas – Plan	650.00	650.00
80 General		
0030 (06) Strengthening of Teachers Training Institution - Plan	1748.05	1748.05
103 - Schools		
0003 (03) Setting up of Technical University – Plan	300.00	300.00
002 – Central Sector Schemes		
0004 (01) Urban Infrastructure - Plan	180.00	180.00
800 Other expenditure		
0006 (06) Non –Lapsable Central Pool of Resources – Plan	1000.00	1000.00
4202 Capital outlay on Education, Sports, Art and Culture		
202 Secondary education		
0008 (03) Construction of Educational Buildings – Plan	1500.00	1500.00
203 University and Higher Education		
0007 (06) Infrastructure Development Under SPA/SCA, etc - Plan	1500.00	1500.00

As per Paragraph 152 (iii) of the Budget Manual (Volume I), the controlling officers should surrender to the Finance Department all savings anticipated in the Budget under their control as soon as the certainty of non-requirement of fund is known by

² Original budget provision, supplementary budget provision, surrender and re-appropriation.

15th of March at the latest for utilisation by the Finance Department for other purposes. However, in the above cases, none of the amounts had been surrendered.

2.7.3 Excess over provision

As per detailed Appropriation Accounts for the year 2015-16, under 32 schemes, expenditure of ₹ 497.20 crore exceeded the budget provision by ₹ 139.17 crore. The details are given in **Appendix 2.14**.

2.7.4 Expenditure without provision

As envisaged in Paragraph 95 of Budget Manual (Volume I) no expenditure under a head (minor or sub-head) can be incurred prior to provision of funds by re-appropriation. It was however, noticed that expenditure of ₹ 9.12 crore was incurred in the following cases without provision being made in the original/supplementary demands and by re-appropriation order to this effect.

Table 2.18 : Expenditure without provision

(₹ in lakh)	
Name of scheme	Excess Expenditure
2202 General Education – 01 – Elementary Education 104 – Inspection (04) Administrator primary education Garo Hills – Sixth Schedule (Part-II) Areas	38.72
2202 General Education – 02 – Secondary Education 800- Other expenditure (18) Non-Lapsable Central Pool of Resources – General	12.28
2202 General Education – 03 – University and Higher Education – 104 – Assistance to Non-Government Colleges and Institutes (01) Expenditure on Colleges under deficit system - Sixth Schedule (Part-II) Areas	42.28
2202 General Education- (80)003 – Training (05) Seminar Conference – General Sixth Schedule (Part II) Areas	37.75 9.39
2202 General Education- (80)003 – Training (05) DIET – General Sixth Schedule (Part II) Areas	565.00 66.40
2203 Technical Education – 105 Polytechnic (05) Setting up of new polytechnic – General	140.07
Total	911.89

Re-appropriation: Re-appropriation is a transfer of funds within a Grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In 16 cases, re-appropriation of funds were made injudiciously resulting in final excess/savings by more than ₹ 1 crore in each case (Serial 17 to 32 of **Appendix 2.7**). Of these, in two cases additional funds of ₹ 57.44 crore provided by re-appropriation proved unnecessary in view of final savings of ₹ 22.98 crore (**Table 2.19**).

Table 2.19 : Unnecessary re-appropriation

(₹ in crore)

Head of Account	Original Provision	Re-appropriation	Final Grant	Actual Expenditure	Savings
2202-(02)-110-Assistance to Non-Government Secondary Schools-(02) Expenditure on Secondary Schools under Deficit System for Girls – General	37.00	S (+)5.62 R (+)0.44	43.06	21.40	(-)21.66
2202-01-102-Assistance to Non-Government Primary Schools-(01) Expenditure on Maintenance of Primary Schools under Deficit System – Sixth Schedule (Part II) Areas	67.00	S (+)20.40 R (+)30.98	118.38	117.06	(-)1.32
Total	104.00	57.44	161.44	138.46	22.98

2.8 Conclusion and Recommendations

The financial management and budgetary control of the Government was not satisfactory. Government presented an ambitious budget of ₹ 10629.36 crore³ for the year 2015-16, of which it could incur an expenditure of ₹ 7958.75 crore resulting in an overall shortfall in disbursements of ₹ 2670.61 crore (25.12 per cent of total provision). Supplementary provision of ₹ 377.33 crore obtained in 24 cases proved unnecessary as the expenditure did not come up to the level of original provision. There were also instances of inadequate provision of funds and insufficient/excessive re-appropriations. During the current year, Government incurred ₹ 167.49 crore in excess of the provision, which requires regularisation by the State Legislature. In many cases, the anticipated savings were not surrendered or surrendered on the last day of the year leaving no scope for utilising these for other development purposes.

The budget should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided. Anticipated savings should be surrendered early so that there is sufficient scope for utilising these for other development purposes.

³ Original plus Supplementary.