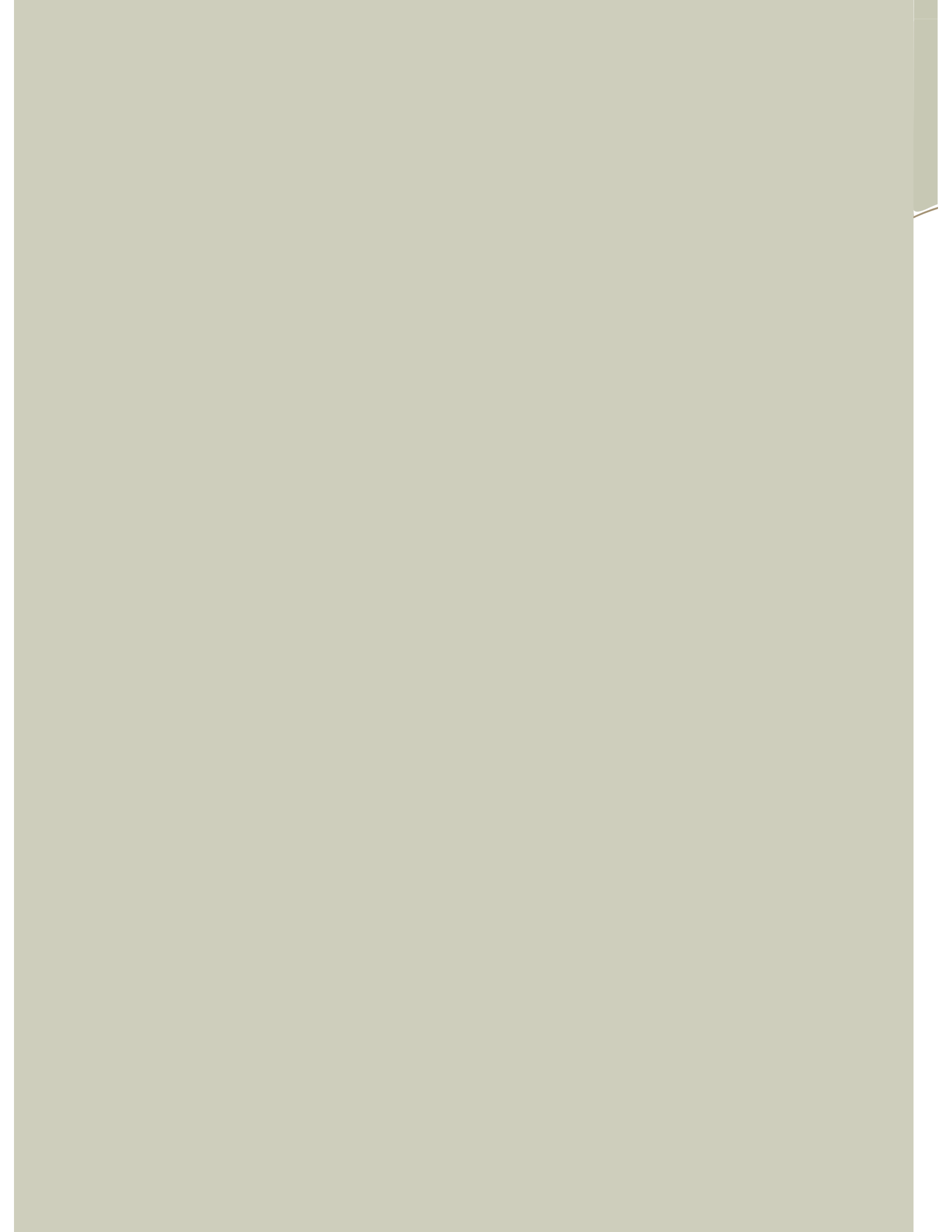


**CHAPTER-II**  
**FINANCIAL MANAGEMENT**  
**AND**  
**BUDGETARY CONTROL**



# Chapter 2 Financial Management and Budgetary Control

## 2.1 Introduction

Effective financial management ensures that policy decisions are implemented without wastage or diversion of funds and with reasonable assurance about successful implementation of policy at the ground level. This Chapter reviews the appropriations and allocative priorities of the State Government and comments on the transparency and effectiveness of its budgetary processes.

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted and charged grants/ appropriations for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are therefore complementary to the Finance Accounts.

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

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2017-18 against 49 Grants/ Appropriations (48 Grants and one Appropriation<sup>1</sup>) is given in the **Table-2.1**.

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

Nature of expenditure		Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of surrender	
							Amount	Per cent
Voted	I Revenue	5,941.23	1,246.57	7,187.80	6,497.26	(-) 690.54	594.04	86.03
	II Capital	2,086.15	990.67	3,076.82	2,078.74	(-) 998.08	234.88	23.53
	III Loans and Advances	51.00	41.52	92.52	44.95	(-) 47.57	2.09	4.39
	<b>Total Voted</b>	<b>8,078.38</b>	<b>2,278.76</b>	<b>10,357.14</b>	<b>8,620.95</b>	<b>(-) 1,736.19</b>	<b>831.01</b>	<b>47.86</b>
Charged	IV Revenue	446.97	7.60	454.57	408.44	(-) 46.13	2.50	5.42
	V Capital*	--	--	--	--	--	--	--
	VI Public Debt Repayment	277.74	--	277.74	255.57	(-) 22.17	Nil	NA
<b>Total Charged</b>	<b>724.71</b>	<b>7.60</b>	<b>732.31</b>	<b>664.01</b>	<b>(-) 68.30</b>	<b>2.50</b>	<b>3.66</b>	
Appropriation to Contingency Fund (if any)*		--	--	--	--	--	--	--
<b>Grand Total</b>		<b>8,803.09</b>	<b>2,286.36</b>	<b>11,089.45</b>	<b>9,284.96</b>	<b>(-) 1,804.49</b>	<b>833.51</b>	<b>46.19</b>

Source: Appropriation Accounts, 2017-18

\* There were no transactions under these heads of accounts during 2017-18

<sup>1</sup> Public Debt

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It will be seen that:

- The overall savings of ₹ 1,804.49 crore were 20.50 *per cent* of the original budget provision of ₹ 8,803.09 crore.
- Total savings of ₹ 1,817.01 crore had occurred in 45 grants and one appropriation under Revenue Section and 31 grants and one appropriation under Capital Section.
- The above savings were offset by excess of ₹ 12.51 crore in one grant under Revenue and two under Capital Section.
- Out of the total unspent provisions/ savings of ₹ 1,804.49 crore, only ₹ 833.51 crore (46.19 *per cent* of the total unspent provision/ savings) were surrendered by 31 March 2018.
- 13.97 *per cent* of the unspent provision of ₹ 690.54 crore under the Revenue expenditure head (voted) was not surrendered.
- 76.47 *per cent* of the unspent provision of ₹ 998.08 crore under the Capital Expenditure head (voted) was not surrendered.
- 94.58 *per cent* of the unspent provision of ₹ 46.13 crore under the Revenue expenditure head (charged) was not surrendered.
- There were savings of ₹ 22.17 crore under the Public Debt Repayment head. However, no amount was surrendered.

The savings/ excess (Detailed Appropriation Accounts for the year 2017-18) were intimated to all controlling officers concerned requesting them to explain the significant variations. However, the reasons for savings/ excess were not provided by the departments concerned (February 2019).

*The State Government needs to make the budget and allocation process more realistic so that optimum utilisation of resources is ensured.*

### 2.3 Financial Accountability and Budget Management

#### 2.3.1 Expenditure without budgetary provision

As per Article 204 (3) of the Constitution of India, expenditure should not be incurred on a scheme/ service without provision of funds. In 2017-18, it was noticed that an expenditure of ₹ five crore was incurred in a sub-head under one Grant without any provisions in the original estimates/ supplementary demands and without any re-appropriation orders to this effect as detailed in **Table-2.2**.

**Table-2.2: List of Grants showing expenditure incurred without budget provision**

(₹ in crore)				
Sl. No.	Grant No. and Name of Grant	Heads of Account	Total Grant	Actual Expenditure
<b>Revenue (Voted)</b>				
1.	25-Water Supply and Sanitation	2215-01-101-89 New Economic Development Policy (NEDP)	0.00	5.00
<b>Total of Revenue</b>			<b>0.00</b>	<b>5.00</b>
<b>Grant Total</b>			<b>0.00</b>	<b>5.00</b>

Source: Appropriation Accounts, 2017-18

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

The outcome of the appropriation audit showed that savings aggregating ₹ 732.72 crore in 36 cases (Revenue) and ₹ 1,079.66 crore in 24 cases (Capital) exceeded ₹ one crore in each case or more than 20 per cent of the total provision (**Appendix-2.1**). Against the overall savings of ₹ 1,804.49 crore during 2017-18, savings of ₹ 853.05 crore (47.27 per cent) occurred in two cases relating to two grants where savings were more than ₹ 100 crore and above as indicated in **Table-2.3**.

**Table-2.3: List of Grants with savings of ₹ 100 crore and above**

(₹ in crore)					
Sl. No.	Grant: Number and Name	Total Grant	Expenditure	Saving	Percentage of saving
<b>Revenue-Voted</b>					
1.	24-Medical and Public Health Services	594.03	469.76	124.27	20.92
<b>Capital-Voted</b>					
2.	9-Finance	748.45	19.67	728.78	97.37
<b>Total</b>		<b>1,342.48</b>	<b>489.43</b>	<b>853.05</b>	<b>63.54</b>

Source: Appropriation Accounts, 2017-18

The reasons for savings in the two grants had not been intimated by the respective Departments (March 2019).

### 2.3.3 Persistent Savings

During the last five years, there were persistent savings of more than ₹ 25.00 crore in one grant, as shown in **Table-2.4** below:

**Table-2.4: Grants indicating Persistent Savings during 2013-18**

(₹ in crore)						
Sl. No.	Grant: Number and Name	Amount of saving				
		2013-14	2014-15	2015-16	2016-17	2017-18
1.	47-Irrigation and Water Resources	137.62 (92.96)	66.01 (85.24)	81.04 (82.54)	39.03 (70.03)	35.26 (53.42)

Figures in the parentheses indicate percentage to total provision of that grant

Source: Appropriation Accounts of respective years

The reasons for persistent savings under the grant were called for from the Department. However, the reasons for savings under the grant were not furnished by the Department concerned except for ₹ 0.13 lakh which was stated to be due to wrong booking of expenditure figures.

The trends of persistent savings are being highlighted in the Report of the C&AG on State Finances every year but no corrective measures was taken to correct this situation.

### 2.3.4 Unutilised budgetary provision

Appropriation of funds for a work/ scheme during a financial year is approved by the State Legislature through the budget. During 2017-18, a provision of ₹ 661.97 crore (Original plus Supplementary) for implementing Centrally Sponsored Schemes (CSS), Non-Lapsable Central Pool of Resources Schemes (NLCPR), New Economic Development Policy (NEDP), providing State Matching Share, etc. under eight grants and one appropriation was approved. The departments concerned, however, could not utilise the funds which resulted in savings of the entire provision of ₹ 661.97 crore as detailed in **Appendix-2.2**.

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### 2.3.5 Substantial surrenders

Substantial surrenders<sup>2</sup> were made in respect of 55 sub-heads on account of either non-filling up of vacant posts, non-receipt of Government sanction, non-release of funds from Government of India and non-finalisation of tendering process, etc. Out of the total provision amounting to ₹ 408.18 crore in these 55 sub-heads, ₹ 303.37 crore (**Appendix-2.3**) was surrendered which included 100 per cent surrender in 24 sub-heads (₹ 73.88 crore).

### 2.3.6 Ineffective budgetary controls

As against total savings of ₹ 105.62 crore, ₹ 107.65 crore was surrendered by four departments resulting in excess surrender of ₹ 2.03 crore (₹ 10 lakh and above in each case) as detailed in **Appendix-2.4**. Further, in 121 cases, ₹ 230.41 crore was surrendered without furnishing any reasons as detailed in **Appendix-2.5**.

The departments concerned did not furnish any reasons/ explanations regarding surrenders including surrenders in excess of actual savings (February 2019). The amount surrendered in excess of actual savings indicated lack of budgetary control.

### 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 the savings are anticipated. At the close of the financial year 2017-18, under seven grants and one appropriation, there were savings (₹ 10 lakh and above in each case) of ₹ 833.30 crore (59.01 per cent of the total savings) but no part of the savings was surrendered by the departments concerned as shown in **Table-2.5**.

**Table-2.5: Details of grants/ appropriation in which no part of the savings was surrendered (₹ 10 lakh and above)**

(₹ in lakh)					
Sl. No.	Number and Name of Grant/ Appropriation	Total grant/ appropriation	Expenditure	Saving	Surrender
<b>Revenue (Charged)</b>					
1.	49-Public Debt	42,985.70	38,620.09	4,365.61	Nil
<b>Capital (Voted)</b>					
2.	9-Finance	74,845.45	1,967.00	72,878.45	Nil
3.	15-General Administration Department	1,307.00	638.42	668.58	Nil
4.	16-Home	3,206.54	2,276.53	930.01	Nil
5.	18-Printing and Stationery	30.00	0.00	30.00	Nil
6.	25-Water Supply and Sanitation	10,484.74	8,281.99	2,202.75	Nil
7.	26-Information and Public Relations	178.11	166.11	12.00	Nil
8.	48-Information and Communication Technology	25.00	0.00	25.00	Nil
<b>Capital (Charged)</b>					
9.	49-Public Debt	27,774.37	25,556.87	2,217.50	Nil
<b>Total</b>		<b>1,60,836.91</b>	<b>77,507.01</b>	<b>83,329.90</b>	<b>Nil</b>

Source: Appropriation Accounts, 2017-18

<sup>2</sup> Cases where more than 50 per cent of total provisions was surrendered

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### 2.3.8 Savings partially surrendered

Out of total savings of ₹ 1,411.92 crore (₹ 10 lakh and above in each case) under 28 cases, savings of ₹ 985.65 crore were not surrendered as shown in **Appendix-2.6**. Besides, out of the total savings of ₹ 1,303.16 crore under 11 grants and one appropriation, an amount of ₹ 981.73 crore (75.33 per cent) was not surrendered (₹ one crore and above in each case) as shown in **Table-2.6**.

**Table-2.6: Details of savings partially surrendered (₹ one crore and above)**

(₹ in lakh)				
Sl. No.	Number and Name of Grant/ Appropriation	Savings	Surrender	Savings not surrendered
<b>Revenue (Voted)</b>				
1.	6-Land Revenue and Settlement	1,031.72	865.96	165.76
2.	9-Finance	6,914.88	2,000.36	4,914.52
3.	15-General Administration Department	1,394.36	790.77	603.59
4.	20-School Education	6,371.40	5,526.20	845.20
5.	21-Higher and Technical Education	3,036.60	2,899.62	136.98
6.	24-Medical and Public Health Services	12,426.70	10,633.79	1,792.91
7.	25-Water Supply and Sanitation	2,892.42	2,465.00	427.42
8.	34-Animal Husbandry and Veterinary	855.31	370.32	484.99
9.	45-Public Works	1,492.59	1,312.28	180.31
<b>Revenue (Charged)</b>				
10.	49-Public Debt	4,365.61	0.00	4,365.61
<b>Capital (Voted)</b>				
11.	9-Finance	72,878.45	0.00	72,878.45
12.	15-General Administration Department	668.58	0.00	668.58
13.	16-Home	930.01	0.00	930.01
14.	17-Food, Civil Supplies and Consumer Affairs	4,505.37	0.31	4,505.06
15.	24-Medical and Public Health Services	6,131.51	5,277.99	853.52
16.	25-Water Supply and Sanitation	2,202.75	0.00	2,202.75
<b>Capital (Charged)</b>				
17.	49-Public Debt	2,217.50	0.00	2,217.50
<b>Total</b>		<b>1,30,315.80</b>	<b>32,142.60</b>	<b>98,173.16</b>

Source: Appropriation Accounts, 2017-18

### 2.3.9 Excess Expenditure

As per Article 204 (3) of the Constitution, 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, Revenue and Capital Expenditure in nine cases (₹ 191.72 crore) exceeded (₹ 29.21 crore) the approved provisions (₹ 162.51 crore) by one crore in each case or more than 33 per cent of the total provision (**Appendix-2.7**). Moreover, in five cases, expenditure exceeded by more than 50 per cent over the approved provisions as detailed in **Table-2.7**:

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**Table-2.7: Grants/ Appropriation where expenditure exceeded 50 per cent over approved provisions**

(₹ in lakh)

Sl. No.	Grant No.	Name of the Grant/ Appropriation with Major or Minor heads	Total Grant/ Appropriation	Details of Expenditure		
				Total	Excess	Per cent
<b>Revenue (Voted)</b>						
1.	16	<b>Home</b> 2235-01-200-02 Administration of Soldier, Sailor and Airmen Board	94.46	165.58	71.12	75.29
2.	20	<b>School Education</b> 4202-01-800-07 Construction of Teachers Training Complex/ NLCPR	10.00	1,050.00	1,040.00	10,400.00
3.	34	<b>Animal Husbandry and Veterinary</b> 2403-105-01 Piggery Development	261.19	523.94	262.75	100.60
4.	46	<b>Urban Development and Poverty Alleviation</b> 2015-109-06 Bye Election to Village Councils	53.88	82.33	28.45	52.80
5.	99	<b>Public Debt</b> 6003-111-01 National Small Savings Fund	967.15	1,501.75	534.60	55.28
<b>Total of Revenue</b>			<b>1,386.68</b>	<b>3,323.60</b>	<b>1,936.92</b>	<b>10,683.97</b>

Source: Appropriation Accounts, 2017-18

### 2.3.10 Excess over provisions 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 this 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.

During the period 2012-17, excess expenditure of ₹ 875.22 crore, under 19 Grants covering 11 departments, was yet to be regularised. Mizoram Legislative Assembly Secretariat had directed (October 2017) the departments concerned for regularisation of their excess. Year-wise amount of excess expenditure pending regularisation for grants/ appropriations is summarised in Table-2.8.

**Table-2.8: Excess over provisions relating to previous years requiring regularisation**

(₹ in crore)

Year	Details of Grant/ Appropriation		Amount in excess	Stage of consideration by PAC
	Total	Grant No.		
2012-13	2	9 & 49	118.89	A meeting on regularisation of these excesses has been held by the PAC, however, the excess is yet to be regularised (March 2019).
2013-14	5	9, 10, 19, 44 & 49	500.11	
2014-15	7	9, 15, 25, 30, 35, 45 & 49	124.03	
2015-16	4	30, 37, 45 & 49	70.73	
2016-17	1	45	61.46	
<b>Total</b>	<b>19</b>	<b>-</b>	<b>875.22</b>	

Source: Appropriation Accounts of respective years



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There were persistent excesses of ₹ 113.20 crore (more than ₹ one crore in each case) under Grant No. 45-Public Works<sup>3</sup> during the last four years which were not regularised as of February 2019. The persistent excess under the grant/ head was indicative of un-realistic budgetary assumptions.

It was further noticed that there was an excess of ₹ 12.51 crore under three grants<sup>4</sup> over authorisation from the Consolidated Fund of the State (CFS) during 2017-18 which also required regularisation.

*The above cases of excess expenditure over grants/ provision are violation of the basic principle of financial administration that not a single rupee can be spent without the approval of the State Legislative Assembly and, therefore, needs to be viewed seriously. Responsibility in such cases needs to be fixed at the appropriate level.*

### 2.3.11 Un-necessary supplementary provisions

Supplementary provision aggregating ₹ 126.29 crore (₹ 10 lakh or more in each case) obtained in 22 cases, under 19 Grants and one appropriation out of 48 Grants and one appropriation, during 2017-18 proved entirely un-necessary as even the original provision was not fully utilised, as detailed in **Appendix-2.8**, which was indicative of lack of financial discipline and absence of adherence to budgetary procedure.

Out of these 22 cases, there were un-necessary supplementary provisions (₹ one crore and above in each case) aggregating ₹ 123.10 crore (97.47 per cent) in 16 cases as detailed in **Table-2.9**. The remaining six cases only accounted for 2.53 per cent of the entirely un-necessary supplementary provisions.

**Table-2.9: Unnecessary Supplementary Provisions of ₹ one crore and above**

(₹ in lakh)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provisions
<b>A. Revenue (Voted)</b>					
1.	6-Land Revenue and Settlement	3,185.18	2,478.86	706.32	325.40
2.	7-Excise and Narcotics	3,140.01	3,019.06	120.95	250.32
3.	9-Finance	93,506.68	87,799.14	5,707.54	1,207.34
4.	11-Secretariat Administration	11,391.00	9,659.94	1,731.06	402.24
5.	16-Home	56,557.09	54,878.61	1,678.48	3,111.32
6.	28-Labour and Employment	2,961.65	1,299.94	1,661.71	121.44
7.	41-Sericulture	1,827.61	1,624.67	202.94	138.69
8.	47-Minor Irrigation and Water Resources	2,040.80	1,139.66	901.14	107.49
9.	48-Information and Communication Technology	1,832.16	778.29	1,053.87	162.62
<b>Total for Revenue (Voted)</b>		<b>1,76,442.18</b>	<b>1,62,678.17</b>	<b>13,764.01</b>	<b>5,826.86</b>

<sup>3</sup> 2014-15: ₹ 23.17 crore, 2015-16: ₹ 26.46 crore, 2016-17: ₹ 61.45 crore and ₹ 2.12 crore = ₹ **113.20 crore**

<sup>4</sup> Grant No 2-Governor (Charged): ₹ 0.74 lakh; Grant No 20-School Education (Voted): ₹ 1,038.40 lakh and Grant No 45-Public Works (Voted): ₹ 212.13 lakh = ₹ **12.51 lakh**

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Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provisions
<b>B. Revenue (Charged)</b>					
10.	4- Law and Judicial	793.22	772.40	20.82	102.67
11.	49-Public Debt	42,606.39	38,620.09	3,986.30	379.31
<b>Total for Revenue (Charged)</b>		<b>43,399.61</b>	<b>39,392.49</b>	<b>4,007.12</b>	<b>481.98</b>
<b>C. Capital (Voted)</b>					
12.	9-Finance	73,075.45	1,967.00	71,108.45	1,770.00
13.	14-Planning and Programme Implementation	500.00	170.00	330.00	605.00
14.	21- Higher and Technical Education	1,000.00	626.41	373.59	1,028.00
15.	31-Agriculture	9,855.00	6,826.31	3,028.69	2,285.00
16.	47-Minor Irrigation and Water Resources	4,139.00	1,935.76	2,203.24	313.60
<b>Total for Capital (Voted)</b>		<b>88,569.45</b>	<b>11,525.48</b>	<b>77,043.97</b>	<b>6,001.60</b>
<b>Grand Total (A+B+C)</b>		<b>3,08,411.24</b>	<b>2,13,596.14</b>	<b>94,815.10</b>	<b>12,310.44</b>

Source: Appropriation Accounts, 2017-18

### 2.3.12 Excessive or Inadequate supplementary provisions

During 2017-18, the excessive or inadequate Supplementary Provisions (₹ one crore and above in each case) ranged between 1 and 148 per cent of the Supplementary Provisions in 48 cases as detailed in **Table-2.10**.

**Table-2.10: Range of excessive or inadequate Supplementary provisions**

(₹ in crore)

Range of Supplementary Provisions (excess/ less) (in per cent)	Details of Supplementary Provisions		Number of Cases
	Total	Excess (+)/ Less (-)	
0-20	771.92	31.70	7
21-40	473.38	147.99	10
41-60	219.46	122.35	4
61-80	344.74	251.15	6
81-100	243.43	229.12	20
101-150	7.03	(-) 10.38	1
<b>Total</b>	<b>2,059.96</b>	<b>771.93</b>	<b>48</b>

Further, out of 31 Grants and one Appropriation, Supplementary Provisions (₹ one crore and above in each case) aggregating ₹ 784.44 crore proved excessive in 29 Grants and one Appropriation; while in two grants, it proved to be inadequate by ₹ 12.51 crore as detailed in **Appendix-2.9**.

Thus, the excessive supplementary provisions proved un-necessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision were not utilised by the departments concerned. Further, the inadequate supplementary provision relate to excess requiring regularisation by the State Legislature.

### 2.3.13 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

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re-appropriation proved excessive/ inadequate or insufficient in 31 sub-heads and resulted in savings/ excess of over ₹ 10 lakh and above in each case as detailed in **Appendix-2.10**.

### 2.4 Reconciliation of Departmental figures

#### 2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per Central Treasury Rules (CTR), Abstract Contingent (AC) bills must be regularised by submitting Detailed Countersigned Contingent (DCC) bills. An AC bill should not be drawn without a certificate to the effect that DCC bills in respect of AC bills drawn more than a month before the date of that bill have been submitted to the Controlling Officer. The Controlling Officers must submit the DCC bills to the Accountant General within one month from the date of receipt of the DCC bills.

As of 31 March 2018, there were four un-adjusted AC Bills involving ₹ 10.06 crore. The position of outstanding DCC Bills as on 31 March 2018 is shown in **Table-2.11**. Details are shown in **Appendix-2.11**.

**Table-2.11: Year-wise break-up of outstanding DCC Bills as on 31 March 2018**

(₹ in crore)

Year	Opening balance		AC Bills drawn		DCC Bills submitted		Outstanding AC Bills	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2013-14	1492	1215.46	95	21.58	1557	1210.33	30	26.71
2014-15	30	26.71	61	144.28	54	108.86	37	62.13
2015-16	37	62.13	49	164.56	49	198.99	37	27.70
2016-17	37	27.70	45	141.61	41	128.72	41	40.59
2017-18	41	40.59	35	55.22	72	85.75	4	10.06

Source: Finance Accounts, 2017-18 (Vol.-I) and VLC data

During the year 2017-18, ₹ 55.22 crore was drawn by various Controlling Offices, out of which, ₹ 49.87 crore was adjusted leaving ₹ 5.35 crore pending for adjustment against three AC Bills.

Analysis of the four outstanding AC Bills up to 2017-18 showed that one of the bills amounting to ₹ 0.35 crore pertained to Director of Health Services. The Director assured submission of DCC bills during Exit Conference but action on the same was not intimated (March 2019). Two outstanding AC bills amounting to ₹ five crore pertained to Rural Development Department. The Department submitted DCC bills in November 2018 after a delay of five months. The remaining AC bill, drawn in 2016-17, amounting to ₹ 4.71 crore pertained to Home (Jail) Department, which did not furnish any reply.

Thus, AC bills remaining outstanding is a serious violation of CTR as well as the failures on the part of the Controlling Officers to control the budgetary provision and ensure regularisation of AC bills by submitting the DCC bills within one month.

***The department should introduce a suitable mechanism in order to ensure the submission of the outstanding DCC bills within the stipulated time. Further, non-submission of DCC bills***

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*within the prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices.*

### 2.4.2 Un-reconciled Accounts

Financial Rules stipulate that expenditure recorded by respective departments should be reconciled by them every month during the financial year with those recorded in the books of the Accountant General to enable Controlling Officers of the departments to exercise effective control over expenditure and receipts and to ensure accuracy of their accounts. Even though, non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers continued to persist during 2017-18 as well.

During 2017-18, out of 78 Controlling Officers, 12 Controlling Officers did not reconcile the Receipt and Expenditure Heads. Out of the total expenditure of ₹ 9,395.03 crore, ₹ 1,972.96 crore (21 per cent) was not reconciled. Similarly, out of the total receipts of ₹ 9,495.98 crore, ₹ 3,893.35 crore (41 per cent) was not reconciled.

Due to non-reconciliation of departmental figures, the Controlling Officers of the departments failed to exercise effective control over expenditure and receipts and to ensure accuracy of their accounts.

## 2.5 Review of Grant No. 16-Home Department

### 2.5.1 Introduction

A review of **Grant No. 16-Home Department** was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and the Capital Heads for the year 2017-18.

The Principal Secretary, Home Department is the head of the Department and the Director General of Police is the Chief Controlling Officer of the Department.

### 2.5.2 Budget and Expenditure

The summarised position of the budget and actual expenditure thereagainst during the year 2017-18 is given in **Table-2.12**:

**Table-2.12: Budget and expenditure during 2017-18**

(₹ in crore)

Nature of expenditure	Budget Provision			Actual expenditure	Saving (-)
	Original	Supplementary	Total		
Revenue	565.57	31.12	596.69	548.79	(-) 47.90
Capital	12.73	19.34	32.07	22.77	(-) 9.30
<b>Total</b>	<b>578.30</b>	<b>50.46</b>	<b>628.76</b>	<b>571.56</b>	<b>(-) 57.20</b>

Source: Appropriation Accounts, 2017-18

The savings were intimated to the Chief Controlling Officer of the Department requesting to explain the significant variations. However, the reasons for savings were not intimated by the Department concerned (February 2019).

### 2.5.3 Unnecessary Supplementary Provision

Scrutiny of the Grant revealed that supplementary provision of ₹ 31.11 crore under revenue sector was obtained unnecessarily even when the original provision (₹ 565.57 crore) was not fully utilised, resulting in a savings of ₹ 47.90 crore. Hence, the supplementary provisions under the revenue head in the Grant proved unnecessary resulting in savings of ₹ 47.90 crore.

This indicated that the Chief Controlling Officers were not aware of the budgetary provisions and the balance left out of total provisions. Thus, it is pointed out that the scope of budgetary control for prudent financial management was remote in absence of awareness of the budgetary position.

*The State Government needs to make a realistic assessment of the requirement of funds by the recipient departments before making provisions for supplementary budget.*

### 2.5.4 Ineffective budgetary control

Scrutiny of the Grant revealed that under revenue (Voted) sector, ₹ 48.95 crore was surrendered during the year as anticipated surplus to the requirement, whereas the actual savings worked out to be ₹ 47.90 crore only resulting in an excess surrender of ₹ 1.05 crore as shown in **Table 2.13**.

**Table-2.13: Surrenders in excess of actual savings**

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Savings	Details of surrender	
				Amount	Excess
(₹ in crore)					
<b>Revenue (Voted)</b>					
1.	16-Home	596.69	47.90	48.95	1.05
<b>Grand Total</b>		<b>596.69</b>	<b>47.90</b>	<b>48.95</b>	<b>1.05</b>

Source: Appropriation Accounts, 2017-18

The Home Department did not furnish any reasons regarding surrenders in excess of actual savings (February 2019). The amount surrendered in excess of actual savings indicated lack of budgetary controls in the Department.

### 2.5.5 Persistent Savings

During the period from 2013-14 to 2017-18, there were persistent savings under the Grant as shown in **Table-2.14**. The percentage of savings to total grant ranged between 8.04 per cent and 15.54 per cent.

**Table-2.14: Persistent savings**

16-Home	Amount of savings				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	16.71	79.68	64.39	67.71	47.90
Capital	24.66	14.10	1.94	6.05	9.30
Total	41.37	93.78	66.33	73.76	57.20
<b>Total Grant or Appropriation</b>	<b>514.48</b>	<b>603.33</b>	<b>619.12</b>	<b>654.23</b>	<b>628.76</b>
Percentage of savings to total grant	8.04	15.54	10.71	11.27	9.10

Source: Appropriation Accounts of respective years

## Chapter-II: Financial Management and Budgetary Control

Persistent savings to the extent of around 8 to 16 *per cent* of the total grant in the past five years indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management.

### 2.6 Conclusion

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

Non-reconciliation of departmental figures with Accountant General indicated weakness in financial control. 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 two grants. Out of the total savings of ₹ 1,804.09 crore, ₹ 833.51 crore (46.19 *per cent*) were not surrendered. There was an excess expenditure of ₹ 12.51 crore under two grants. Excess expenditure over the budgetary allocations amounting to ₹ 887.73 crore pertaining to the years 2013-14 to 2017-18 was not regularised as of March 2019. Detailed Countersigned Contingent Bills were not submitted for an amount of ₹ 10.06 crore drawn on four Abstract Contingent Bills.

***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. The cases of excess expenditure over grants/ provision are in violation of the basic principle of financial administration and needs to be viewed seriously. Responsibility for delays needs to be fixed at the appropriate level.***

***The department should introduce a suitable mechanism in order to ensure the submission of the outstanding DCC bills within the stipulated time. Responsibility in such cases needs to be fixed at appropriate level.***