



*CHAPTER-II  
FINANCIAL MANAGEMENT  
AND BUDGETORY  
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 amount of voted Grants and Appropriations charged for different purposes as specified in Schedules appended to the Appropriation Accounts. These Accounts list the original Budget Estimates (BEs), 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. The Appropriation Accounts thus, facilitate management of finances and accounts.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the 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 in 2017-18 against 77 Grants and three Appropriations is given in **Table 2.1** below:

**Table - 2.1: Position of Actual Expenditure *vis-à-vis* Original/ Supplementary Provisions**  
(₹ in crore)

Nature of Expenditure		Details of Grant/ Appropriation		Total	Actual Expenditure <sup>1</sup>	Savings (-)/ Excess (+)	Details of Surrender <sup>2</sup>	
		Original	Supplementary				Amount	Per cent
Voted	I- Revenue	10,473.75	1,740.90	12,214.65	10,209.34	(-) 2,005.31	1,493.04	74.45
	II - Capital	4,088.11	2,367.56	6,455.67	3,188.59	(-) 3,267.08	1,485.60	45.47
	III - Loans & Advances	19.60	0.04	19.64	5.07	(-) 14.57	5.78	39.67
<b>Total Voted</b>		<b>14,581.46</b>	<b>4,108.50</b>	<b>18,689.96</b>	<b>13,403.00</b>	<b>(-) 5,286.96</b>	<b>2,984.42</b>	<b>56.44</b>
Charged	IV - Revenue	740.57	20.79	761.36	691.13	(-) 70.23	50.53	71.95
	VI - Public Debt-Repayment	689.91	0.00	689.91	432.24	(-) 257.67	28.74	11.15
<b>Total Charged</b>		<b>1,430.48</b>	<b>20.79</b>	<b>1,451.27</b>	<b>1,123.37</b>	<b>(-) 327.90</b>	<b>79.27</b>	<b>24.18</b>
Appropriation to Contingency Fund (if any)		NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Grand Total</b>		<b>16,011.94</b>	<b>4,129.29</b>	<b>20,141.23</b>	<b>14,526.37</b>	<b>(-) 5,614.86</b>	<b>3,063.69</b>	<b>54.56</b>

(Source: Appropriation Accounts 2017-18)

It would be seen that:

- The total savings of ₹ 5,614.86 crore was 35.07 per cent of the original budget provision of ₹ 16,011.94 crore.

<sup>1</sup> These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Capital Expenditure (₹ 48.13 lakh).

<sup>2</sup> Entire amount was surrendered on 31 March 2018.

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- Gross savings of ₹ 5,791.85 crore had occurred in 68 grants and three appropriations under Revenue Section and 54 grants and one appropriation under Capital Section.
- The above gross savings was offset by excess expenditure of ₹ 176.99 crore in seven Grants and one appropriation under Revenue and one Grant under Capital Section.
- The actual expenditure of ₹ 14,526.37 crore during the year fell short of even the original budget provision of ₹ 16,011.94 crore indicating that entire supplementary budget of ₹ 4,129.29 crore was unnecessary. In reply (January 2019), Secretary, Finance stated that due to last moment allocation of fund and non-formulation of guidelines in respect of various schemes announced in Budget Speech, the expenditure could not be incurred in full.

### 2.3 Financial Accountability and Budget Management

#### 2.3.1 Expenditure without Provision

As per Article 266 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this Article. It was noticed that an expenditure of ₹ 78.55 crore was incurred in 27 sub-heads under 16 Grants/ Appropriations without any provision in the original estimates/ supplementary demands and without any re-appropriation orders to this effect as detailed in *Appendix-2.1*.

Further, there were 12 sub-heads under 12 Grants, where expenditure (more than ₹ one crore in each case) of ₹ 71.90 crore (91.52 per cent of the total expenditure without budget provision) was incurred during the year without any budget provision as shown in *Table-2.2*.

**Table - 2.2: Expenditure incurred without budget provision during 2017-18**  
(More than ₹ one crore in each case)

(₹ in crore)			
Sl. No.	Grant No.	Major Head of Account-Sub Head-Detailed Head	Expenditure
1	14	14-04-4202-01-202-01- Construction of Building for Education	2.86
2	15	15-04-2210-06-101-06- Cancer Control Programme	3.00
3	18	18-4202-04-800-01- Creation of Assets	2.03
4	23	23-2406-01-070-05- Building	1.51
5	24	24-2435-01-800-03- Implementation of AGRISNET	1.49
6	29	29-04-6425-800-01- Working Capital Loan	1.40
7	33	33-09-4552-19-800-02- Anti-Erosion on Right & Left Bank of Kolma	1.08
8	48	48-48-04-2415-01-800-05- Schemes under SADA	22.68
9	50	05-4070-800-02- Creation of Assets	12.39
10	65	65-04-4575-03-800-01- Development of Tirap & Changlang District	14.63
11	65	65-03-4575-03-800-01- Development of Tirap & Changlang District	2.69
12	76	76-08-2202-01-107-01- District Institute of Education and Training	6.15
<b>Total</b>			<b>71.90</b>

(Source: Appropriation Accounts 2017-18)

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This shows that bills were passed in treasuries without any provisions in the Budget, which is a violation of existing Financial Rules also against the will of the Legislature, which was indicative of lack of financial discipline. Besides, Budget and the corresponding Appropriation Act have also been flouted.

### 2.3.2 *Appropriation vis-à-vis Allocative Priorities*

The outcome of the appropriation audit showed that savings aggregating ₹ 1,435.81 crore in 21 cases (Revenue) and ₹ 3,411.96 crore in 36 cases (Capital) exceeded ₹ one crore and more than 20 per cent of the total provisions in each case. In 11 such cases, reasons for appropriation have not been appropriately explained in the Appropriation Accounts (*Appendix-2.2*). Against the gross savings of ₹ 5,791.85 crore, savings of ₹ 4,304.03 crore (74.31 per cent), exceeding ₹ 100 crore in each case, occurred in 16 Grants/ Appropriations as shown in **Table 2.3**.

**Table - 2.3: List of Grants with Savings of ₹ 100 crore and more**

(₹ in crore)

Sl. No.	Number and Name of the Grants/ Appropriations	Total	Actual Expenditure	Details of Savings	
				Amount	Per cent
<b>Revenue Voted</b>					
1	10 Other, General, Social and Community Services	299.35	0.54	298.81	99.82
2	14 Secondary Education	558.92	402.29	156.63	28.02
3	15 Health and Family Welfare	995.22	893.51	101.71	10.22
4	19 Industries	172.47	28.21	144.26	83.64
5	22 Food and Civil Supplies	226.75	77.95	148.80	65.62
6	34 Power	689.33	579.82	109.51	15.89
7	57 Urban Development	173.45	55.4	118.05	68.06
8	68 Town Planning Department	239.49	40.06	199.43	83.27
9	76 Elementary Education	1,282.88	1,077.78	205.10	15.99
<b>Capital Voted</b>					
10	6 District Administration	326.80	0.00	326.80	100.00
11	10 Other, General, Social and Community Services	339.76	0.00	339.76	100.00
12	26 Rural Works	1,025.79	521.53	504.26	49.16
13	31 Public Works	306.52	137.10	169.42	55.27
14	32 Roads and Bridges	940.16	636.52	303.64	32.30
15	34 Power	484.69	196.73	287.96	59.41
16	42 Rural Development	162.14	3.10	159.04	98.09
17	50 Secretariat Economic Services	749.02	389.28	359.74	48.03
18	57 Urban Development	351.83	238.39	113.44	32.25
<b>Capital Charged</b>					
19	97 Public Debt	689.91	432.24	257.67	37.35
<b>Grand Total</b>		<b>10,014.48</b>	<b>5,710.45</b>	<b>4304.03</b>	<b>42.98</b>

(Source: *Appropriation Accounts 2017-18*)

### 2.3.3 *Persistent Savings*

During the last five years, there were persistent savings of more than ₹ one crore and by 10 per cent or more of the total provisions in 11 Grants as shown in **Table 2.4**.

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**Table-2.4: List of Grants where persistent savings occurred during 2013-14 to 2017-18**

(₹ in crore)

Sl. No.	No. and Name of Grants	Amount of Savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
<b>Revenue Voted</b>						
1	19 Industries	3.11 (11.28)	19.99 (39.19)	30.53 (42.40)	25.91 (40.58)	144.26 (83.65)
2	27 Panchayat	90.42 (62.28)	72.49 (63.20)	47.67 (29.21)	69.18 (47.09)	62.76 (34.83)
3	68 Town Planning Dept.	8.11 (40.38)	3.69 (20.78)	47.80 (63.47)	26.89 (69.80)	199.43 (83.27)
4	73 Information Technology	2.15 (25.67)	4.56 (36.03)	8.68 (48.24)	9.96 (40.26)	3.94 (11.95)
<b>Capital Voted</b>						
5	15 Health & Family Welfare	20.96 (42.60)	8.14 (19.30)	5.00 (16.12)	11.78 (44.16)	82.76 (66.49)
6	34 Power	38.96 (30.38)	45.32 (33.11)	40.84 (28.71)	69.67 (37.76)	287.96 (59.41)
7	45 Civil Aviation	1.23 (14.67)	1.80 (29.75)	2.24 (52.78)	19.16 (85.37)	5.25 (59.36)
8	50 Secretariat Economic Services	2,717.10 (99.84)	1,722.53 (99.95)	951.33 (98.96)	635.98 (98.78)	359.74 (48.03)
9	56 Tourism	24.15 (42.40)	8.72 (15.51)	34.11 (76.43)	17.32 (24.56)	95.58 (75.44)
10	57 Urban Development	149.34 (36.42)	126.96 (43.73)	70.54 (36.92)	75.87 (20.91)	113.44 (32.24)
11	74 Social Justice, Empowerment and Tribal Affairs	36.58 (40.47)	26.55 (41.07)	78.85 (60.22)	51.68 (51.68)	22.24 (12.43)

(Figures in parentheses indicate percentage of savings to total provision)

(Source: Appropriation Accounts of respective years)

Analysis of the reasons for the savings during 2017-18 showed that:

- The savings under Industries was due to placement of most of the funds under development head to another head without any intimation to the Directorate of Industries and also non-consideration of some of the schemes by the Finance Department, GoAP.
- The savings under Town planning Department was due to non-release of funds by the GoI.
- The savings under Power was due to non-receipt of Letter of Credit (LOC) authorisation from the Finance Department, GoAP.
- The reasons for huge savings under Secretariat Economic Services have not been intimated.
- The savings under Urban Development Department was due to non-receipt of Letter of Credit (LOC) authorization from the Finance Department, GoAP.

The trend of persistent savings is being highlighted in the Report of the C&AG on State Finances every year but no corrective measures had been taken by the departments concerned to correct this situation.

In reply (January 2019), the Government stated that the persistent savings was due to last moment allocation of fund and non-formulation of scheme guidelines and the Government assured that due diligence will be given in future.

### 2.3.4 Unutilised budgetary provision

Appropriation of fund for a work/ scheme during a financial year is approved by the Legislature through the budget. During 2017-18, a provision of ₹ 241.80 crore (Original plus Supplementary) for maintenance works, Centrally Sponsored Schemes (CSS), Schemes under State Annual Development Agenda (SADA), etc. under 24 Grants was approved. The concerned Departments, however, could not utilise the funds which resulted in savings of the entire provision as detailed in **Appendix-2.3**.

### 2.3.5 Substantial Surrenders

Substantial surrenders<sup>3</sup> were made in respect of 31 sub-heads under 18 Grants/ Appropriations without assigning any reasons. Out of the total provision amounting to ₹ 1,855.22 crore in these 31 sub-heads, ₹ 1,740.34 crore (**Appendix-2.4**) was surrendered which included 100 per cent surrender in 20 sub-heads (₹ 1,177.57 crore).

### 2.3.6 Lack of budgetary controls

In seven Grants, as against savings of ₹ 282.96 crore, ₹ 330.63 crore was surrendered resulting in excess surrender of ₹ 47.67 crore as detailed in **Table 2.5**.

**Table - 2.5: List of Grants showing surrenders more than savings**

(₹ in crore)

Sl. No.	No. and Name of the Grants	Total provision	Total Expenditure	Savings	Details of surrender	
					Amount	Excess
<b>Revenue Voted</b>						
1	8 Police	906.71	879.15	27.55	71.13	43.58
2	11 Social Welfare	183.38	181.38	2.00	2.30	0.30
3	15 Health and Family Welfare	995.22	893.51	101.71	101.82	0.11
4	57 Urban Development	173.45	55.40	118.05	119.47	1.42
<b>Capital Voted</b>						
5	14 Secondary Education	36.50	8.13	28.37	28.42	0.05
6	45 Civil Aviation	8.85	3.60	5.25	7.32	2.07
7	58 Stationary and Printing	0.17	0.14	0.03	0.17	0.14
<b>Total</b>		<b>2,304.28</b>	<b>2,021.31</b>	<b>282.96</b>	<b>330.63</b>	<b>47.67</b>

(Source: Appropriation Accounts 2017-18)

This shows that departments lacked budgetary controls as these departments were not aware of their fund position and the expenditure actually incurred there *vis-à-vis* their budgetary provisions.

### 2.3.7 Savings not surrendered

As per extant Financial Rules, the spending departments are required to surrender the Grants/ Appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of 2017-18, out of total savings of ₹ 4,210.46 crore under 52 Grants, savings (₹ one crore and above in each case) of ₹ 2,760.45 crore (65.56 per cent) remained to be surrendered as shown in **Appendix-2.5**. Further, out of

<sup>3</sup> Cases where more than 50 per cent of total provisions was surrendered

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the above, there were savings (₹ 10 crore and above in each case) of ₹ 1,907.91 crore (26.38 per cent) under 21 Grants but no part of the savings was surrendered by the concerned departments as shown in **Table-2.6**.

**Table - 2.6: Details of Grants/ Appropriations in which no part of the savings was surrendered (₹ 10 crore and above)**

(₹ in crore)

Sl. No.	Name of Grants/ Appropriations	Total provision	Expenditure	Savings	Surrender
<b>Revenue Voted</b>					
1	21 Directorate of Sports	51.77	39.50	12.27	Nil
2	23 Forests	236.16	218.19	17.97	Nil
3	31 Public Works	303.62	262.56	41.06	Nil
4	32 Roads and Bridges	552.02	541.03	10.99	Nil
5	38 Water Resources Department	293.58	274.86	18.72	Nil
6	42 Rural Development	526.58	458.26	68.32	Nil
7	59 Public Health Engineering	767.49	670.34	97.15	Nil
8	60 Textile and Handicraft	56.34	44.95	11.39	Nil
9	68 Town Planning Department	239.49	40.06	199.43	Nil
10	Public Debt	685.98	667.05	18.93	Nil
<b>Capital Voted</b>					
11	8 Police	84.57	0.00	84.57	Nil
12	21 Directorate of Sports	34.16	4.26	29.90	Nil
13	22 Food and Civil Supply	21.78	8.38	13.40	Nil
14	31 Public Works	306.52	137.10	169.42	Nil
15	32 Roads and Bridges	940.16	636.52	303.64	Nil
16	33 North Eastern Areas	145.27	121.52	23.75	Nil
17	40 Housing	67.61	27.31	40.30	Nil
18	50 Secretariat Economic Services	749.02	389.28	359.74	Nil
19	56 Tourism	126.70	31.12	95.58	Nil
20	57 Urban Development	351.82	238.37	113.45	Nil
21	59 Public Health Engineering	362.87	302.52	60.35	Nil
22	73 Information Technology	32.00	13.14	18.86	Nil
23	74 Social Justice, Empowerment and Tribal Affairs	178.96	156.72	22.24	Nil
24	75 Higher and Technical Education	100.42	39.47	60.95	Nil
25	79 Department of Skill Development and Entrepreneur	15.53	0.00	15.53	Nil
<b>Total</b>		<b>7,230.42</b>	<b>5,322.51</b>	<b>1,907.91</b>	Nil

(Source: Appropriation Accounts, 2017-18)

### 2.3.8 Excess Expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this Article.

In 2017-18, expenditure in Nine cases (₹ 1,194.74 crore) exceeded the approved provisions (₹ 1,017.75 crore) by ₹ 176.99 crore as detailed in **Appendix-2.6**.



Moreover, in three Grants, expenditure aggregating ₹ 1,012.53 crore exceeded the approved budget provision either by ₹ one crore or more in each case or by more than 20 per cent of the total provisions as detailed in **Table 2.7**.

**Table - 2.7: Details of Grants/ Appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provisions**

(₹ in crore)

Sl. No.	Number and Name of the Grants/ Appropriations	Total provision	Details of Expenditure		Excess as per cent of Total Provisions
			Total	Excess	
<b>Revenue Voted</b>					
1	13 Directorate of Accounts	706.43	866.01	159.58	22.59
2	33 North Eastern Areas	15.21	16.43	1.22	8.02
3	74 Social Justice, Empowerment and Tribal Affairs	115.14	130.09	14.95	12.98
<b>Total</b>		<b>836.78</b>	<b>1,012.53</b>	<b>175.75</b>	<b>21.00</b>

(Source: Appropriation Accounts 2017-18)

### 2.3.9 Excess over provisions relating to previous year requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a Grant/ Appropriation regularised by the State Legislature. Although, no time limit for regularisation was prescribed under the Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). Administrative Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department. However, excess expenditure of ₹ 2,981.14 crore from 1986-87 to 2016-17 was yet to be regularised as it has not yet been taken up for discussion by the PAC, as detailed in **Appendix 2.7**.

#### 2.3.10 Unnecessary supplementary provisions

Supplementary provision aggregating ₹ 494.30 crore (₹ 10 lakh or more in each case) obtained in 25 cases, under 20 Grants, during 2017-18 proved entirely unnecessary as even the original provision was not fully utilised, as detailed in **Appendix-2.8**. This indicated that the Chief Controlling Officers could not realistically assess/ estimate the actual requirement of funds for the remaining period of the financial year. Monitoring of expenditure needs to be strengthened.

Out of these 25 cases, there were unnecessary supplementary provisions (₹ 10 crore and above in each case) aggregating ₹ 454.07 crore (91.86 per cent) in seven cases as detailed in **Table-2.8**.

In reply (January 2019), the Government stated that necessary action will be taken to ensure due diligence in future.

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**Table - 2.8: Details of unnecessary Supplementary Provisions of ₹ 10 crore and above**  
(₹ in crore)

Sl. No.	Number and Name of the Grants	Original Provision	Actual Expenditure	Savings out of original provision	Supplementary Provision
<b>Revenue Voted</b>					
1	68 Town Planning Department	100.73	40.06	60.67	138.76
<b>Revenue Charged</b>					
2	Public Debt	669.38	667.06	2.32	16.61
<b>Capital Voted</b>					
3	8 Police	31.98	0.00	31.98	52.58
4	50 Secretariat Economic Services	728.38	389.28	339.10	20.64
5	56 Tourism	37.80	31.12	6.68	88.91
6	57 Urban Development	268.67	238.38	30.29	83.15
7	75 Higher and technical Education	47.00	39.47	7.53	53.42
<b>Total</b>		<b>1,883.94</b>	<b>1,405.37</b>	<b>478.57</b>	<b>454.07</b>

(Source: Appropriation Accounts 2017-18)

### 2.3.11 Excessive or Inadequate Supplementary Provision

During 2017-18, the excessive or inadequate Supplementary Provisions (₹ One crore and above in each case) ranged between 4 to 100 per cent of the Supplementary Provisions in 39 cases as detailed in Table-2.9.

**Table - 2.9: Range of excessive or inadequate Supplementary provisions**

(₹ in crore)

Range of Supplementary Provisions (excess/ less)	Details of Supplementary Provisions		Number of Cases
	Total	Excess (+)/ Less (-)	
0-20 per cent	601.17	55.01	10
21-40 per cent	1,016.76	378.31	7
41-60 per cent	646.42	310.35	4
61-80 per cent	171.95	116.39	9
More than 81 per cent	1,081.60	675.25	9
<b>Total</b>	<b>3,517.90</b>	<b>1,535.31</b>	<b>39</b>

(Source: Appropriation Accounts, 2017-18)

Further, under 36 Cases, Supplementary Provisions aggregating ₹ 3,403.49 crore proved excessive by ₹ 1,711.06 crore; while in three cases, Supplementary Provisions aggregating ₹ 114.21 crore proved inadequate by ₹ 175.75 crore as detailed in Appendix-2.9.

### 2.3.12 Excessive/ inadequate/ 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. Injudicious re-appropriation proved excessive, inadequate or insufficient in 72 sub-heads and resulted in savings/ excess (₹ one crore and above in each case) as detailed in Appendix-2.10. In reply (January 2019), the Government stated that due diligence exercise will be carried out in future to avoid such unnecessary re-appropriation of funds.

### **2.3.13 Unexplained re-appropriations**

According to Rule 65 of General Financial Rules, re-appropriation of funds shall ordinarily be supported by a statement showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for saving and excess of ₹ one lakh or over and the primary units (secondary units, wherever necessary), affected shall be invariably stated. Scrutiny of Appropriation Accounts revealed that reasons for re-appropriations made during 2017-18 under various head of accounts were not explained in detail. Even in cases where the reasons were given for additional provision/ withdrawal of provision in re-appropriation orders, they 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.*

## **2.4. Review of Budgetary process**

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.

### **2.4.1 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 receipts 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.

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### 2.4.2 Examination and evaluation of the budgetary system

An attempt has been made to examine and evaluate the budget documents of the Government of Arunachal Pradesh for the year 2017-18. The audit findings are given in the succeeding paragraphs.

#### 2.4.2.1 Actual receipts in Consolidated Fund vis-à-vis provision

The position of Revenue and Capital receipts under Consolidated Fund during 2017-18 is presented in **Table 2.10** below:

**Table - 2.10: Revenue and Capital Receipts**

(₹ in crore)

Year	Revenue Account				Capital Account			
	Budget Provision	Actual Receipt	Details of shortfall		Budget Provision	Actual Receipt	Details of shortfall	
			Amount	Per cent			Amount	Per cent
2015-16	11,635.68	10,553.10	1,082.58	9.30	897.94	626.58	271.36	30.22
2016-17	12,774.16	11,779.57	994.59	7.79	1,042.19	1,019.06	23.13	2.22
2017-18	14,598.81	13,774.60	824.21	5.65	1,610.23	1,256.01	354.22	22.00

(Source: Annual Financial Statement & Finance Accounts)

It can be seen from the table above, the shortfall of revenue receipts showed a decreasing trend during the last three years as it declined from 9.30 per cent in 2015-16 to 5.65 per cent in 2017-18. In respect of capital receipts, the shortfall ranged between 2.20 per cent to 30.22 per cent. It is thus, necessary that a more reliable method of forecasting revenues needs to be adopted to achieve better planning of expenditure

#### 2.4.2.2 Estimates of expenditure under Consolidated Fund

The estimates of expenditure should be prepared for the charges that will be needed for actual expenditure during the year. It is of great importance that the expenditure estimates should be accurately framed.

Budget provisions for expenditure (gross) and actual expenditure under revenue and capital accounts during 2015-16 to 2017-18 are shown in the **Table 2.11** below:

**Table - 2.11: Budget provision for expenditure (Gross) and Actual expenditure**

(₹ in crore)

Year	Revenue Account				Capital Account (including Loans and Advances and Public Debt)			
	Budget provision (O + S)	Actual expenditure	Savings	Percentage of savings	Budget provision (O + S)	Actual expenditure	Savings	Percentage of savings
2015-16	10,937.55	8,362.74	2,574.81	23.54	4,631.15	3,293.42	1,337.73	28.89
2016-17	12,114.76	9,394.54	2,720.22	22.45	4,201.03	2,141.78	2,059.25	49.02
2017-18	12,976.01	10,900.47	2,075.54	16.00	7,165.22	3,625.90	3,539.32	49.40

(Source: Appropriation Accounts: O: Original; S: Supplementary)

In all the three years, there was overestimation of expenditure which resulted in savings ranging from 23.54 per cent to 16.00 per cent under Revenue Account despite the fact that the shortfall in Revenue Receipts was only in the range of 5.65 to 9.30 per cent. Similarly, the shortfall under Capital Account ranged between 28.89 per cent and 49.40 per cent showing an increasing trend. This was indicative of the fact that contrary

to the prescribed budgetary regulations, estimation was made without proper analysis of actual availability of resources.

### 2.4.2.3 Unrealistic Budget Estimates in revenue Section

Details of the original, revised budget estimates and the actual revenue receipts and revenue expenditure during 2015-16 to 2017-18 are given in **Table 2.12** below:

**Table - 2.12: Revised estimates and actuals in respect of receipts and expenditures**

(₹ in crore)

Year	Particulars	Original Estimates	Revised Estimates	Actuals	Shortfall vis-à-vis Revised Estimates	
					Shortfall (-)	Percentage
2015-16	Revenue Receipt	11,635.68	11,407.98	10,553.10	854.88	7.49
	Revenue Expenditure	9,302.43	9,172.19	8,362.74	809.45	8.83
2016-17	Revenue Receipt	12,774.16	12,122.40	11,779.57	342.83	2.82
	Revenue Expenditure	10,553.32	9,781.07	9,394.07	386.53	3.95
2017-18	Revenue Receipt	14,598.81	15,738.31	13,774.60	1,964.21	12.48
	Revenue Expenditure	11,197.32	11,431.33	10,900.50	530.83	4.64

(Source: Budgets and Appropriation Accounts)

As could be noticed from **Table 2.12**, during 2015-16 to 2017-18, the shortfall in actual receipt with reference to the Revised Estimate had decreased from 7.49 per cent in 2015-16 to 2.82 per cent in 2016-17 and again increased to 12.48 per cent in 2017-18. While the shortfall in actual Revenue expenditure with reference to the actual expenditure with respect to revised estimate had decreased from 8.83 per cent in 2015-16 to 3.95 per cent in 2016-17 and is 4.64 per cent in 2017-18.

Thus, variations between the estimated provision and actual receipts and actual expenditure during the said period indicated that the State Government's budgeting process lacked rigour leading to preparation of unrealistic Revised Estimate.

### 2.4.2.4 Inaccuracy in preparation of Revised Estimates

According to Appendix below Rule 52 of General Financial Rules in preparing the Revised Estimates, while previous year's actuals and current year's trends will be material factors to review the original Budget Estimates, special attention should be devoted to make as realistic an estimate as possible of receipts which are likely to materialize during the rest of the financial year. Further as per Appendix 3 below Rule 52, the Revised Estimates for expenditure should be framed with great care to include only those items which are likely to materialize for payment during the current year, in the light of (i) actuals so far recorded during the current year, compared with the actuals for corresponding period of the last and previous years, (ii) seasonal character or otherwise of the nature of expenditure, (iii) sanctions for expenditure and orders of appropriation or re- appropriation already issued or contemplated and (iv) any other relevant factor, decision or development. 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 receipts and requirements. Some, significant cases of variation between the revised estimates and the actuals during 2017-18 under both receipts and expenditure heads of accounts are given in **Table 2.13**.

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**Table - 2.13: Variation between revised estimated and actual**

					(₹ in crore)
Sl. No	Number and name of head of accounts	Budget Estimates	Revised estimates	Actuals	Variation Excess (+)/ Shortfall (-) (per cent)
<b>Receipts</b>					
1	0029 – Land Revenue	10.75	7.08	13.32	(+) 6.24 (88.14)
2	0037 – Custom	1,303.80	680.09	931.30	(+) 251.21 (36.93)
3	0038 – Union Excise Duties	1362.84	704.46	973.50	(+) 269.04 (38.19)
4	0041 – Taxes on Vehicles	23.35	26.90	31.40	(+) 4.50 (16.73)
5	0044 – Service Tax	1,519.98	436.76	1,062.55	(+) 625.79 (143.28)
6	0049 – Interest receipts	47.32	82.05	46.98	(-) 35.07 (42.74)
7	0075 – Miscellaneous General Services	65.81	87.39	12.75	(-) 74.64 (85.40)
8	0801– Power	250.00	300.00	133.41	(-) 166.59 (55.53)
<b>Expenditure</b>					
1	2071 – Pension and other Retirement Benefits	602.00	766.53	923.97	(+) 157.44 (20.54)
2	2205 – Art and Culture	43.81	52.45	40.25	(-) 12.20 (23.26)
3	2215 – Water Supply and Sanitation	569.74	767.49	670.34	(-) 97.15 (12.66)
4	2217 – Urban Development	274.17	293.47	95.47	(-) 198.00 (67.46)
5	2230– Labour and Employment	39.22	40.78	33.51	(-) 7.27 (17.83)
6	2408 – Food Storage and Warehousing	333.39	48.19	34.42	(-) 13.77 (28.57)
7	2415 – Agricultural Research and Education	2.90	7.43	30.79	(+) 23.36 (314.40)
8	2501 – Special Programme for Rural Development	82.54	68.73	50.84	(+) 17.89 (26.03)
9	2515– Other Rural Development Programme	277.56	320.34	247.27	(-) 73.07 (22.81)
10	4059 – COL on Public Works	112.88	325.32	147.68	(-) 177.64 (54.60)
11	4070 – COL on Other Administrative Services	1,075.00	763.22	397.10	(-) 366.12 (47.97)

Wide variations ranging from 16.73 per cent to 143.28 per cent under Receipt heads and 12.66 per cent to 314.40 per cent under Expenditure heads between the budget provisions and actuals particularly with reference to revised estimates, indicated absence of proper care in estimating the revised estimates by the controlling officers concerned as envisaged in the General Financial Rules and failure of the Finance (Budget) Department in exercising adequate checks over the preliminary revised estimates.

### 2.4.2.5 Unrealistic forecasting of resources

Details of tax revenue and non-tax revenue for the last two years are given in **Table 2.14** below:

**Table - 2.14: Tax Revenue, Non-Tax Revenue during 2016-17 and 2017-18**

	2016-17		2017-18	
	Tax Revenue	Non-Tax Revenue	Tax Revenue	Non-Tax Revenue
Original Budget	670.64	528.90	742.94	536.29
Revised Estimate	650.63	506.79	899.19	699.30
Actual Receipts	708.75	544.82	815.57	366.18
<b>Shortage(-)/Excess (+)</b>	<b>(+)38.11</b>	<b>(+)15.92</b>	<b>(+)72.63</b>	<b>(-)170.11</b>

(Source: Budgets and Finance Accounts)

During 2017-18, the actual tax revenue receipts was more than the budget estimate by 9.78 *per cent* (₹ 72.63 crore) and Non-Tax Revenue was much lower than the budget estimate by 31.72 *per cent* (₹ 170.11 crore). Hence the budget estimate for tax and non-tax revenue were unrealistic.

### 2.4.3 Projection of Capital Outlay, Disbursement of Loans & Advances

The projections of Capital Outlay, Disbursement of Loans & Advances are detailed in **Table 2.15**.

**Table - 2.15: Capital Outlay, Disbursement of Loans & Advances**

(₹ in crore)

Year	Particulars	Budget Estimates	Revised Estimates	Actual Expenditure	Difference ( <i>per cent</i> )
2016-17	Capital Outlay	2,605.86	2,438.24	1,544.01	(-) 1,061.85 (40.75)
	Disbursement of Loans & Advances	14.60	20.84	10.33	(-) 4.27 (29.25)
2017-18	Capital Outlay	4,105.11	5,013.80	3,188.10	(-) 917.01 (22.34)
	Disbursement of Loans & Advances	19.60	13.85	5.07	(-)14.53 (74.13)

During 2017-18, Actual Capital Outlay was less than Budget estimate by ₹ 917.01 crore, which fell short by 22.34 *per cent*, Loans & Advances were also disbursed less by 74.13 *per cent* (₹ 14.53 crore). The shortfall in Capital outlay in 2017-18 when compared to Revised Estimate is ₹ 1,825.70 crore constituting 36.41 *per cent* of the Revised estimate indicating that even at the stage of Revised Estimate the projections were not made considering the availability of actual resources.

***Government should put in place an effective mechanism to ensure financial discipline and preparation of realistic budgets. Budgetary controls should be strengthened in all the Government Departments where savings/ excesses persisted.***

### 2.4.4 Gender Budgeting

Gender budget of a State discloses the expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partly. The budget documents for the year 2017-18 presented to the State Legislature did not include any separate volume on gender budget.

### 2.4.5 Classification of errors

Expenditure relating to minor works, repairs and GIA 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 reducing permanent liabilities. As per Government Accounting Rules read with Indian Government Accounting Standard, GIA given to different institutions should be classified as Revenue Expenditure. The Government in violation of rules has classified this as Capital Expenditure. As per Finance Accounts for the year 2017-18 (Volume – II), the State Government, however, made budget provision and incorrectly classified ₹ 50.00 crore as GIA in Capital

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Section instead of booking the same under Revenue section which had the impact of understating the Revenue expenditure and overstating the Revenue Surplus as detailed given in **Table 2.16**.

**Table - 2.16: Major Grants-in-aid classified as capital Expenditure**

(₹ in crore)

Sl. No.	Major Head	Sub Major Head	Minor Head	Sub Head	Amount
<b>Grants in aid booked under 'Capital heads'</b>					
1.	4515	00	800	06	50.00
<b>Total</b>					<b>50.00</b>

### 2.5 Non-submission of DCC Bills against AC Bills

Rule 308 and 309 of the Central Treasury Rules provide that every Drawing and Disbursing Officers (DDO) is authorised to draw sums of money by preparing Abstract Contingency (AC) Bills subject to the presentation of Detailed Countersigned Contingency (DCC) Bills to the controlling officer for countersignature and transmission to the Accountant General. Further, a Certificate shall be attached to every AC Bill to the effect that DCC Bills have been submitted to the Controlling Officer (CO) in respect of AC Bills (drawn more than a month before the date of the current Bill) without which no AC Bill be accepted. In contravention to above mentioned provisions, it was noticed that there were large numbers of pending DCC Bills during the period 2016-17 to 2017-18 as detailed below:

**Table - 2.17: Details of outstanding AC Bills during the period 2015-16 to 2017-18**

Year	Opening Balance		AC Bills drawn		DCC Bills submitted		Outstanding AC Bills	
	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)	Nos.	Amount (₹ in crore)
2015-16	217	19.06	351	3.33	380	10.54	188	11.85
2016-17	188	11.85	296	5.19	419	13.11	65	3.90
2017-18	65	3.90	183	5.70	188	6.26	<b>60</b>	<b>3.34</b>

During the year 2017-18, out of 183 AC bills amounting to ₹ 5.70 crore drawn, 127 DCC Bills amounting to ₹ 3.12 crore were adjusted leading to 56 outstanding AC Bills worth ₹ 2.59 crore as on 31 March 2018. The main three defaulting departments are the Secretariat Administration Department (22 AC Bills amounting to ₹ 24.15 lakh), the Education Department (22 AC Bills amounting to ₹ 157.00 lakh) and Tourism Department (Two AC Bills amounting to ₹ 55.00 lakh) during the year 2017-18. As on 01 April 2016, 188 AC bills involving ₹ 11.85 crore were outstanding for settlement. During the last two years, the Government has substantially decreased the number of outstanding AC bills to 60 involving ₹ 3.34 crore which is appreciated.

However, the Drawing & Disbursing Officers and Treasury Officers concerned should ensure compliance of the extant Central Treasury Rules and that AC Bills should not be drawn without adjustment of previously drawn AC Bills. Prolonged non-submission of



DCC Bills renders the expenditure under AC Bills opaque. Further, non-adjustment of advances for long period is fraught with the risk of misappropriation of public money and therefore, requires close monitoring for ensuring their timely submission.

In reply (January 2019), the Government accepted the fact of the outstanding AC Bills and stated that necessary action has been taken and thus, granting of AC Bill had reduced to a large extent.

**Recommendation:** *Monitoring mechanism may be put in place to ensure that DC Bills are submitted within the prescribed time. Subsequent AC Bills should not be drawn without ensuring submission of DCC Bills against already drawn AC Bills.*

### 2.5.1 Transfer of funds to Personal Deposit Accounts

The Personal Deposit (PD) accounts, also known as Personal Ledger Accounts (PLA), are in the nature of a banking account kept in the treasuries. The Government of Arunachal Pradesh is authorised to keep funds required for specific purposes in the PD accounts by transfer of funds from the Consolidated Fund. Generally, administrators are required to close such accounts on last working day of the financial year and transfer the unspent balances back to the Consolidated Fund of Government Accounts. As on 31 March 2018, two PD Accounts having a total balance of ₹ 0.32 crore was not transferred to the Consolidated Fund, as indicated in **Table 2.18**

The Government in its reply (January 2019) stated that the Animal Husbandry & Veterinary Department has been directed to close the PD Accounts.

**Table -2.18: - Status of Personal Deposit Accounts during 2017-18**

Sl. No.	Particulars	Number	Amount (₹ in crore)
1	Opening balance as on 1st April 2017	15	1.60
2	Addition during the year	0	0.00
3	Closed during the year	13	1.28
4	Closing balance as on 31st March 2018	02@	0.32

@ These PD accounts were inoperative.

(Source: Finance Accounts 2017-18)

As on 01 April 2017, there were 15 PD accounts involving an amount of ₹ 1.60 crore. However, at the end of financial year i.e. 31 March 2018, only 2 accounts involving an amount of ₹ 0.32 crore were pending for settlement as the Government was able to close 13 PD accounts which is appreciated.

**Recommendation:** *With regards to maintenance of PD accounts, the Departments should be directed to strictly follow the procedure prescribed in Civil Accounts Manual for transfer of closing balance of the accounts to the Consolidated Fund at the year end.*

### 2.6 Conclusion

The estimates of receipts and expenditure under the Consolidated Fund, Contingency Fund and Public Account were prepared without due diligence.

Further, huge excesses over budget provisions, non-utilisation of budget provisions and persistent savings, *etc.* which were noticed were indicative of ineffective control mechanisms.

At the close of the financial year 2017-18, there were persistent savings under 11 Grants. 45.45 *per cent* of the total savings (₹ 2,551.95 crore) were not surrendered. There was an excess expenditure of ₹ 176.99 crore in Eight Grants and one appropriation under Revenue and Capital Sections. Excess expenditure over the budgetary allocations amounting to ₹ 2,981.14 crore pertaining to the years 1986-87 to 2016-17 was not regularised till February 2019. DCC Bills were not submitted for an amount of ₹ 3.34 crore drawn on 60 AC Bills. Balance of ₹ 0.32 crore lying in two PD Accounts was not transferred to the Consolidated Fund.