

## Chapter II

### Financial Management and Budgetary Control

#### 2.1 Introduction

**2.1.1** Appropriation 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 authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are therefore complementary to Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure incurred under various grants is within the authorisation given under the Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2016-17 against 82 grants/appropriations is given in **Table 2.1**:

**Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision for the year 2016-17**

(₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)	Amount surrendered	Percentage of savings surrendered by 31 March 2016 (col. 7/col.6)
	1	2	3	4	5	6	7	8
<b>Voted</b>	I Revenue	8597.76	539.19	9136.95	7788.42	(-)1348.53	1445.41	107.18
	II Capital	1448.02	373.35	1821.37	1076.10	(-)745.27	753.84	101.15
	III Loans and Advances	0.40	0.00	0.40	0.19	(-)0.21	0.21	98.36
<b>Total Voted</b>		<b>10,046.18</b>	<b>912.54</b>	<b>10,958.72</b>	<b>8864.71</b>	<b>(-)2094.01</b>	<b>2199.46</b>	<b>105.04</b>
<b>Charged</b>	IV Revenue	1082.06	2.13	1084.19	881.11	(-)203.08	202.21	99.57
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	2530.50	2489.22	5019.72	5065.03	(+)45.31	0.00	NA
<b>Total Charged</b>		<b>3612.56</b>	<b>2491.35</b>	<b>6103.91</b>	<b>5946.14</b>	<b>(-)157.77</b>	<b>202.21</b>	<b>128.17</b>
<b>Appropriation to Contingency Fund (if any)</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Grand Total</b>		<b>13,658.74</b>	<b>3403.89</b>	<b>17,062.63</b>	<b>14,810.85</b>	<b>(-)2251.78</b>	<b>2401.67</b>	<b>106.66</b>

Overall saving of ₹ 2,251.78 crore (16.49 per cent of budget estimates) was the result of saving of ₹ 2,343.94 crore in 71 grants and 7 Appropriations under Revenue Section, 57 grants under Capital Section offset by excess of ₹ 92.16 crore in 7 grants under Revenue Section and 02 grants under Capital Section and 01 appropriation (Public Debt-

Repayments). During the year, though the overall saving was ₹ 2,251.78 crore only, the amount surrendered was ₹ 2,401.67 crore (106.66 per cent).

The savings/excess (Detailed Appropriation Accounts for the year 2016-17) were intimated to all concerned controlling officers requesting them to explain the significant variations. Around 56 per cent (46 Departments) (August 2017) of the replies were obtained from various Controlling Officers of the State before finalisation of the Appropriation Accounts 2016-17.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 49 cases, savings exceeded rupees one crore in each case or by more than 20 per cent of total provision (Appendix 2.1). Against the total savings of ₹ 2,329.95 crore, savings of ₹ 1,951.71 crore (83.77 per cent) occurred in nine grants<sup>14</sup> as indicated in Table 2.2.

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

(₹ in crore)

Sl No.	Grant No.	Name of the Grant/Appropriation	Original	Supple-mentary	Total	Actual Expenditure	Savings	Percentage
1	2	3	4	5	6	7	8	9
<b>Revenue (Voted)</b>								
1	18	Pensions and Other Retirement Benefits	1402.28	0.00	1402.28	1093.47	308.81	22
2	27	Planning Machinery	370.91	0.00	370.91	95.37	275.54	74
3	31	School Education	1439.89	0.00	1439.89	1092.77	347.12	24
4	32	Higher Education	196.08	0.00	196.08	134.92	61.17	31
5	35	Medical, Public Health and Family Welfare	565.31	16.93	582.24	483.37	98.87	17
<b>Capital(Voted)</b>								
8	27	Planning Machinery	397.50	0.00	397.50	96.85	300.65	76
9	35	Medical, Public Health and Family Welfare	24.50	39.65	64.15	13.19	50.96	79
10	42	Rural Development	62.76	0.00	62.76	0.00	62.76	100
11	59	Irrigation and Flood Control	231.60	0.00	231.60	44.71	186.89	81
12	60	Water Supply	219.48	0.00	219.48	161.74	57.74	26
<b>Revenue (Charged)</b>								
13	75	Servicing of Debt	1061.69	0.00	1061.69	860.50	201.19	19
<b>Total</b>			<b>5972.01</b>	<b>56.58</b>	<b>6028.59</b>	<b>4076.89</b>	<b>1951.70</b>	<b>32</b>

The reasons for savings had not been intimated (August, 2017) by the departments mentioned above.

<sup>14</sup> Exceeding ₹ 50 crore in each case.

### 2.3.2 Persistent Savings

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

**Table 2.3: List of Grants indicating Persistent Savings during 2012-17**

(₹ in crore)

Sl. No.	No. and Name of the Grant	Amount of Savings				
		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Capital-Voted</b>						
1	27-Planning Machinery	392.24	480.45	815.84	318.68	300.65
2	35-Medical, Public Health and Family Welfare	21.97	6.49	28.68	13.67	50.96
3	36-Urban Development	117.71	121.81	161.52	87.49	18.60

The reasons for persistent savings had not been intimated by any department (August 2017).

### 2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of ₹ 53.35 crore was incurred in three cases as detailed in Table 2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to that effect.

**Table 2.4: Expenditure incurred without provision during 2016-17**

(₹ in crore)

Number and Name of		Amount of Expenditure without provision
Grants	Head of Account	
21- Relief of Distress caused by Natural Calamities	2245-01-101-00 Gratuitous Relief	10.00
35-Medical, Public Health and Family Welfare	2552-35-800-06 Medical	43.26
39-Tourism	2552-39-800-01 Promotion of Tourism in NER	0.09
<b>Total</b>		<b>53.35</b>

### 2.3.4 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). **However, the excess expenditure amounting to ₹ 929.63 crore for the years 2000-01, 2005-06, 2008-09 to 2010-2011, 2012-13 to 2015-16 was not regularised till October 2017 (Appendix 2.2).**

**These cases of excess expenditure over grants/provision is a very serious matter and it is violation of the wish of the legislature. Responsibility in such cases needs to be fixed at appropriate levels.**

### 2.3.5 Excess over provision during 2016-17 requiring regularisation

Appendix 2.3 contains the summary of total excess in 10 grants amounting to ₹ 92.16 crore over authorisation from the Consolidated Fund of the State during 2016-17 requiring regularisation under Article 205 of the Constitution.

### 2.3.6 Persistent Excess in Grants

There were persistent savings in three grants during four years out of last five years (Table 2.5).

**Table 2.5: List of Grants indicating Persistent excess during 2012-2017**

(₹ in crore)

Sl. No.	No. and Name of the Grant	Amount of excess				
		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Revenue (Voted)</b>						
1	62- Civil Administration Works	4.90	3.89	1.49	0.19	-
<b>Capital (Voted)</b>						
2	43- Social Security and Welfare	2.77	0.94	2.87	1.04	-
<b>Capital (Charged)</b>						
3	75-Servicing of Debt	9.92	-	3.41	178.25	45.31

### 2.3.7 Appropriateness of supplementary provision

Supplementary provision aggregating ₹ 78.58 crore obtained by 13 Departments during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision were not utilised by the concerned departments as detailed in Appendix 2.4.

In 05 cases, supplementary provision of ₹ 2,721.62 crore proved insufficient by ₹ one crore or more in each case leaving an aggregate uncovered excess expenditure of ₹ 90.63 crore (Appendix 2.5).

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

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient resulting in savings of ₹ 43.14 crore in 51 sub-heads and excess of ₹ 169.70 crore in 43 sub-heads as detailed in Appendix 2.6.

### 2.3.9 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, re-appropriation was done in 58 grants (70.73 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision. This re-appropriation on last day of the financial year resulted in unnecessary savings in some grants on the one hand and avoidable excess in some grants on the other hand as discussed in Para 2.3.8 above.

### 2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 155 Sub Heads. Out of the total provision amounting to ₹ 2,700.69 crore in those Sub Heads, ₹ 2,275.45 crore (84.25 per cent) were surrendered, which included cent per cent surrender under 90 Sub Head (₹ 888.58 crore). The details of such cases are given in **Appendix 2.7**.

### 2.3.11 Surrender in excess of actual savings

In six cases, the amount surrendered (₹ one crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 476.61 crore, the amount surrendered was ₹ 546.14 crore resulting in excess surrender of ₹ 69.53 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

### 2.3.12 Anticipated savings not surrendered

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. **At the close of the year 2016-17, savings in 17 grants (amounting to ₹ 2.31 crore) occurred which had not been surrendered by the concerned departments (Appendix 2.9).**

An amount of ₹ 6.53 crore being savings in one grant, ₹ two crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 22 cases (surrender of funds for ₹ 10.00 crore and above), ₹ 2,269.63 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2017 indicating inadequate financial control. Thus, those funds could not be utilised for other developmental purposes.

### 2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 46 grants listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 per cent of the total expenditure for the year either during the last quarter or during the last month of the financial year.

In 13 cases the expenditure in the last month of last quarter of the financial year was upto 100 per cent of the total expenditure which indicated lack of effective financial control and violation of financial rules.

## 2.4. Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule 309 of Central Treasury Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). **The total amount of Detailed Countersigned Contingency (DCC) bills received upto the period 2016-17 was only ₹ 345.02 crore (54.45 per cent) against ₹ 633.69 crore drawn on AC bills leading to pendency of DCC bills of ₹ 288.67 crore as on 31 March 2017. Year wise details are given in Table 2.6.**

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

(₹ in crore)

Year	AC bills drawn		DCC bills submitted		Outstanding DCC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2014-15	454	388.93	301	283.81	153	105.12
2015-16	46	96.97	6	44.28	40	52.69
2016-17	99	147.79	16	16.93	83	130.86
<b>Total</b>	<b>599</b>	<b>633.69</b>	<b>323</b>	<b>345.02</b>	<b>276</b>	<b>288.67</b>

As on 31 March 2017, there were 276 unadjusted AC bills involving ₹ 288.67 crore drawn by various Departments. Details are given in **Appendix 2.13**. Out of 83 bills (₹ 130.86 crore) drawn through AC bills pending submission of DCC bills at the end of 2016-17, 37 bills (₹ 37.48 crore) were drawn in the last month of the financial year.

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

An analysis of pending AC bills in respect of Home Department showed that 61 AC bills amounting to ₹ 30.56 crore was pending regularization as follows:-

**Table 2.7: Pendency of DCC bills in respect of Home Department as on 31 March 2017**

(₹ in crore)

Year	Number of Vouchers	Amount
Upto 2014-15	13	3.98
2015-16	18	13.57
2016-17	30	13.01
<b>Total</b>	<b>61</b>	<b>30.56</b>

As can be seen from the above table, out of pending DCC bills of 61 vouchers of ₹ 30.56 crore as on March 2017, maximum number of pending AC bills pertained to 2016-17 involving 30 vouchers (49 per cent) of ₹ 13.01 crore (42.57 per cent). As most of the AC bills are outstanding for a long time, efforts may be made for clearance of pending AC bills on priority basis. This increases the chances of embezzlement and unhealthy practices. Responsibility needs to be fixed in this regard and a time bound programme needs to be evolved by the State Government to settle these outstanding AC/DC bills.

## 2.5 Reconciliation of Receipts and Expenditure

During the year 2016-17, all 82 COs had reconciled their figures (both receipt & expenditure) in full.

## 2.6 Outcome of the Review of Selected Grant

A review of Grant No.39- Tourism was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and Capital heads during the year 2016-17.

### 2.6.1 Budget and expenditure

The summarised position of budget provision and actual expenditure there against during 2016-17 in respect of Grant No. 39 - Tourism is given in **Table 2.6**.

**Table 2.6: Summarised position of budget provision and actual expenditure**

(₹ in crore)

Nature of Expenditure	Budget Provision				Total	Actual Expenditure			Saving(-) / Excess(+)
	Original		Supplementary			Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	7.92	6.00	0.16	0.59	<b>14.67</b>	8.25	9.10	<b>17.35</b>	<b>(+) 2.68</b>
Capital	0.00	15.54	0.00	0.00	<b>15.54</b>	0.00	7.27	<b>7.27</b>	<b>(-)8.27</b>
<b>Total</b>	<b>7.92</b>	<b>21.54</b>	<b>0.16</b>	<b>0.59</b>	<b>30.21</b>	<b>8.25</b>	<b>16.37</b>	<b>24.62</b>	<b>(-)5.59</b>

The above table shows that during the year 2016-17 there was overall saving of ₹ 5.59 crore representing 18.50 per cent of the total budget provision as a result of excess under Revenue expenditure (₹ 2.68 crore) and saving under Capital expenditure (₹ 8.27 crore). As per Financial Rules, the spending departments are required to surrender the anticipated savings to the Finance Department as and when occurred. The Department surrendered the entire savings of ₹ 8.27 crore under Capital expenditure during the year 2016-17.

An analysis of the expenditure vis-à-vis the budget provision revealed that there was an excess of ₹ 2.68 crore under Revenue section. This was mainly due to the fact that the Department expended ₹ 3.34 crore under the MH-2552 though the final grant under the head was Nil.

### 2.6.2 Persistent Savings in the grant

Audit Review also disclosed persistent savings ranging from ₹ 3.66 crore to ₹ 14.00 crore during 2012-2017 as detailed in **Table 2.7**.

**Table 2.7: Details of Excesses/Savings during 2012-17**

(₹ in crore)

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2012-13	17.66	11.07	<b>28.73</b>	16.70	1.52	<b>18.22</b>	<b>(-)10.51</b>
2013-14	19.22	9.55	<b>28.77</b>	15.57	9.54	<b>25.11</b>	<b>(-)3.66</b>
2014-15	18.47	34.50	<b>52.97</b>	19.81	19.16	<b>38.97</b>	<b>(-)14.00</b>
2015-16	20.65	15.22	<b>35.87</b>	20.50	2.81	<b>23.31</b>	<b>(-)12.56</b>
2016-17	14.67	15.54	<b>30.21</b>	17.35	7.27	<b>24.62</b>	<b>(-)5.59</b>

(Source: Appropriation Accounts of respective years)

The occurrence of savings in the last five years indicates that budgetary control did not address this aspect of financial management in the Department.

### 2.6.3 Injudicious supplementary provision

It was noticed that during 2016-17 under the Major Head, 2552 (North Eastern Areas) against the total provision of ₹ 0.59 crore (Original: ₹ 0.00 crore and Supplementary: ₹ 0.59 crore) an expenditure of ₹ 3.26 crore was incurred. As the expenditure was more

than the total provision, the supplementary provision of ₹ 0.59 crore proved to be insufficient by ₹ 2.68 crore.

#### **2.6.4 Expenditure without provision of funds**

The overall position of a Sub Head where there was expenditure without any provision is shown in **Table 2.8:**

**Table 2.8: Expenditure without provision during 2016-17**

(₹ in crore)

SI No.	Sub Head (Details)	Total provision	Re-appropriation	Expenditure
<b>Revenue Section</b>				
1	2552-39-800-01 (Promotion of Tourism in NER)	0.00	0.00	0.08
<b>Grand Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.08</b>

(Source: Appropriation Accounts)

#### **2.7 Advances from contingency fund**

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

During the year no expenditure was incurred under this fund. An amount of ₹ 0.35 crore pertaining to expenditure from the contingency fund a number of years back had not been recouped till the end of the year 2016-17.

#### **2.8 Conclusion**

The overall saving of ₹ 2,251.87 crore in 2016-17 was the result of saving of ₹ 2,343.94 crore in 71 grants and 7 Appropriations under Revenue Section and 57 grants under Capital Section. This saving was offset by excess of ₹ 92.16 crore in seven grants under Revenue Section and two grants under Capital Section and one appropriation (Public Debt-Repayments). However, the amount surrendered exceeded overall savings by ₹ 149.67 crore.

There was an excess expenditure of ₹ 92.16 crore in 10 grants during 2016-17. This excess expenditure together with an excess expenditure of ₹ 929.63 crore pertaining to 2000-01, 2005-06, 2008-09 to 2010-11 and 2012-13 to 2015-16 required regularisation by the Legislature under Article 205 of the Constitution of India.

A rush of expenditure was noticed in 46 grants. Expenditure exceeding ₹ 10 crore or more than 50 per cent of the total expenditure was incurred in the last quarter of 2016-17. In some cases, very significant expenditure was incurred in the month of March 2017. There were 276 AC Bills involving ₹ 288.67 crore were awaiting adjustment due to non-submission of DCC Bills for long periods. The non-submission of DCC Bills was fraught with the risk of misappropriation.