

## CHAPTER II

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

The Comptroller and Auditor General of India performs the audit of appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget are within authorisations given under the Appropriation Act for the year, that expenditure required to be charged under the provisions of the Constitution is so charged, and whether, expenditure is incurred is in conformity with the law, relevant rules and regulations and instructions.

#### 2.1 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2017-18 against 71 grants/appropriations is given in **Table 2.1**.

**Table 2.1: Summarized position of actual expenditure vis-à-vis total budget provisions**

(₹ in crore)

	Nature of Expenditure	Original Provision	Supplementary Provision	Total Grant/Appropriation	Actual Expenditure	Saving	Amount surrendered	Amount surrendered on 31 March 2018	Percentage of savings surrendered by 31 March
Voted	I Revenue	58,776.18	6,217.44	64,993.61	53,549.30	11,444.31	9,288.40	9,263.22	80.94
	II Capital	16,113.32	951.83	17,065.15	11,048.94	6,016.21	3,233.54	3,218.58	53.50
	III Loans and Advances	366.40	230.50	596.90	369.83	227.06	225.24	225.24	99.20
<b>Total Voted</b>		<b>75,255.90</b>	<b>7,399.77</b>	<b>82,655.66</b>	<b>64,968.07</b>	<b>17,687.58</b>	<b>12,747.18</b>	<b>12,707.04</b>	<b>71.84</b>
Charged	IV Revenue	3,757.47	235.97	3,993.45	3,720.18	273.27	212.57	212.56	77.78
	V Capital	28.02	4.50	32.52	24.17	8.35	1.07	1.07	12.81
	VI Public debt	1,917.38	0.00	1,917.38	999.88	917.50	917.50	917.50	100.00
<b>Total Charged</b>		<b>5,702.87</b>	<b>240.47</b>	<b>5,943.35</b>	<b>4,744.23</b>	<b>1,199.12</b>	<b>1,131.14</b>	<b>1,131.13</b>	<b>94.33</b>
<b>Grand Total</b>		<b>80,958.77</b>	<b>7,640.24</b>	<b>88,599.01</b>	<b>69,712.30</b>	<b>18,886.71</b>	<b>13,878.32</b>	<b>13,838.17</b>	<b>73.27</b>

(Source: Appropriation Accounts 2017-18)

The total savings amounted to ₹ 18,886.71 crore<sup>1</sup> (21.32 per cent of total grants/ appropriation), Budget Controlling Officers allowed ₹ 5,008.39 crore (26.52 per cent of total saving) to lapse at the end of the financial year. Out of the balance savings ₹ 13,878.32 crore, ₹ 13,838.17 crore was surrendered on 31 March 2018, leaving no scope for utilisation of these funds for other developmental purposes. This is a serious cause of concern and indicates the failure of the Finance Department to ensure effective budgetary control. The Government could not utilize the original provision, therefore, the supplementary provision of ₹ 7,640.24 crore was unnecessary.

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

<sup>1</sup> There was an overall savings of ₹ 18,889.32 crore and excess of ₹ 2.61 crore which resulted in a net saving of ₹ 18,886.71 crore.

## 2.2 Financial Accountability and Budgetary Management

### 2.2.1 Excess over provisions relating to previous years (2000-01 to 2017-18) requiring regularization

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 ₹ 3,257.55 crore over provisions for the years 2000-01 to 2016-17 was yet to be regularised (September 2018) as detailed in **Appendix 2.1**.

In addition, the following excess as given in **Table 2.2** below, pertaining to 2017-18 is also to be regularised.

**Table 2.2: Excess over provisions requiring regularisation during 2017-18**

(₹ in crore)

S. no.	Grant no.	Name of Grant	Total Grant/ Appropriation	Actual expenditure	Excess expenditure requiring regularisation	Surrender
<b>Revenue voted</b>						
1	49	Scheduled Caste Welfare	5.73	6.25	0.52	1.47
2	50	Departments implementing 20-Point Programme	2.00	2.74	0.74	0.50
<b>Revenue charged</b>						
3	14	Animal Husbandry Department	0.00 <sup>@</sup>	0.02	0.02	0.00
4	33	Tribal Welfare	0.05	0.39	0.34	0.00
5	55	Women and Child Development	0.00*	0.01	0.01	0.00
<b>Capital voted</b>						
6	6	Finance Department	0.10	1.08	0.98	0.00
<b>Total</b>			<b>7.88</b>	<b>10.49</b>	<b>2.61</b>	<b>1.97</b>

<sup>@</sup> Initially a token amount of ₹ 20,000 was provisioned.

\* Initially a token amount of ₹ 10,000 was provisioned.

(Source: Appropriation Accounts 2017-18)

Despite incurring final excess of ₹ 2.61 crore, ₹ 1.97 crore was surrendered on 31 March 2018 by Scheduled Tribe and Scheduled Caste Development Department and Planning, Economic and Statistical Department, which was unrealistic and injudicious.

**Recommendation:** The State Government is required to get all the existing cases of excess expenditure 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.

### 2.2.2 Persistent excess expenditure

Persistent excess expenditure over provision was observed in 10 sub heads under seven grants/appropriations during the last three years. Excess expenditure incurred each year under these sub heads/schemes are shown in **Table 2.3**.

**Table 2.3: Persistent excess expenditure**

(₹ in crore)

SL	Grant No.	Head	2015-16	2016-17	2017-18
1	03	2055-113-7494-Chhattisgarh Police Housing Corporation	1.33	1.00	2.00
2	06	2235-60-200-7000-Recoupment of Pension Welfare Fund	3.36	3.39	3.98
3	07	2030-02-102-2455-Expenses on sale of Non Judicial Stamps	7.90	5.71	1.89
4		2030-01-101-4612-Cost of Stamps	4.11	3.64	2.13
5	13	2401--108-0701-7267- NMSA Soil Health Management Scheme	1.24	1.01	4.25
6	19	2071-01-800-5499-Medical facility for retired employees	2.11	3.21	2.16
7		2210-03-198-0101-620-Sub Health Centres	4.75	22.95	15.05
8	41	2210-03-198-0102-2777-Primary Health Centres	1.77	3.08	4.76
9		2210-03-198-0102-620-Sub Health Centres	6.19	20.00	19.45
10	58	2245-01-101-2018-Cash doles	171.42	7.81	4.88

(Source: Appropriation Accounts from 2015-16 to 2017-18)

**Recommendation:** The Finance Department should ensure that no Budget Controlling Officers resort to excess expenditure over the regular allocations approved by the State Legislature and departmental action may be initiated for those who are responsible for the same.

### 2.2.3 Excess expenditure under schemes

In 33 cases, expenditure aggregating ₹ 1,110.16 crore under various sub heads exceeded the approved provision by ₹ 10 crore or more in each case as detailed in **Appendix 2.2**.

### 2.2.4 Savings

During the last five years the Government could not utilize its original budget provision and resorted to several supplementary provisions each year which resulted in the huge amount of savings each year. During the same period the overall savings ranged between 19.96 per cent to 26.88 per cent while the savings out of original provision ranged between 13.04 per cent to 19.53 per cent as detailed in **Table 2.4**. This indicates that the budget provisions made by the Government were exaggerated and supplementary provisions were unnecessary.

**Table 2.4: Savings of overall budget of Chhattisgarh during last five years**

(₹ in crore)

Year	Original Provision	Supplementary Provision	Total	Actual Expenditure	Overall Saving	Overall Saving per cent	Saving from Original Provision	Saving per cent from Original Provision
2013-14	46,097.75	3,981.77	50,079.52	40,086.72	9,992.80	19.95	6,011.03	13.04
2014-15	57,149.83	3,052.58	60,202.41	48,187.92	12,014.49	19.96	8,961.91	15.68
2015-16	67,545.90	6,793.63	74,339.53	54,353.86	19,985.67	26.88	13,192.04	19.53
2016-17	73,996.33	6,205.99	80,202.32	60,470.82	19,731.50	24.60	13,525.51	18.28
2017-18	80,958.77	7,640.24	88,599.01	69,712.30	18,886.71	21.32	11,246.47	13.89

### 2.2.4.1 Savings under grants and appropriations

Against the total savings of ₹ 18,886.71 crore, more than ₹ 100 crore saving in each case occurred under 39 grants and two appropriations amounting to ₹ 17,075.65 crore which is 90.41 per cent of the overall savings as detailed in **Appendix 2.3**. Out of this, more than ₹ 500 crore savings in each case occurred under seven grants and one appropriation.

### 2.2.4.2 Savings under schemes

The outcome of the appropriation audit revealed that in 36 cases relating to 18 grants/appropriations, the savings amounting to ₹ 8,684.22 crore exceeded more than ₹ 100 crore in each case and were also more than 10 per cent of the total provisions as detailed in **Appendix 2.4**.

A total of 1,613 sub heads were operated during 2017-18, out of these more than ₹ 100 crore savings were noticed under 47 schemes irrespective of grants, details of which are shown in **Appendix 2.5**. Under these 47 schemes a total amount of 40,438.15 crore was budgeted but only ₹ 28,467.68 crore was spent resulting in saving of ₹ 11,970.47 crore which is 63.38 per cent of overall saving.

**Recommendation:** The State Government should prepare budget as per actual need and ensure its optimum utilisation.

### 2.2.5 Persistent savings under grants

In 29 cases under 24 grants during the period 2013-14 to 2017-18, there were persistent savings of more than ₹ 20 crore and also more than 10 per cent of the budget provision in each case as shown in **Appendix 2.6**. The savings ranged between 10.15 and 89.66 per cent of the total budget of the respective grants which indicate that the budgeting was not realistic. In four cases there were persistent savings of more than 30 per cent each of the provision.

This had been pointed out in earlier State Finance Reports, but the problem still persists.

**Recommendation:** The Finance Department should review monthly expenditure more effectively so that all anticipated savings are surrendered on time.

### 2.2.6 Entire budget provisions not utilised under sub heads

In 53 cases, under 23 grants and two appropriations the entire provision of 10 crore or more made for various sub heads aggregating to ₹ 2,576.02 crore remained unutilised. Details are given in **Appendix 2.7**.

### 2.2.7 Supplementary provisions under Grants/Appropriations

#### a) Unnecessary supplementary provisions

In 39 cases pertaining to 35 grants, supplementary provision of ₹ one crore or more in each case aggregating ₹ 3,487.80 crore obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. Details are shown in **Appendix 2.8**.

#### b) Excessive supplementary provisions

In nine grants and one appropriation against the additional requirement of ₹ 1,700.81 crore, supplementary provision of ₹ 3,944.15 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 2,243.34 crore are shown in **Appendix 2.9**.

*Recommendation: The State Government should prepare supplementary budget as per actual need so that supplementary provisions are more realistic.*

### 2.2.8 Supplementary provisions under sub heads/schemes

#### a) Unnecessary supplementary provisions

In 42 cases, under 18 grants, supplementary provision of ₹ one crore or more in each case aggregating ₹ 772.31 crore obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. The details are shown in **Appendix 2.10**.

#### b) Excessive supplementary provisions

In 44 cases, under 23 grants, against the additional requirement of ₹ 3,877.46 crore, supplementary provision of ₹ 4,859.31 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 982.45 crore is shown in **Appendix 2.11**.

#### c) Inadequate supplementary provisions

In nine cases, under seven grants, against the additional requirement of ₹ 580.05 crore, supplementary provision of ₹ 209.38 crore proved inadequate. The resultant deficit exceeding ₹ one crore or more in each case, aggregating ₹ 370.67 crore is shown in **Appendix 2.12**.

### 2.2.9 Excessive/unnecessary/insufficient re-appropriation of funds

There were excess/savings of more than ₹ 10 crore and above after re-appropriation in 23 sub heads/schemes under 11 grants as detailed in **Appendix 2.13**. This indicates that the estimates were not properly assessed,

as even after the withdrawal/ augmentation of funds through re-appropriation, there were final savings/excesses in the grants.

### 2.2.10 Surrender in excess of actual savings

In 18 cases, the amounts surrendered (₹ 50 lakh or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these departments. As against savings of ₹ 2,478.11 crore, the amount surrendered was ₹ 2,661.81 crore, resulting in excess surrender of ₹ 183.70 crore. The details are given in **Appendix 2.14**.

**Recommendation:** Budget Controlling Officers should assess balances available with them before surrender of funds.

### 2.2.11 Anticipated savings not surrendered

In 10 cases under five grants and three appropriations savings of more than ₹ one crore in each case had occurred but no part of the same was surrendered by the concerned departments. The total amount involved in these cases was ₹ 2,664.22 crore which is 14.11 per cent of the total savings of ₹ 18,886.71 crore as detailed in **Appendix 2.15**.

Similarly, out of the savings of ₹ 6,678.76 crore in 27 cases under 20 grants and one appropriations (after surrender, savings of ₹ one crore and above in each case), provisions amounting to ₹ 2,569.32 crore (38.47 per cent of above savings) were not surrendered as detailed in **Appendix 2.16**.

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

### 2.2.12 Rush of expenditure

As per Paragraph 92 of Madhya Pradesh Budget Manual (as followed by Government of Chhattisgarh), rush of expenditure particularly in closing months of the financial year should be avoided. Contrary to this, in 28 Major Heads, expenditure of ₹ 3,020.05 crore was incurred during the last quarter of 2017-18 which was 66.01 per cent of the total expenditure of ₹ 4,574.82 crore under these heads as detailed in **Appendix 2.17**. Of this, ₹ 1,951.48 crore (42.66 per cent) of total expenditure was incurred in the month of March 2018.

Rush of expenditure in the closing month of the financial year entails risk of misuse of public money and unhealthy practices. Expenditure in the last quarter of the financial year is not prudent financial management and is against the provision in the budget manual.

**Recommendation:** The Finance Department should control rush of expenditure during the fag end of the financial year.

### 2.2.13 Reasons for variations not provided in the Appropriation Accounts

There are significant variations of ₹ 18,886.71 between the total grant or appropriation amounting to ₹ 88,599.01 crore and expenditure of ₹ 69,712.30 crore incurred during 2017-18. Out of the total saving of ₹ 18,886.71 crore,

the reasons for savings of ₹ 3,191.61 crore under 64 grants (40 revenue and 24 capital) and seven appropriations (five revenue and two capital), have not been appropriately explained in the Appropriation Accounts.

*Recommendation: The Budget Controlling Officers should examine the reasons for variations between budget provision and expenditure and submit the same at the time of surrender of savings.*

### 2.3 Advances from the Contingency Fund

As per the Chhattisgarh Contingency Fund Act, 2001 of the State, no advance shall be made out of the Contingency Fund, except for the purposes of meeting unforeseen expenditure. During 2017-18, in eight out of nine cases amounting ₹ 13.74 crore, the expenditure did not meet the criteria for drawal from Contingency Fund as these expenditures were not of an unforeseen or of an emergent character. Thus, the advance drawn from Contingency Fund the purpose was in violation of the Act. Details are shown in **Table 2.5**. However, the total withdrawal from the fund during 2017-18 was recouped through supplementary budget.

**Table 2.5: Expenditure from Contingency Fund of the State**

(₹ in crore)

SL	Department	Purpose	Drawn Amount	Month of drawal of fund
1	Housing and Environment	Distribution of 24 number of Sound Measurement Equipments as per High Court order	4.78	February 2018
2	Home (Census)	Data Entry work under National Population Register updation work	4.20	July 2017 August 2017 September 2017 February 2018
3	Home (Police)	Purchase of bullet proof vehicle (Scorpio)	1.47	March 2018
4	ST and SC Development	Construction of Multipurpose Community Building under Consolidated Development Scheme at Giroudpuri Dham	0.50	March 2018
5	General Administration	Purchase of new vehicle for Chhattisgarh State Election Commissioner	0.12	January 2018
6	Tourism	Construction and maintenance of building of Institute of Hotel Management, Atal Nagar	1.52	July 2017
7	Social Welfare	Creation of CG Yaga Commission (75 lakh) and organisation of International Yoga Day (25 lakh)	1.00	June 2017
8	Social Welfare	Empowerment of Nishaktjan office	0.15	November 2017
<b>Total</b>			<b>13.74</b>	

- In case of Housing and Environment Department the Judgment was passed by the Honourable High Court in December 2016. This amount was sanctioned to be drawn from the Contingency Fund in October 2017. But, it was drawn in the month of February 2018. Therefore, it could have been provisioned in the budget before making the payment and drawing from the Contingency Fund was unnecessary.
- In case of Home Department (Census) the amount was drawn in four different months in a span of eight months. Therefore, the amount could have been provisioned in supplementary budget earlier and drawing from the Contingency fund was unnecessary.

**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 Budgetary process for Grant no. 71 – Electronics and Information Technology Department

### Introduction

The main purpose of the Electronics and Information Technology Department was to establish and develop information technology infrastructure in the State. The department implements e-governance and other projects in the State through Chhattisgarh Infotech Promotion Society (CHIPS). The funds are drawn from the treasury by the department and handed over to the CHIPS for implementation.

A review of budgetary process of Grant no. 71 – E&IT Department for the year 2017-18 revealed that against the total budget provision of ₹ 203.53 crore the department incurred expenditure of ₹ 62.66 crore leaving a total savings of ₹ 140.87 crore which is 69.21 percent of the total budget provision. Details are given in **Table 2.6**.

**Table 2.6: Budgetary provisions and expenditure during 2017-18**

(₹ in crore)

Details	Capital	Revenue	Total
Original grant	100.00	100.74	200.74
Supplementary grant	0.00	2.79	2.79
<b>Total grant</b>	<b>100.00</b>	<b>103.53</b>	<b>203.53</b>
Expenditure	0.89	61.77	62.66
Savings	99.11	41.76	140.87
Surrender (Re-appropriation)	99.11	36.93	136.04
Lapse	0.00	4.83	4.83



## Organisational setup

The Principal Secretary/Secretary, E&IT Department is the Budget Controlling Authority and Special Secretary is the Drawing and Disbursing Officer. The department implements all projects through CHIPS.

## Audit findings

### 2.4.1 Incorrect classification of expenditure on *Sanchar Kranti Yojana*

The *Sanchar Kranti Yojana* (SKY) project (launched in June 2017) is an initiative taken by Government of Chhattisgarh aimed to improve the mobile penetration in the state. As per the scheme mechanics the Government was to procure phones from an Indian manufacturer or encourage manufacturing in Chhattisgarh and distribute it through the Public Distribution System (PDS) to all rural households with a PDS card in the selected geography.

In view of the above, to classify the expenditure incurred on the project as capital expenditure is a misclassification. Therefore, during the year 2017-18, the budget provision of ₹ 200 crore and the expenditure of ₹ 1.78 crore under grant nos. 41, 64, and 71 was misclassification.

The above was pointed out to the E&IT Department and CHIPS. Reply is awaited.

**Recommendation:** *The State Government should book the expenditure in the corresponding revenue head.*

### 2.4.2 Budget estimates are lump sum

As per paragraph 31 of Madhya Pradesh Budget Manual, lump sum provisions should not be made in the budget estimates.

During the review of budgetary process it was noticed that the detailed plan of expenditure to be made on a yearly basis as per the state budget were neither recorded in the files of the department nor recorded in the files of the implementing agency, CHIPS. Segregation of budget provisions for Special Component Plan for Scheduled Castes (SCP) and for Tribal Area Sub Plan (TSP) was not recorded on the files. The justification of savings/estimates was not recorded in the files. The above facts suggest that the budget estimates were made on a lump sum basis and not as per the actual need.

The above was pointed out to the E&IT Department and CHIPS. Reply is awaited.

**Recommendation:** *Budget should be prepared as per detailed estimate of the scheme for the year.*

### **2.4.3 Surrender on the last day of the financial year**

As per paragraph 131 of Madhya Pradesh Budget Manual, Statements of anticipated savings in expenditure are required to be submitted by the Budget Controlling Officers to the Finance Department by 15 January.

During 2017-18, an amount of ₹ 136.04 crore was surrendered on 31 March 2018 in violation of the provisions in the Manual and left no scope for the utilization of the funds on other developmental purposes.

The above was pointed out to the E&IT Department and CHIPS. Reply is awaited.

***Recommendation:*** Anticipated saving should be surrendered well before the close of the year so that they could be utilized in other developmental purposes.