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**Chapter-2**

**FINANCIAL MANAGEMENT  
AND BUDGETARY CONTROL**

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## 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 2016-17, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

#### 2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2016-17 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 2016-17**

(₹ in crore)

	Nature of Expenditure	Total Grant/Appropriation	*Actual Expenditure	Saving (-)/Excess (+)	Amount Surrendered	Amount Surrendered only in March 2017	Percentage of Savings surrendered in March (Col 6/Col 5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Voted	(I) Revenue	51,805.65	40,913.05	(-)10,892.60	9,524.94	9,454.86	99.26
	(II) Capital	12,678.95	10,860.69	(-)1,818.26	2,084.81	2,084.81	100.00
	(III) Loans and Advances and Inter State Settlement	1,681.81	1,335.06	(-)346.75	0.00	0.00	0.00
<b>Total Voted</b>		<b>66,166.41</b>	<b>53,108.80</b>	<b>(-)13,057.61</b>	<b>11,609.75</b>	<b>11,539.67</b>	<b>99.40</b>
Charged	(IV) Revenue	4,731.84	4,246.12	(-)485.72	629.13	629.13	100.00
	(V) Capital	0.00	0.00	0.00	0.00	0.00	0.00
	(VI) Public Debt-Repayment	2,067.46	2,077.88	(+)10.42	34.57	34.57	100.00
<b>Total Charged</b>		<b>6,799.30</b>	<b>6,324.00</b>	<b>(-)475.30</b>	<b>663.70</b>	<b>663.70</b>	<b>100.00</b>
<b>Grand Total</b>		<b>72,965.71</b>	<b>59,432.80</b>	<b>(-)13,532.91</b>	<b>12,273.45</b>	<b>12,203.37</b>	<b>99.43</b>

Source: Appropriation Accounts of the Government of Jharkhand 2016-17

\* The expenditure figures are in gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 70.13 crore).

Note: Expenditure in respective heads was inaccurately stated to the extent of ₹ 955 crore drawn through AC bills during 2016-17 against which DC bills were not submitted as on 31 March 2017.

During 2016-17, the overall savings of ₹ 13,532.91 crore (18.55 per cent of the total budget) was the result of savings of ₹ 13,543.66 crore (₹ 11,378.64 crore in 55 voted grants and five appropriations under the Revenue Section and ₹ 2,165.02 crore in 36 grants under the Capital Section), offset by excess of ₹ 10.75 crore in one grant and one appropriation.

It was noticed during scrutiny that against total savings of ₹ 13,543.66 crore during the year, ₹ 12,203.37 crore (90.10 per cent) was surrendered in the month of March 2017 leaving the Finance Department virtually no time to Government to utilise the fund prudently on the schemes selected for the year.

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

Further, it was noticed that out of 1,527 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2016-17, reasons for savings in 1,085 sub-heads and reasons for excesses in 60 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, without resorting to last minute surrenders and lapsing of allocations.*

## 2.4 Financial Accountability and Budget Management

### 2.4.1 Appropriations against allocative priorities

Against the total savings of ₹ 13,543.66 crore, savings of ₹ 9,979.81 crore (74 per cent) occurred in 23 cases relating to 19 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	59-School Education and Literacy Department (Primary and Adult Education Division)	6,793.64	5,434.74	1,358.90	20.00
2	42-Rural Development Department (Rural Development Division)	4,723.26	3,469.80	1,253.46	26.54
3	39-Home, Jail and Disaster Management Department (Disaster Management Division)	1,295.30	455.28	840.02	64.85
4	60-Women, Child Development and Social Security Department	3,178.56	2,414.68	763.88	24.03
5	20-Health, Medical Education and Family Welfare Department	2,664.64	1,957.38	707.26	26.54
6	48-Urban Development and Housing Department (Urban Development Division)	3,449.57	2,757.82	691.75	20.05
7	51-Welfare Department (Welfare Division)	1,914.64	1,316.17	598.81	31.28
8	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	1,449.78	923.73	526.05	36.28
9	58-School Education and Literacy Department (Secondary Education Division)	1,714.57	1,202.17	512.40	29.89
10	18-Food, Public Distribution and Consumer Affairs Department	1,515.53	1,120.57	394.96	26.06
11	40-Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	525.55	364.44	161.11	30.66
12	23-Industries Department	445.65	292.64	153.01	34.33
13	49-Water Resources Department	398.65	265.88	132.77	33.30
14	19-Forest, Environment and Climate Change Department	624.34	496.04	128.30	20.55
15	26-Labour, Employment and Skill Development Department	281.43	170.66	110.77	39.36
16	54-Agriculture, Animal Husbandry and Co-operative Department (Dairy Division)	321.84	221.40	100.44	31.21
<b>Capital-Voted</b>					
17	49-Water Resources Department	1,510.87	1,121.11	389.76	25.80
18	10-Energy Department	1,543.25	1,228.76	314.49	20.38
19	50-Water Resources Department (Minor Irrigation Division)	613.46	389.80	223.66	36.46
20	20-Health, Medical Education and Family Welfare Department	733.07	511.55	221.52	30.22

21	60-Women, Child Development and Social Security Department	265.10	116.96	148.14	55.88
22	3-Building Construction Department	573.62	441.63	131.99	23.01
23	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	551.76	435.40	116.36	21.09
<b>Total Voted</b>		<b>37,088.08</b>	<b>27,108.61</b>	<b>9,979.81</b>	<b>73.69</b>

Source: Appropriation Accounts of Government of Jharkhand

Detailed scrutiny of Grants no. 42 and 59 revealed the following:

- The entire allocation (₹ 166.32 crore) was surrendered under Indira Awas Yojna.
- Savings amounting to ₹ 253.60 crore were surrendered under MNREGA.
- Savings amounting to ₹ 559.99 crore surrendered under grants in aid for Sarva Siksha Abhiyan .

In 46 cases (36 grants/ appropriations), savings exceeded ₹ 10 crore 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 ₹ 10,809.02 crore. Further, in 156 sub-head/schemes under 29 grants/appropriations, savings exceeded ₹ 20 crore in each case and aggregated to ₹ 8,661.12 crore (64 per cent of total savings). Details are given in **Appendix 2.2**. Large savings adversely affect implementation of development programmes in the State.

*Recommendations:*

*State Government should prepare budget as per actual requirement obtained from the field units and ensure optimum utilisation of estimates.*

#### **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.

Out of total savings of ₹ 13,543.66 crore during 2016-17, a sum of ₹ 1,629.52 crore (₹ one crore and above in each under 11 grant/ appropriation) were not surrendered, as detailed in **Appendix 2.3**. Further, it was observed that during 2016-17, in 16 grants, surrender of ₹ 363.15 crore was in excess of the actual savings which indicates that expenditure was made even after submission of surrender letters by the concerned departments. Details of 61 cases (₹ 10 crore or more in each case) where savings amounting to ₹ 2,516.60 crore surrendered in March 2017 is given in **Appendix 2.4**.

*Recommendations:*

*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 12 cases (11 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 2012-17**

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Revenue-Voted</b>						
1	20-Health, Medical Education & Family Welfare Department	326.13(53)	171.13(15)	967.84(42)	947.27(34)	707.26(27)
2	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	264.25(37)	566.53(58)	552.00(58)	750.47(56)	526.05(36)
3	18-Food, Public Distribution and Consumer Affairs Department	307.90 (28)	570.55(50)	439.49(34)	505.63(39)	394.96(26)
4	40-Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	77.17 (23)	125.67(32)	99.80(26)	112.41(26)	161.11(31)
5	23-Industries Department	82.94(29)	120.80(41)	148.57(40)	132.47(31)	153.01(34)
6	49-Water Resources Department	92.55(29)	85.14(26)	87.83(25)	105.11(29)	132.77(33)
7	26-Labour, Employment and Skill Development Department	232.43 (25)	308.12(30)	349.95(28)	1088.29(73)	110.77(39)
8	2-Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Division)	35.50(22)	35.53(22)	41.73(25)	37.66(20)	95.59(33)
9	35-Planning-cum-Finance Department (Planning Division)	594.38 (88)	533.61(83)	99.14(27)	691.14(60)	95.77(26)
10	43-Higher and Technical Education Department (Science and Technology Division)	37.03(40)	18.45(25)	21.31(15)	24.90(24)	29.27(17)
11	17-Commercial Tax Department	27.17 (38)	8.18(13)	23.36(32)	18.45(27)	19.49(27)
<b>Capital-Voted</b>						
12	49-Water Resources Department	1,232.85(74)	1,130.96(68)	1,196.28(68)	544.62(33)	389.76(26)

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 performing 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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	National Food Security Mission	48.07	35.73 (74)	63.51	18.42 (29)	70.01	41.67 (60)
2	National Horticulture Mission Programme	88.00	35.71 (41)	105.00	57.40 (55)	90.00	43.10 (48)

Source: Appropriation Accounts 2014-15, 2015-16 and 2016-17

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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Dal-Bhat Yojna	19.48	17.88 (92)	23.00	11.91 (52)	25.00	11.65 (47)
2	Computerisation Yojna	60.94	49.76 (82)	60.94	54.82 (90)	40.00	23.10 (58)

Source: Appropriation Accounts 2014-15, 2015-16 and 2016-17

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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Swarnajayanti Gram Swarojgar Yojna Scheme for General	465.59	394.25 (85)	400.00	227.80 (57)	362.00	86.98 (24)
2	Indira Awas Yojna	720.00	432.24 (60)	757.00	110.81 (15)	1,165.17	182.94 (16)

Source: Detailed Appropriation Accounts 2014-15, 2015-16 and 2016-17

Figures in bracket represent 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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Construction of Girls Hostel	67.71	64.22(95)	73.56	58.18(79)	47.30	23.82(50)
2	Rashtriya Madhyamik Shiksha Abhiyan	117.64	71.87(61)	198.59	80.53(41)	198.57	40.91(21)

Source: Detailed Appropriation Accounts 2014-15, 2015-16 and 2016-17

Figures in bracket represent 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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Grants-in-aid to Sarva Siksha Abhiyan	1,708.57	384.32 (22)	1,997.02	961.21 (48)	1,699.50	635.68 (37)
2	Government Primary and Middle School	3,240.62	1,253.96 (39)	2,659.13	519.50 (20)	3,171.97	420.70 (13)
3	Amount for price of food grains for Mid-Day Meal Programme	44.00	25.38 (58)	40.70	12.78 (31)	45.00	19.82 (44)

Source: Detailed Appropriation Accounts 2014-15, 2015-16 and 2016-17

Figures in bracket represent 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	2014-15		2015-16		2016-17	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Integrated Child Development Scheme (ICDS)	495.00	233.81 (47)	589.36	299.97 (51)	400.00	148.95 (37)
2	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls	57.93	55.38 (96)	66.04	45.32 (69)	68.76	39.74 (58)
3	Integrated Child Protection Scheme (ICPS)	24.00	21.62 (90)	27.60	21.24 (77)	24.00	9.80 (41)

Source: Detailed Appropriation Accounts 2014-15, 2015-16 and 2016-17

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

#### *Recommendations:*

*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 2016-17.



Audit found that during 2016-17, ₹ 382.07 crore was withdrawn on 52 occasions from the Contingency Fund. Out of these, on 22 occasions, a total amount of ₹ 348.52 crore was withdrawn for reasons that should have been foreseen at the time of preparation of the budget estimates, and were therefore, neither unforeseen nor of emergent nature. Details are given in the **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.	2013-00-105-02	Discretionary Grant to Ministers	5.67
2.	2052-00-090-24	Cabinet Secretariat (Co-ordination and Protocol)-Purchase of New Motor Vehicles	0.60
3.	2052-00-090-25	Cabinet Secretariat (Chief Secretary, Secretariat) Foreign Travelling Allowances	0.29
4.	2070-00-115-02	Purchase of New Motor Vehicles	0.22
5.	2070-00-800-11	Jharkhand State Formation Day Celebration	10.00
6.	2070-00-800-13	Refund of amount deducted under incongruous head/ Refund for excess amount deducted under Congruous head	0.50
7.	2205-00-105-05	District Central Library- Grants-in-aid	0.57
8.	2215-02-191-08	Grants-in-aid to Nagar Nigams	4.37
9.	2215-02-193-05	Grants-in-aid to Nagar Panchayat and NAC for Water and Sanitation	1.13
10.	2215-01-102-03	Hand Pump, Tanks and Wells-High Pressure Tube Wells	2.50
11.	2225-02-796-74	Seminar & Technology	1.00
12.	2230-01-102-02	Inspection of workshop/Factories	0.25
13.	2235-02-796-A2	One Stop Centre	0.28
14.	2245-01-102-04	Maintenance/Upgradation/Renovation of Tube well and other water Supply Infrastructure in Urban Area	28.19
15.	2801-80-101-13	Jharkhand Bijli Vitran Nigam Ltd. (JBVNL)	200.00
16.	3055-00-190-01	Assistance to State Road Transport Corporation Jharkhand	33.18
17.	3451-00-090-17	Panchyati Raj N.R.E.P. (Special Division)	1.49
18.	3451-00-090-03	Department of Science and Technology	0.53
19.	4059-01-796-39	Construction works of Court Building/Residential Building/Police Barack in court campus and other construction works related to Court (Central Share75: State Share-25)	30.44
20.	3456-00-796-51	Pradhanmantri Ujjwala Yojana	25.00
21.	3452-80-104-11	Grant-in-aid to Institute of Hotel Management, Food craft Institute, Jharkhand Adventure Tourism Institute and Tourism Development Authorities etc.	1.00
22.	3452-01-796-02	Publicity Work	1.31
<b>Total</b>			<b>348.52</b>

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

However, the total withdrawal from the fund during 2016-17 was recouped through supplementary budget.

*Recommendation:*

*The State Government should ensure that no advances are drawn from the Contingency Fund except to meet expenditure of emergent and unforeseen nature.*

**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 ₹ 2,739.12 crore over provisions for the years 2001-02 to 2015-16 was yet to be regularised (October 2017) 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
<b>Total</b>			<b>2,739.12</b>

Source: Appropriation Accounts of Government of Jharkhand

@ 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 2016-17 is also to be regularised.

**Table 2.6: Excess over provisions requiring regularisation during 2016-17**  
(₹ in crore)

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
<b>Charged Appropriation</b>				
1	14-Repayment of Loans	2,067.46	2,077.88	10.42
2	32-Legislative Assembly	0.35	0.68	0.33
<b>Total</b>		<b>2,067.81</b>	<b>2,078.56</b>	<b>10.75</b>

Source: Appropriation Accounts 2016-17 of Government of Jharkhand

**Recommendation:**

*All the existing cases of excess expenditure need to be got regularised at the earliest and in future such expenditure may be completely stopped, except in case(s) of dire and extreme emergency, where the expenditure should only be met from the Contingency Fund.*

**2.4.6 Avoidable/excessive Supplementary Provision**

Supplementary provisions aggregating ₹ 3,315.06 crore (35 per cent) obtained in 38 cases (₹ one crore or more in each case) during the year out of total supplementary budget provision of ₹ 9,463.03 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 huge savings occurred under these sub-heads.

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

Injudicious re-appropriation under six sub-heads during 2016-17 as detailed in **Appendix 2.7** proved excessive or insufficient. Under four schemes/ sub-heads, additional funds of ₹ 0.25 crore were provided through re-appropriation leading to savings of ₹ 0.52 crore while in three schemes/sub-heads ₹ 6.31 crore was re-appropriated to other schemes/sub-heads resulting in excess expenditure of ₹ 6.48 crore in those schemes/sub-heads at the end of year.

Further, ₹ 55.52 crore were re-appropriated to two schemes/sub-heads which proved insufficient considering the excess expenditure of ₹ 1.35 crore under those schemes.

#### **2.4.8 Substantial surrender of funds**

In 156 cases funds amounting to ₹ 2,980.12 crore (cases where 100 *per cent* of the provisions and surrender of more than ₹ two crore in each case) were surrendered, resulting in non-implementation of schemes/programmes. Details are given in **Appendix 2.8**.

*Recommendations:*

*The Government should ensure that the excessive, unnecessary supplementary provision and injudicious surrender be avoided.*

### **2.5 Rush of expenditure**

The Jharkhand Budget Manual rule 113 stipulates that rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. It was observed, however, that expenditure of ₹ 6,966.05 crore (69.82 *per cent*) was incurred in the last quarter of the year 2016-17 against the total expenditure of ₹ 9,977.08 crore in 29 heads (expenditure exceeding ₹ 20 crore in each case) of accounts listed in **Appendix 2.9**. Of this, ₹ 3,970.49 crore (39.80 *per cent*) of total expenditure was incurred in the month of March 2017.

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 strictly adhere the provisions of budget manual.*

### **2.6 Departmental figures not reconciled**

Though the Audit Reports are regularly point out non-reconciliation of departmental figures by Controlling Officers (COs) with the books of the Principal Accountant General (A&E), the irregularities continued to persist during 2016-17. Against the total receipts of ₹ 54,173.81 crore during 2016-17, ₹ 16,795.77 crore (31.00 *per cent*) was not reconciled. Similarly, out of total expenditure of ₹ 59,362.67 crore during the year 2016-17, ₹ 30,728.97 crore (51.76 *per cent*) was not reconciled. Details of un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 27,438.37 crore during 2016-17 are given in **Appendix 2.10**.

*Recommendation:*

*The Finance Department is required to evolve a mechanism requiring Controlling Officers to invariably reconcile, on monthly basis, the receipt and expenditure details with the PAG (A&E).*

### **2.7 Budgetary Process for Grant No. 41 -Road Construction Department**

#### **2.7.1 Introduction**

The Road infrastructure of the State is divided into three categories viz; primary system (National Highways), secondary system (State Highways and

Major District Roads) and tertiary system (Rural Roads and Other District Roads).

The National Highways are the property of the Ministry of Roads Transport & Highways, Government of India (GoI) and maintained by Road Construction Department (RCD), Government of Jharkhand funded by GoI.

The State Highway, Major District Roads and other roads known as ‘PWD Roads’ are the property of RCD, Government of Jharkhand (GoJ). These roads are maintained and upgraded by RCD.

A review of budgetary process of Grant No. 41- Road Construction Department for the year 2016-17 revealed that against the total budget provision of ₹ 4,612.31 crore (Plan ₹ 4,310.55 crore and Non-Plan ₹ 301.76 crore) for the year 2016-17, the Department incurred expenditure of ₹ 4,521.03 crore (Plan ₹ 4,293.76 crore and Non-Plan ₹ 227.27 crore) (98.02 *per cent*) leaving a total savings of ₹ 91.28 crore (Plan ₹ 16.79 crore and Non-Plan ₹ 74.49 crore) (1.98 *per cent*). Moreover, out of total savings of ₹ 91.28 crore, ₹ 76.17 crore (Plan ₹ 27.29 crore and Non-Plan ₹ 48.88 crore) was surrendered and balance ₹ 15.11 crore was allowed to lapse during 2016-17 as shown below:

**Table 2.7: Details of budget provisions and expenditure during 2016-17**

(₹ in crore)

Details	Plan	Non-Plan			Grand Total (Plan+Non-Plan)
		Work	Estt.	Total	
Original Grant	4,000.00	164.76	121.54	286.30	4,286.30
Supplementary Grant	310.55	15.25	0.21	15.46	326.01
<b>Total Grant</b>	<b>4,310.55</b>	<b>180.01</b>	<b>121.75</b>	<b>301.76</b>	<b>4,612.31</b>
Expenditure	4,293.76	115.85	111.42	227.27	4,521.03
Savings	(-)16.79	(-)64.16	(-)10.33	(-)74.49	(-)91.28
Surrender (Re-appropriation)	(-)27.29	(-)40.38	(-)8.50	(-)48.88	(-)76.17
Lapse	10.50	(-)23.78	(-)1.83	(-)25.61	(-)15.11

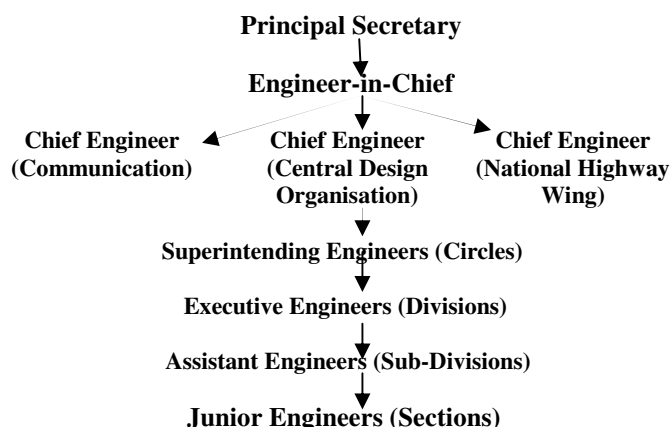
Source: Appropriation Account of Government of Jharkhand

## 2.7.2 Organisational set-up

The Department carries out the technical (engineering) functions<sup>1</sup> and the executive (support) functions<sup>2</sup> for achieving its objectives. The Principal Secretary/Secretary is the Chief Controlling Officer of the Department, assisted by an Engineer-in-Chief and three Chief Engineer-in-charge of various functions. The field units of the Department are Circles, Divisions, Sub-divisions and Sections headed by the Superintending Engineer (SE), Executive Engineer (EE), Assistant Engineer (AE) and the Junior Engineer (JE) respectively. The organisational set-up of the Department is as under:

<sup>1</sup> Planning, design and cost estimation for the proposed works, tendering for sanctioned works; payments to contractors; monitoring of ongoing works and office administration.

<sup>2</sup> Consolidated planning for RCD, budgeting for works, sanctioning of schemes, macro level monitoring, periodical review of schemes, financial management of all works and training of RCD personnel.



## Audit findings

### 2.7.3 Delay in submission of Budget Estimates

Rule 62 of Bihar Budget Manual as adopted by Jharkhand stipulates the budget calendar for preparation of budget. We noticed in audit that Finance Department, Government of Jharkhand revised (September 2015) the prescribed dates for submission of general budget and preparation of Comprehensive Outlay of Budgetary Transaction (COBT) after approval of the Minister concerned between 06 November (for non-plan) and 15 December 2015 (for Plan) against stipulated date of 1<sup>st</sup> October in the Budget Manual.

Scrutiny of records revealed that the Department submitted Non-Plan Budget Estimates (BEs) to the Finance Department on 24<sup>th</sup> November 2015 with a delay of 19 days against the target date of 06 November 2015 while it prepared and submitted (04<sup>th</sup> February 2016) proposal for plan budget to the Planning and Development Department, Government of Jharkhand with a delay of 50 days against target date of 15 December 2015 prescribed by the Finance Department.

The delay pointed out by the audit was accepted by the Joint Secretary of the Road Construction Department, Jharkhand.

### 2.7.4 Avoidable supplementary provision

As per Rule 57, 131 & 132 Bihar Budget manual (as adopted), the estimates should be accurate.

We noticed that during 2016-17, original and supplementary provision (August 2017) of the RCD for non-plan were ₹ 286.30 crore and ₹ 15.46 crore respectively. The Department utilised ₹ 227.27 crore during 2016-17, which was less than the original provision. The Department demanded supplementary provision of ₹ 15.46 crore in five out of thirteen sub-heads (**Appendix 2.11**) in which original provisions have not been exhausted. This could have been avoided if the estimate was prepared with requisite care based on the requirements of the field offices.

The Joint Secretary, RCD stated (November 2017) that ₹ 15.25 crore demanded as matching fund for central release and ₹ 0.21 crore was demanded for the expenses under the establishment sub-head in which the original budget provision was 'nil'.

Reply was not convincing as the supplementary budget of ₹ 0.21 crore demanded under the sub-heads in which original budget provisions had already been provided.

### 2.7.5 Excess expenditure over budgetary provision

As per Rule 138 of Budget Manual, excess expenditure should be strictly avoided.

We observed that expenditure of ₹ 84.98 crore was incurred by the Department against the budget provision of ₹ 84.90 crore under a Head 5054-03-337-08. Thus, the excess expenditure of ₹ 0.08 crore under major head 5054-Plan indicating defective control over expenditure. Further, expenditure of ₹ 28.85 crore was incurred by the Department without budget provision under Plan Head 5054-03-799-01 and provision surrendered (₹ 27.29 crore) exceeded the final saving (₹ 16.79 crore) by ₹ 10.50 crore under Plan.

The Joint Secretary, RCD accepted the facts and stated (November 2017) that fund would be released to the disbursing authorities within the budgetary provisions.

Reply was not convincing as per Detailed Appropriation Account 2016-17 an excess expenditure of ₹ 28.85 crore was incurred by the Department without budget provision under Plan Head 5054-03-799-01.

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

As per Rule 112 of Budget manual all anticipated savings should be surrendered immediately, 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 a surrender manifests itself the controlling officer should carefully estimates the amount that he can surrender.

We observed that ₹ 76.17 crore (Plan ₹ 27.29 crore and Non-Plan ₹ 48.88 crore) against budget provision of ₹ 4,612.31 crore, was surrendered by the Department on 31<sup>st</sup> March 2017. In five out of seven<sup>3</sup> test checked divisions the amount of ₹ 13.70 crore was surrendered on 31<sup>st</sup> March 2017. Details are as under:

**Table 2.8: Surrender on the last day of the financial year**

(₹ in crore)

Sl.N o.	Name of Divisions	Surrender Amount on 31 <sup>st</sup> March 2017		
		Non Plan (work)	Plan	Total
1	EE, RCD, Daltonganj	0.48	3.23	3.71
2	EE, RCD, Dumka	0.80	0.00	0.80
3	EE, RCD, Gumla	0.03	0.34	0.37
4	EE, RCD, Hazaribagh	0.00	0.74	0.74
5	EE, RCD, Jamshedpur	8.08	0.00	8.08
<b>Total</b>				<b>13.70</b>

Thus, from above, amount of ₹ 76.17 crore was surrendered on 31<sup>st</sup> March 2017 leaving no scope to utilise the fund on other schemes by the Government.

<sup>3</sup> Ranchi, Jamshedpur, Daltonganj, Gumla, Hazaribagh, Dumka and Deoghar

While accepting the facts, the Joint Secretary, RCD stated (November 2017) that instruction would be issued to field offices for timely submission of balance amount.

### 2.7.7 Non-utilisation of funds leading to hundred *per cent* surrender

Scrutiny of Appropriation Account for the year 2016-17 revealed that ₹ 1.40 crore (100 *per cent*) remained unutilised and finally surrendered under head 5054-03-052-06 by the Secretary, RCD, whereas, ₹ 9.69 crore (100 *per cent*) was surrendered by three out of seven test checked divisions. Details are given below:

**Table 2.9: Non-utilisation of funds leading to hundred *per cent* surrender**

(₹ in crore)

Sl. No.	Name of Divisions	Heads	No. of scheme in which amount was surrendered	Allotment	Expenditure	Surrender
1	Ranchi	3054	07	1.02	Nil	1.02
		5054	02	1.50	Nil	1.50
2	Jamshedpur	3054	10	6.37	Nil	6.37
3	Dumka	3054	03	0.80	Nil	0.80
<b>Total</b>			<b>22</b>	<b>9.69</b>	<b>Nil</b>	<b>9.69</b>

The Joint Secretary, RCD accepted the fact and stated (November 2017) that instruction would be issued to field offices.

### 2.7.8 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 three out of 12 sub-heads (Plan) in the RCD, 99 *per cent* and above expenditure were incurred in the month of March. Further, in seven test checked divisions it was noticed that the expenditure under major head 3054 (Non-plan work) ranged between 26 to 71 *per cent* in the month of March. Details are given below:

**Table 2.10: Rush of expenditure**

(₹ in crore)

Sl. No	Department/Divisions	Head	Total Expenditure	Expenditure in March	Percentage of expenditure in March
	Department	5054-03-337-02 (Plan)	73.74	72.71	99
		5054-03-796-02 (Plan)	20.16	20.16	100
		5054-03-796-06 (Plan)	1.15	1.15	100
		<b>Total</b>	<b>95.05</b>	<b>94.02</b>	
1	EE, RCD, Daltonganj	3054-Non-Plan (work)	3.16	0.81	26
2	EE, RCD, Deoghar	3054-Non-Plan (work)	27.65	12.99	47
3	EE, RCD, Dumka	3054-Non-Plan (work)	4.31	2.31	54
4	EE, RCD, Gumla	3054-Non-Plan (work)	1.14	0.53	46
5	EE, RCD, Hazaribagh	3054-Non-Plan (work)	2.64	1.26	48
6	EE, RCD, Jamshedpur	3054-Non-Plan (work)	1.82	1.18	65
7	EE, RCD, Ranchi	3054-Non-Plan (work)	13.24	9.35	70.52
<b>Total</b>			<b>53.96</b>	<b>28.43</b>	
<b>Grand Total</b>			<b>149.01</b>	<b>122.45</b>	

The Joint Secretary, RCD accepted the fact and stated (November 2017) that instruction would be issued to field offices.

### 2.7.9 Non-reconciliation of departmental expenditure figures

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

We observed that in contravention of provisions of Budget Manual, ₹ 597.72 crore, out of total expenditure of ₹ 4,521.03 crore, remained un-reconciled with the Principal Accountant General's book during the year 2016-17. Details are given below:

**Table 2.11: Non-reconciliation of departmental expenditure figures**

(₹ in crore)

Sl. No.	Heads	Total Expenditure	Reconciled amount	Un-reconciled amount
1	Plan	4,293.76	3,769.81	523.95
2	Non-Plan (Work)	115.85	103.24	12.61
3	Non-Plan (Estt.)	111.42	50.26	61.16
<b>Total</b>		<b>4,521.03</b>	<b>3,923.31</b>	<b>597.72</b>

Further, test check of seven divisions revealed that out of total un-reconciled amount of ₹ 597.72 crore in the department a sum of ₹ 71.08 crore was not reconciled by the five divisions with the books of Principal Accountant General during 2016-17. Details are in **Appendix 2.12**.

Joint Secretary, RCD, stated (November 2017) that field offices are instructed to reconcile their expenditure.

*Recommendation:*

*The Road Construction Department should adhere to the provisions of the Budget Manual to prepare its budget estimation more realistic.*