
Chapter 2

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Chapter 2 – Financial Management and Budgetary Control

2.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 74 Demands for Grants/ Appropriations. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/ Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/ re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant/ Appropriation) during the year.

2.2 Audit of Appropriations

Appropriation Accounts provide details of expenditure of the Government for the financial year, compared with the amounts of voted grants and charged appropriations for various purposes specified in the schedules appended to the Appropriation Act passed by the Legislature. These Accounts depict the original budget provision, supplementary grants, savings, 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 are therefore, complementary to Finance Accounts.

Audit of appropriations 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 Acts 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.

2.2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2018-19 against 74 grants/ appropriations is given in **Table 2.1**.

Table 2.1: Summarised position of Original/Supplementary Budget Provision and Actual Expenditure						
(₹ in crore)						
Nature of Expenditure		Total Grant/ Appropriation	Actual Expenditure	Savings (-) / Excess (+) (percentage)	Amount surrendered (percentage)	Amount surrendered on 31 March 2019 (percentage)
1		2	3	4	5	6
Voted	I – Revenue	1,70,758.94	1,28,643.71	(-)42,115.23 (24.66)	23,534.17 (55.88)	16,203.97 (68.85)
	II- Capital	37,622.21	29,995.66	(-)7,626.55 (20.27)	3,956.15 (51.87)	3,818.77 (96.53)
	III- Loans and Advances	2,258.69	1,089.66	(-)1,169.03 (51.76)	823.13 (70.41)	823.13 (100)
Total Voted		2,10,639.84	1,59,729.03	(-)50,910.81 (24.17)	28,313.45 (55.61)	20,845.87 (73.63)
Charged	IV- Revenue	14,938.76	14,573.48	(-)365.28 (2.45)	57.41 (6.13)	56.44 (98.31)
	V –Capital	226.55	3.94	(-)222.61 (98.26)	200.49 (90.06)	200.49 (100)
	VI- Public Debt- Repayment	12,497.52	13,523.72	(+)1,026.20 (8.21)	0.00	0.00
Total Charged		27,662.83	28,101.14	(+)438.31 (1.58)	257.90 (58.84)	256.93 (99.62)
Grand Total		2,38,302.67	1,87,830.17	(-)50,472.50 (21.18)	28,571.35 (56.61)	21,102.80 (73.86% of ₹28,571.35 crore)

Note: Figures of actual expenditure include recoveries adjusted as reduction of expenditure under voted revenue expenditure (₹1,031.59 crore), Charged revenue expenditure (₹36.39 crore) and voted capital expenditure (₹574.35 crore).

(Source: Appropriation Accounts, Finance Accounts and Budget documents 2018-19)

Net saving of ₹50,472.50 crore was on account of saving of ₹51,501.12 crore in 70 grants and 37 appropriations under Revenue section and 56 grants and six appropriations under Capital section minus excess expenditure of ₹1,028.62 crore in one grant and one appropriation. Although the Departments surrendered 56 per cent of the savings (₹28,571.35 crore) during the year, ₹21,102.80 crore (74 per cent of ₹28,571.35 crore) was surrendered only on the last day of the financial year.

The fact that 43 per cent of the savings (amounting to ₹21,901.15 crore) was allowed to lapse at the end of the year and 74 per cent of these savings (₹21,102.80 crore) were surrendered only on the last day of the financial year, indicates that the State Government prepared a budget which it did not have the ability to implement and/or its Departments have not done the ground work to be able to utilise the allocated funds within the envisaged timeframe.

2.3 Financial Accountability and Budget Management

2.3.1 Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/appropriation regularised by the State Legislature. It was observed however, that the State Government did not regularise the excess expenditure amounting to ₹639.70 crore covering 10 grants and eight

appropriations pertaining to the period 2011-17. Details are given in **Appendix 2.1**. During 2018-19, excess expenditure of ₹1,028.62 crore was incurred under grant No. 4 relating to Home Department (Revenue voted) and Public Debt (Capital Charged) as discussed in **paragraph 2.3.1.1**. The excess expenditure incurred during the year also requires regularisation, in terms of Article 205 of the Constitution. Further, it is in violation of Article 204 of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by law by the State Legislature in accordance with the provisions of this Article. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

During the exit conference (February 2020), the Additional Chief Secretary (ACS), Finance Department stated that regularisation of excess expenditure is being done as per the recommendation of Public Accounts Committee (PAC).

2.3.1.1 Excess expenditure by Finance Department (Public debt) and Home Department (Other expenditure)

Finance Department

Against the budget provision of ₹12,497.52 crore under Public Debt, expenditure of ₹13,523.72 crore was incurred during 2018-19 resulting in excess expenditure of ₹1,026.20 crore. Reasons for excess expenditure relating to debt management are detailed below:

- Repayment of ₹2,010.25 crore towards 8.40 *per cent* Madhya Pradesh State Development Loan (MPSDL), 2018 was made against the original provision of ₹1,010 crore.
- The State Government repaid Ways and Means advances (WMA) amounting to ₹3,376.38 crore drawn from RBI during 2018-19; however, only ₹2,000 crore was provisioned for the same in the budget.
- The State Government also repaid loans under Special Securities issued to National Small Savings Fund of the Central Government amounting to ₹1,885.53 crore during 2018-19, while the budget provision in this regard was only ₹1,150 crore.

In response, the ACS, Finance Department stated (February 2020) that excess expenditure was due to reissuance of 8.40 *per cent* MPSDL, 2018 amounting to ₹1,000 crore maturing in March 2018, for which, an additional provision of ₹1,000 crore was not made in the Supplementary Budget due to anticipated savings under Public Debt. It was further stated that the excess expenditure was neither reflected in the accounts of March 2019, nor did the office of the Principal Accountant General (A&E) inform about it. ACS Finance assured that the excess expenditure would be regularised after recommendation of the Public Accounts Committee.

The reply is not acceptable, as Finance Department was aware of the liability on account of repayment of 8.40 *per cent* MPSDL and it should have made a supplementary provision for it. It is also the primary responsibility of the Budget Controlling Officers

to keep a watch over progressive expenditure and ensure that its expenditure figures are reconciled with the books of accounts of the office of the PAG (A&E).

Home Department

In Grant No. 4, against the provision of ₹ five lakh under the head 2235-60-102-6241- Pension to widows of persons killed in the riots in December 1992, expenditure of ₹3.36 crore was incurred. Similarly, against the provision of ₹ one crore under the head 2235-60-200-0686 - Aid to the victims of Communal Riots, expenditure of ₹13.61 crore was incurred. This has resulted in overall excess of ₹2.42 crore in Grant No. 4.

In response, Home Department stated (November 2019) that there was saving in the grant as per their records and as per the Status of Budget Distribution, against the provision of ₹ five lakh, expenditure of ₹2.64 lakh was incurred and no expenditure was incurred against the provision of ₹ one crore.

The reply is not acceptable, since the Treasury has already disbursed pension under the schemes 'Aid to the victims of communal riots' and 'Pension to widows of persons killed in the riots in December 1992' through bank and the accounts were compiled by PAG (A&E) based on bank scrolls and IFMIS data. Home Department should have monitored the expenditure both from the monthly accounts as well as from IFMIS. It should have also ensured that its expenditure figures were reconciled with those booked by the office of PAG (A&E).

Home Department instructed (December 2019) the Collectors, Bhopal, Dewas and Satna to reconcile the figures available in IFMIS with treasuries; however, no confirmation in this regard was received (September 2020).

2.3.2 Savings

During the year 2018-19, there were 61 cases where savings exceeded ₹10 crore in each case and more than 20 per cent of total provisions (**Appendix 2.2**). **Appendix 2.3** provides details of savings in 39 cases relating to 27 grants/appropriations exceeding ₹100 crore and more than 20 per cent of total provisions in each case wherein savings of ₹43,411.37 crore occurred.

In 17 cases, there were savings exceeding ₹500 crore during 2018-19 as detailed in **Table 2.2**.

Table 2.2: List of Grants indicating savings more than ₹500 crore					
(₹ in crore)					
Sl. No.	Number and Name of the Grant/Appropriation	Total	Actual expenditure	Savings	Percentage of saving
Revenue-Voted					
1	17- Co-operation	1,391.24	505.83	885.41	63.64
2	13-Farmers Welfare and Agriculture Development	16,864.45	9,746.14	7,118.31	42.21
3	12-Energy	16,326.82	9,811.34	6,515.48	39.91
4	22- Urban Development and Housing	8,094.92	4,941.02	3,153.90	38.96
5	24-Public Works-Roads and Bridges	1,538.04	998.13	539.91	35.10
6	10-Forest	2,359.93	1,600.74	759.19	32.17
7	7-Commercial Tax	2,814.65	2,026.36	788.29	28.01
8	33-Tribal Affairs	3,966.66	2,912.55	1,054.11	26.57
9	40- Other Expenditure Pertaining to School Education Department (Excluding Primary Education)	3,515.25	2,628.83	886.42	25.22
10	44- Higher Education	2,174.06	1,628.77	545.29	25.08
11	27- School Education (Primary Education)	11,058.38	8,286.98	2,771.41	25.06
12	19- Public Health and Family Welfare	6,339.28	4,946.13	1,393.16	21.98
13	53- Financial Assistance to three tier Panchayati Raj Institutions	34,568.78	26,979.08	7,589.70	21.96
14	55- Women and Child Development	5,276.57	4,194.34	1,082.23	20.51
Capital-Voted					
15	22-Urban Development and Housing	1,589.98	798.48	791.50	49.78
16	12-Energy	3,826.83	2,299.12	1,527.71	39.92
17	30-Rural Development	3,034.00	1,937.15	1,096.85	36.15

(Source: Appropriation Accounts 2018-19)

Out of the above mentioned grants, savings (exceeding ₹500 crore) had also occurred in three cases during 2017-18 as detailed in **Table 2.3**.

Table 2.3: Grants indicating savings				
(₹ in crore)				
Sl. No.	Grant No.	Name of the Grant	Savings (exceeding ₹500 crore)	
			2017-18	2018-19
1	13	Farmers Welfare and Agriculture Development (Revenue Voted)	3,199.77 (38.17)	7,118.31 (42.21)
2	22	Urban Development and Environment(Capital Voted)	894.34 (57.81)	791.50 (49.78)
3	30	Rural Development (Capital Voted)	768.29 (23.03)	1,096.85 (36.15)

(Source: Appropriation Accounts of respective years)

Note: Figures in bracket indicate percentage of savings out of total provision.

Major Departments where savings occurred are Co-operative, Energy, Farmers Welfare and Agriculture Development, Urban Development and Housing and Public Works Department. Reasons for large savings were non-receipt of sanction from the Finance Department and non-receipt of Central share from Government of India. In the case of

Energy Department, savings were attributed to non-receipt of adequate proposal from Power Distribution Companies.

Huge savings under these grants indicated unrealistic estimation of the anticipated expenditure during the period and poor control over expenditure.

2.3.3 Persistent savings

In 18 cases involving 15 grants and two appropriations it was noticed that there were persistent savings (₹ one crore and above and also more than 20 per cent of the total provision) ranging between ₹1.49 crore and ₹7,118.31 crore during the preceding five years, as detailed in **Appendix 2.4**. Major Departments where there were persistent savings during the last five years were Farmers Welfare and Agriculture Development, Social Justice and Disabled Persons Welfare, School Education and Public Works-Buildings. Cases of persistent savings over ₹150 crore during the current year are given below in **Table 2.4**.

Table 2.4: Major Departments indicating persistent savings						
(₹ in crore)						
Sl. No.	Number and Name of the Grant/ Appropriation	Amount of Savings (per cent to total Grant/Appropriation in brackets)				
		2014-15	2015-16	2016-17	2017-18	2018-19
Revenue-Voted						
1	13-Farmers Welfare and Agriculture Development	518.65 (21.06)	2,235.89 (63.36)	1,113.97 (26.77)	3,199.77 (38.17)	7,118.31 (42.21)
2	34-Social Justice and Disabled Person Welfare	95.39 (42.19)	67.30 (29.52)	80.97 (29.97)	168.68 (27.58)	254.45 (33.68)
3	67-Public Works-Buildings	123.41 (23.45)	203.33 (31.57)	164.28 (24.79)	174.59 (25.53)	183.02 (26.71)
Capital-Voted						
4	27-School Education (Primary Education)	24.97 (21.44)	129.46 (34.92)	110.37 (33.03)	515.58 (70.24)	263.12 (65.33)
5	40-Other Expenditure Pertaining to School Education Department (Excluding Primary Education)	6.12 (49)	47.29 (65.94)	110.15 (69.50)	251.06 (76.82)	357.22 (62.39)
6	67-Public Works-Buildings	75.72 (40.33)	68.62 (28.48)	96.78 (33.73)	150.29 (42.94)	150.34 (37.24)

(Source: Appropriation Accounts of respective years)

Savings over the five years were mainly due to non-receipt of Central share from Government of India, reduction in the number of beneficiaries showing interest in the schemes, non-release of funds from Government of India and restrictions on drawals by Finance Department and delays in the administrative process. In these cases, beneficiaries were deprived of the desired benefits of the scheme.

Persistent savings indicated that the budgetary controls in the Departments were not effective and previous years' trends were not taken into account while allocating the funds for the year.

2.3.4 Unutilised provisions under schemes

During 2018-19, in 94 cases, the entire provision made under various schemes (₹10 crore or more in each case) aggregating ₹15,058.70 crore remained unutilised as detailed in **Appendix 2.5**. Energy, School Education and Urban Development are major Departments where provisions under vital schemes like grant to electricity distribution

companies under UDAY Yojana, establishment of Government primary schools and Chief Minister drinking water programme remained unutilised to the extent of ₹7,002 crore. Significant cases out of these, where the un-utilised budget provision was ₹100 crore and above, are detailed below in **Table 2.5**.

Table 2.5: Schemes in which provision above ₹100 crore remained un-utilised						
Sl. No.	Grant No.	Name of the Grant/ Appropriation	Name of Scheme	₹ in crore)		
				Total Provision (Orig. + Supp.)	Expenditure	Saving
1	PD	Public Debt	6003-101-0716-Miscellaneous Loans Payment	100.00	0.00	100.00
2	PD	Public Debt	6003-110-0779-Advances for Recoupment of Short fall	2,000.00	0.00	2,000.00
3	6	Finance	2070-800-0101-0224-Other Expenditure	693.73	0.00	693.73
4	7	Commercial Tax	2030-02-797-0817-Transfer of receipts received from Stamp Duty and Registration Surcharge to Fund under Municipal	475.00	0.00	475.00
5	10	Forest	4406-01-190-5323-MP Forest Development Commission	195.00	0.00	195.00
6	12	Energy	2801-80-101-0101-0688-Grant to Electricity Distribution Companies under Uday Yojna	5,627.00	0.00	5,627.00
7	12	Energy	6801-205-1201-5523- Arrangement of Independent Feeder for Agriculture use	197.57	0.00	197.57
8	17	Co-operation	2425-107-0101-9254-Interest Grant to Farmers on Short Term Loan through Co-operative Banks	529.20	0.00	529.20
9	27	School Education (Primary Education)	2202-01-101-4396-Establishment of Government Primary Schools	1,355.00	0.00	1,355.00
10	27	School Education (Primary Education)	4202-01-201-0701-8810- Sarva Siksha Abhiyan	100.00	0.00	100.00
11	30	Rural Development	4515-800-0701-9216-Renewal and Upgradation of Constructed Roads under Pradhan Mantri Sadak Yojna	100.00	0.00	100.00
12	33	Tribal Affairs	2202-01-101-2773-Primary Schools	204.00	0.00	204.00
13	33	Tribal Affairs	2202-01-101-3496-Middle Schools	198.00	0.00	198.00
14	33	Tribal Affairs	2202-02-109-0581-Higher Secondary Schools	138.00	0.00	138.00
15	48	Narmada Valley Development	4700-80-800-0101-2333-Investment of N.B. Company Limited	300.00	0.00	300.00
16	50	Horticulture and Food Processing	2401-109-0101-2292-Horticulture Bhavantar Scheme	250.00	0.00	250.00
17	53	Financial Assistance to three tier Panchayati Raj Institutions	3604-198-4610-Grant against Additional Stamp Duty Recovery	109.32	0.00	109.32
18	53	Financial Assistance to three tier Panchayati Raj Institutions	3604-198-6299-Transfer of Revenue received from Raw Mineral of Rural Areas to Panchayats	103.97	0.00	103.97
19	64	Financial Assistance to Urban Bodies	2217-05-191-1325-General Compliance Grant as per Recommendation of 14 th Finance Commission	123.26	0.00	123.26

(Source: Appropriation Accounts for the year 2018-19)

Specific reasons for non-utilisation of the entire provision were not intimated by these Departments, which indicates unrealistic budget estimation by concerning BCOs of these Departments.

2.3.5 Unnecessary/excessive/inadequate supplementary provision

During 2018-19, in 51 cases, supplementary provisions amounting to ₹15,442.74 crore (₹ one crore or more in each case) proved unnecessary as the expenditure was not even up to the level of the original provision as detailed in **Appendix 2.6**. Significant grants/appropriations where there were savings of ₹ 100 crore and above out of original budget provision, and yet supplementary provision was obtained, are detailed below in **Table 2.6**.

Table 2.6: Cases where supplementary provision obtained where savings were ₹ 100 crore and above out of original budget provision					
(₹ in crore)					
Sl. No.	Number and name of the Grant/ Appropriation	Original provision	Actual expenditure	Savings out of original provision	Supplementary provision
A-Revenue (Voted)					
1	7- Commercial Tax	2,733.65	2,026.36	707.29	81.00
2	10-Forest	2,197.73	1,600.74	596.99	162.21
3	12-Energy	13,875.29	9,811.34	4,063.95	2,451.53
4	14-Animal Husbandry	991.87	849.94	141.93	50.00
5	19-Public Health and Family Welfare	5,389.14	4,946.13	443.01	950.14
6	24- Public Works-Roads and Bridges	1,505.97	998.13	507.84	32.07
7	27- School Education (Primary Education)	9,073.92	8,286.98	786.94	1,984.47
8	29-Law and Legislative Affairs	1,333.68	1,224.75	108.93	172.98
9	33-Tribal Affairs	3,355.26	2,912.55	442.71	611.40
10	34-Social Justice and Disabled Person Welfare	646.01	501.10	144.91	109.54
11	39-Food, Civil Supplies and Consumer Protection	1,630.22	1,307.26	322.96	100.00
12	40- Other Expenditure Pertaining to School Education Department (Excluding Primary Education)	3,216.25	2,628.83	587.42	299.00
13	44-Higher Education	1,767.13	1,628.77	138.36	406.93
14	47-Technical Education, Skill Development and Employment	1,161.81	872.37	289.44	106.00
15	49-Scheduled Caste Welfare	1,051.90	777.61	274.29	18.64
16	53- Financial Assistance to Three Tier Panchayati Raj Institutions	30,929.44	26,979.08	3,950.36	3,639.34
17	55-Women and Child Development	4,702.31	4,194.34	507.97	574.26
18	67-Public Works-Buildings	640.13	502.20	137.93	45.09
B-Capital (Voted)					
19	12-Energy	32,86.63	2,299.12	987.51	540.20
20	22- Urban Development and Housing	1,488.98	798.48	690.50	101.00
21	27-School Education (Primary Education)	372.74	139.62	233.12	30.00
22	30-Rural Development	2,884.00	1,937.15	946.85	150.00
23	67-Public Works-Buildings	371.53	253.34	118.19	32.15
C-Revenue (Charged)					
24	IP- Interest Payments and Servicing of Debt	12,867.29	12,695.69	221.74	50.14

(Source: Appropriation Accounts for the year 2018-19)

In 14 cases, supplementary provisions amounting to ₹18,109.80 crore (₹ one crore or more in each case) proved excessive by ₹12,416.88 crore against the actual requirement of ₹5,692.93 crore as detailed in **Appendix 2.7**.

2.3.6 Excessive/unnecessary re-appropriation of funds

During 2018-19, re-appropriation proved injudicious in view of excessive surrenders or insufficient augmentation and resulted in excesses of ₹201.60 crore in 10 sub-heads and savings of ₹2,407.52 crore under 64 sub-heads by more than ₹ one crore or more in each case as detailed in **Appendix 2.8**. In three cases, reduction of provisions through re-appropriation/surrender proved injudicious as the actual expenditure was more than the original and supplementary provisions. Similarly, in 10 cases, the re-appropriation of funds to the tune of ₹161.97 crore proved excessive as expenditure was not even up to the level of the original/ supplementary budget provision.

2.3.7 Substantial surrenders

During 2018-19, substantial surrenders (50 per cent or more of the total provision) amounting to ₹7,304.68 crore (79 per cent of total provision of ₹9,265.03 crore) were made in 155 sub-heads, which included 100 per cent surrenders in 43 sub-heads (₹880.08 crore). Details are given in **Appendix 2.9**. In Energy, Farmers Welfare and Agriculture Development, School Education and Tribal Welfare Departments there were substantial surrenders exceeding ₹500 crore in each department which indicated either over-estimation or slow programme implementation.

2.3.8 Anticipated savings not surrendered

During 2018-19, though savings of ₹2,569.77 crore (₹ one crore or more in each case) occurred in 26 cases of grants/appropriations, no part of it was surrendered by the spending departments. Details are given in **Appendix 2.10**.

Similarly, out of savings of ₹49,220.05 crore, in 94 cases (savings of ₹ one crore and above in each case), an amount of ₹22,914.46 crore (47 per cent) was not surrendered (**Appendix 2.11**) which forms 45 per cent of total savings of ₹50,472.50 crore.

2.3.8.1 Surrender orders not accepted by Principal Accountant General

As per instructions (February 2012) of the State Government (i) all sanctions for re-appropriations/surrenders should be issued before the end of the financial year and should be received in the office of PAG (A&E) well in time for incorporation in the accounts, (ii) proper details of schemes should be furnished and total of sanctions should be correct (iii) provision in concerned heads should be available from which surrenders/re-appropriations are sanctioned.

Audit revealed that non-surrendered provision of ₹21,901.15 crore included 25 sanctions for surrender, which were issued by the Budget Controlling Officers for 20 grants/appropriations in violation of the State Government's instructions. As a result, surrenders of ₹2,871.57 crore during the year 2018-19 could not be accepted by the PAG (A&E) for inclusion in the accounts mainly due to sanctions issued after closure of the financial year 2018-19 and delayed receipt of sanctions in the PAG's office i.e. after closing and finalisation of accounts (details are given in **Appendix 2.12**).

2.3.9 Misclassification of expenditure

As per Indian Government Accounting Standard-2 (IGAS-2), expenditure on grants-in-aid is recorded as revenue expenditure in the books of the grantor and as revenue receipts in the books of the recipient. Capital expenditure is defined as expenditure incurred with the objective of increasing concrete assets of a material or permanent character, or for reducing recurrent liabilities.

However, during 2018-19, ₹541.28 crore expenditure out of grants-in-aid, and other expenditure amounting to ₹742.37 crore (total ₹1,283.65 crore) were booked under capital section by the State Government, whereas it should have been booked as revenue expenditure. Grant-in-aid of ₹207.94 crore for construction of capital assets' was booked under capital section, which as per IGAS-2, should be debited to a revenue head of account. Details are given in **Appendix 2.13**.

Similarly, expenditure of ₹288.73 crore and ₹5.18 crore (total ₹293.91 crore) were also booked under the head- 'Machinery' and 'Major Works' respectively under revenue section which were to be classified as capital expenditure. Details are given **Appendix 2.14**.

During the exit conference (February 2020), ACS, Finance Department replied that corrective action would be taken while preparing budget for financial year 2020-21.

2.3.10 Rush of expenditure

According to para 26.13 of the Madhya Pradesh Budget Manual (MPBM), rush of expenditure, particularly in the closing months of the financial year, will ordinarily be regarded as a financial irregularity.

It was observed that 100 *per cent* expenditure was incurred in 14 cases³⁴ of eight grants/appropriations amounting to ₹5,296.28 crore during March 2019. Details are given in **Appendix 2.15**.

During the exit conference (February 2020), ACS, Finance Department stated that funds were drawn by the Department in March after receipt of the amount from the Central Government for the new schemes. It was further stated that action was taken by the Department after the Standing Finance Committee (SFC)/Expenditure Finance Committee (EFC) meeting on the schemes.

The reply of the ACS, Finance Department is not acceptable as total budget provision including re-appropriation was made available for the existing/new schemes by 1 February 2019.

2.3.11 Drawal of funds and parking in Civil Deposits

As per the provisions of the Madhya Pradesh Treasury Code (MPTC) Part I Subsidiary Rule 284, no money should be drawn from the treasury unless it is required for immediate disbursement.

³⁴ Where expenditure during last quarter exceeded ₹10 crore.

During 2018-19, a sum of ₹62.19 crore was drawn on 31 March 2019 and transferred to 8443-Civil Deposits-800-Other Deposits by showing the amounts as final expenditure under the relevant Central schemes in the accounts, as shown in **Table 2.7**. Thus, the funds were drawn in advance of requirement to avoid lapse of Central funds, which was contrary to the codal provision.

Table 2.7: Transfer of funds to 8443-Civil Deposit 800-Other Deposit					
(₹ in crore)					
Sl. No.	Grant No. and name	Head of account up to detailed head and name of scheme	Total budget provision (Original + Supplementary)	Expenditure incurred	Amount transferred to 8443-Civil Deposits-800-Other Deposits
1	55- Women and Child Development	2235-02-102-0701-0658- Anganwadi Services	253.32	253.32	22.21
2	55- Women and Child Development	2235-02-102-0702-0658 Anganwadi Services	187.66	187.66	10.00
3	55- Women and Child Development	2235-02-102-0703-0658- Anganwadi Services	313.42	312.55	29.98
Total			754.40	753.53	62.19

(Source: Appropriation Accounts for the year 2018-19)

During the exit conference (February 2020), ACS, Finance Department stated that, necessary directions would be issued to the concerned Departments.

2.4 Outcome of Review of Selected Grants

During the year 2018-19, two Grants - Grant No. 24-Public Works – Roads and Bridges, and Grant No. 33-Tribal Affairs, were selected for detailed scrutiny in audit to review compliance with prescribed budgetary procedures, monitoring of funds, control mechanisms and implementation of schemes within these grants. Outcome of the audit is discussed in the succeeding paragraphs. The Engineer-in-Chief, Public Works Department, Bhopal is the Budget Controlling Officer (BCO) of Grant no.24 and the Commissioner, Tribal Development (CTD), Bhopal, Director, Tribal Area Development Planning, (TADP), Bhopal and Director, Research and Development (DRD), Bhopal, Madhya Pradesh are the BCOs of Grant No. 33.

As per instructions issued (October 2017) by the ACS, Finance Department regarding time schedule for submission of budget estimates for the year 2018-19, estimates were to be submitted by the Administrative Department to the Finance Department on or before 7 November 2017. However, the budget estimates were submitted by the Public Works Department on 15 December 2017 to the Finance Department.

2.4.1 Summarised position

The details of amount budgeted for, expenditure incurred and savings under Grant no. 24 and 33 during 2018-19 are summarised in **Table 2.8**.

Table 2.8: Summarised Appropriation						
(₹ in crore)						
Particular of Grant	Section	Original Budget	Supplementary Budget	Total Grant	Expenditure	Savings
Grant No. 24	Revenue (Voted)	1,505.97	32.07	1,538.04	998.13	539.91
	Capital (Voted)	6,028.50	1,597.00	7,625.50	6,891.81	733.69
Grant No. 33	Revenue (Voted)	3,355.26	611.40	3,966.66	2,912.55	1,054.11
	Capital (Voted)	1,281.00	0.00	1,281.00	991.15	289.85
Total		12,170.73	2,240.47	14,411.20	11,793.64	2,617.56

(Source: Appropriation Accounts for the year 2018-19)

Analysis of the above table revealed that there were overall savings of ₹2,617.56 crore (18.16 per cent) as against the total budget provision of ₹14,411.20 crore. Out of savings of ₹2,617.56 crore, savings of ₹1,594.02 crore (61 per cent) and ₹1,023.54 crore (39 per cent) occurred in revenue section and capital section respectively. Further, supplementary provision of ₹643.47 crore provided under revenue (voted) section was not required as the expenditure was even less than original provision.

Reasons for surrender and re-appropriation of amount under these grants were non-drawal of salary of teacher cadre from regular pay scale and restriction of drawal of funds to 30 per cent in the fourth quarter. Reasons for final savings under heads of these grants were not provided.

2.4.2 Substantial savings

Audit observed that in 36 cases there were substantial savings of ₹2,058.02 crore where savings were ₹10 crore or above and more than 20 per cent of total provision in each case during 2018-19. The details are given in **Appendix 2.16**.

In response, the BCO (EIC, PWD) stated that budget estimates were prepared on the basis of progress of ongoing construction works in the Department and that, payment against contractor's bills could not be made due to compliance of instructions issued from time to time by the Director, Treasury and Accounts regarding expenditure. It was further stated that funds could not be utilised due to financial ceiling imposed by Finance Department on quarterly expenditure.

The reply of the Department is not acceptable as budget estimation was not done in a realistic manner. Also, budget and expenditure under the schemes, were not properly monitored at BCOs level, resulting in substantial savings under the schemes.

2.4.3 Anticipated savings not surrendered

According to para 26.9 of the Madhya Pradesh Budget Manual (MPBM), statements of anticipated savings in expenditure are required to be submitted by the BCOs to the Finance Department by 15 January.

Audit observed that in Grant No. 33, out of the savings of ₹1,252.94 crore (24 per cent of total provision) ₹1,065.84 crore (85 per cent of the total savings) were surrendered after 15 January and the net saving of ₹187.10 crore (15 per cent of total saving) was not surrendered at the end of the year. This indicates inadequate financial control by the BCOs resulting in non-utilisation of funds for other developmental purposes of the State during 2018-19. Details are given in **Table 2.9**.

Table 2.9: Statement showing anticipated savings not surrendered							
(₹ in crore)							
Sl. No.	BCO code	Major head	Total Provision (Original + Sup.+ Re-appropriation)	Expenditure	Saving	Amount of Surrender (after 15 th January)	Amount of Saving not Surrendered
1	2506	2202	2,309.88	1,678.72	631.16	567.02	64.14
2	2506	2225	1,514.11	1,171.45	342.66	219.70	122.96
3	2506	2215	20.88	20.03	0.85	0.85	0.00
4	2502	2225	34.09	25.77	8.32	8.32	0.00
5	2505	2225	16.11	7.69	8.42	8.42	0.00
6	2506	4202	63.00	53.36	9.64	9.64	0.00
7	2506	4225	712.00	611.06	100.94	100.94	0.00
8	2502	4225	480.40	329.45	150.95	150.95	0.00
Total			5,150.47	3,897.53	1,252.94	1,065.84	187.10

(Source: Information furnished by BCOs)

On this being pointed out, Director, TADP stated that expenditure could not be incurred by the implementing agency against the allotment, hence savings were surrendered at the end of the financial year.

2.4.4 Unnecessary/excessive provision for re-appropriation of funds

As per Article 205(1)(a) of the Constitution of India, when the amount authorised by the Appropriation Act to be expended for a particular service for the purpose of the current financial year or when a need has arisen during the financial year for additional expenditure upon some new services not contemplated in the annual financial statement for the year, requisition for supplementary/re-appropriation grants may be prepared by BCO with justification of proposal.

In one case of Grant No. 24 and in five cases of grants/appropriations of Grant No. 33, re-appropriation provision of ₹15 crore and ₹2.85 crore respectively obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. Details are shown in **Appendix 2.17(A)**.

In two cases of Grant No. 24 and in 16 cases of grants/appropriations of Grant No. 33, against the additional requirement of ₹7.29 crore and ₹28.07 crore respectively, re-appropriation provision of ₹49.05 crore and ₹45.79 crore proved excessive, which resulted in savings of ₹41.76 crore and ₹17.72 crore which could be used for other development purposes. Details are shown in **Appendix 2.17(B)**.

2.4.5 Short release of central assistance funds to implementing agencies

As per GoI Ministry of Tribal Affairs, State Government shall ensure immediate transfer of funds of Special Central Assistance to the respective implementing agencies for effective implementation of activities to be approved by Ministry of Tribal Affairs (MoTA), Project Appraisal Committee (PAC)/Competent Authority.

Audit noticed that GoI released an amount of ₹477.75 crore³⁵ to Tribal Department of MP for implementation of activities approved by MoTA for Tribal Development but only ₹390.70 crore³⁶ was released to the implementing agencies by the Director, Tribal Department. Further, analysis on non-utilisation of the fund is highlighted in **paragraph 3.11.1**.

During the exit conference (February 2020), ACS, Finance Department stated that necessary instructions would be issued to the concerned Departments.

2.5 Conclusion

Budgetary assumptions of the State Government were not realistic during 2018-19 and budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years Report of the CAG on the finances of the State Government, the State Government had failed to take corrective measures in this regard.

Savings during the year accounted for 21 per cent of the budget; however, the Controlling Officers did not surrender the funds on time. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

Despite flagging the issue several times with the Finance Department and mentioning in the Report of the CAG on the finances of the State Government, the latter continued to misclassify revenue receipts and expenditure in the capital section, which impacted the revenue surplus and other fiscal parameters.

2.6 Recommendations

- i) State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources; Finance Department should review the reasons for non-utilisation of the provisions under various schemes and initiate measures to remedy the situation.

³⁵ ₹228.08 crore under Article 275(1), ₹169.69 crore under Special Central Assistance (SCA) and ₹79.98 crore under Particularly Vulnerable Tribal Groups (PVTGs)

³⁶ ₹189.41 crore under Article 275(1), ₹167.69 crore under SCA and ₹ 33.61 crore under PVTGs

- ii) An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe.
- iii) Expenditure should be monitored closely by the State Government and Government should reconcile its expenditure figures on a monthly basis with the books of PAG (A&E) to ensure that unnecessary provision of Supplementary Grant/Re-appropriations are avoided.
- iv) Finance Department should ensure that sanction orders for surrenders by Controlling Officers are timely, complete and valid as stipulated under the guidelines.
- v) State Government needs to take urgent steps to comply with IGAS-2 relating to classification of grants-in-aid and other expenditure correctly under the respective heads of account.

