

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 incurred is in conformity with the law, relevant rules and regulations and instructions.

2.1 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2018-19 against 71 grants/appropriations is given in Table 2.1.

Table 2.1: Summarised 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 2019	Percentage of savings surrendered on 31 March 2019
Voted	I Revenue	65,037.92	16,446.81	81,484.73	60,716.91	20,767.82	20,458.20	15,756.21	75.87
	II Capital	15,460.94	822.12	16,283.06	9,416.20	6,866.86	6,846.97	5,927.23	86.32
	III Loans and Advances	412.91	98.00	510.91	323.33	187.58	174.73	124.17	66.19
	Total Voted	80,911.77	17,366.93	98,278.70	70,456.44	27,822.26	27,479.90	21,807.60	78.38
Charged	IV Revenue	4,460.54	338.57	4,799.11	4,103.03	696.08	685.38	662.94	95.24
	V Capital	27.93	1.40	29.33	28.07	1.26	1.24	1.19	94.05
	VI Public debt	2,063.37	0.00	2,063.37	1,145.89	917.48	917.48	917.48	100.00
	Total Charged	6,551.84	339.97	6,891.81	5,276.99	1,614.82	1,604.09	1,581.60	97.94
	Grand Total	87,463.61	17,706.90	1,05,170.51	75,733.43	29,437.08	29,083.99	23,389.20	79.45

(Source: Appropriation Accounts 2018-19)

The total savings amounted to ₹ 29,437.08 crore¹ (27.99 per cent of total grants/ appropriation) Budget Controlling Officers allowed ₹ 353.09 crore to lapse at the end of the financial year. Out of the balance savings of ₹ 29,083.99 crore, ₹ 23,389.20 crore was surrendered on 31 March 2019, 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 utilise the original provision, therefore, the supplementary provision of ₹ 17,706.90 crore was unnecessary.

Recommendation: The Finance Department should monitor the trend of expenditure by Departmental Controlling Officers to ensure all anticipated

¹ There was an overall savings of ₹ 29,438.75 crore and excess of ₹ 1.67 crore which resulted in a net saving of ₹ 29,437.08 crore.

savings are surrendered at the earliest so that the funds can be utilised for developmental purposes.

2.2 Financial Accountability and Budgetary Management

2.2.1 Excess expenditure requiring regularisation

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.

There was an excess disbursement of ₹ 1.67 crore over the authorisation made by the State Legislature under two grants and four appropriations during the financial year 2018-19. Excess expenditure of ₹ 3,260.16 crore over provisions for the years 2000-01 to 2017-18 was yet to be regularised (December 2019) as detailed in *Appendix 2.1*. This is in violation of article 204 (3) of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

In addition, the following excess expenditure as given in **Table 2.2** below, pertaining to 2018-19 is also required to be regularised.

Table 2.2: Excess over provisions requiring regularisation during 2018-19

(₹ in crore)

Sl. no.	Grant no.	Name of Grant	Total Grant/ Appropriation	Actual expenditure	Excess expenditure requiring regularisation	Surrender
Revenue Voted						
1	50	Departments implementing 20-Point Programme	1.66	2.70	1.04	0.00
Revenue Charged						
2	6	Finance Department	0.50	0.52	0.02	0.00*
3	14	Animal Husbandry Department	0.00 [@]	0.05	0.05	0.00
4	33	Tribal Welfare	0.10	0.20	0.10	0.00
5	67	Public Works-buildings	0.46	0.77	0.31	0.30
Capital Voted						
6	6	Finance Department	0.10	0.25	0.15	0.00
Total			2.82	4.49	1.67	0.30

[@] Initially a token amount of ₹ 20,000 was provisioned.

* Amount of ₹ 41,000 was surrendered.

(Source: Appropriation Accounts 2018-19)

Despite incurring final excess of ₹ 1.67 crore, ₹ 0.30 crore was surrendered on 31 March 2019 by Public Works-Buildings Department which was unrealistic and injudicious.

Recommendation: The State Government should ensure that all existing cases of excess expenditure are placed before the State legislature for regularisation at the earliest. 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 15 sub-heads under seven grants/appropriations during the last three years. Excess expenditure of more than ₹ one crore incurred in each year under these sub-heads/schemes are shown in **Table 2.3**.

Table 2.3: Persistent excess expenditure

(₹ in crore)					
Sl. No.	Grant No.	Head	2016-17	2017-18	2018-19
1	06	2071-01-102-3080-Payment of Commuted value of pensions in India	2.83	3.87	17.79
2		2071-01-115-5438-Leave Encashment	9.53	26.93	71.89
3		2235-60-200-7000-Recoupment of Pension Welfare Fund	3.39	3.98	3.93
4	07	2030-01-101-4612-Cost of Stamps	3.64	2.13	2.32
5	19	2071-01-800-5499-Medical facilities to Retired employees	3.21	2.16	1.65
6		2210-03-198-0101-620-Sub Health Centers	22.95	15.05	14.83
7	41	2210-03-197-0102-5998-Community Health Centre	5.63	11.08	22.39
8		2210-03-198-0102-620-Sub Health Centers	20.00	19.45	26.34
9		2210-03-198-0102-2777-Primary Health Centers(Basic Services)	3.08	4.76	8.75
10	58	2245-80-800-96-Relief to fire outbreak affected people	8.57	12.94	3.87
11		2245-80-800-7729-Relief to affected due to drowning, burst of cylinder, lightning and mine-slide	9.16	26.86	19.86
12	64	2210-03-198-0103-620-Sub Health Center	4.25	2.92	5.38
13		2225-01-102-0703-7629-Centrally Sponsored Schemes for Scheduled Castes	2.38	2.98	4.31
14	75	4700-07-800-0311-5516-Major Irrigation Project Construction work (NABARD)	4.97	35.00	1.91
15		4702-101-0311-9469-Under Loan Assistance From NABARD	5.76	26.99	22.40

(Source: Appropriation Accounts from 2016-17 to 2018-19)

The above table shows that despite persistent excess expenditure in the Social sector, adequate budget provisions were not made indicating that preparation of budget estimates was not based on actual requirements.

2.2.3 Excess expenditure under schemes

In 22 cases, expenditure aggregating ₹ 1,006.99 crore under various sub heads exceeded the approved provision by ₹ 10 crore or more in each case as detailed in *Appendix 2.2*.

The excess expenditure indicates that the budget was not realistic and was not prepared after correct assessment.

Recommendation: *The Finance Department should ensure that no Budget Controlling Officer resorts to excess expenditure over the regular allocations approved by the State Legislature.*

2.2.4 Savings

During the last five years the Government could not utilise its original budget provision and resorted to several supplementary provisions each year which resulted in huge amount of savings every year. During the same period the overall savings ranged between 19.96 per cent to 27.99 per cent while the savings out of original provision ranged between 13.41 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 during the 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
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
2018-19	87,463.61	17,706.90	1,05,170.51	75,733.43	29,437.08	27.99	11,730.18	13.41

(Source: Appropriation Accounts of respective years)

2.2.4.1 Savings under grants and appropriations

Against the total savings of ₹ 29,437.08 crore, more than ₹ 100 crore saving occurred under 48 cases pertaining to 38 grants and two appropriations amounting to ₹ 27,276.13 crore, which was 92.66 per cent of the overall saving during the year as detailed in *Appendix 2.3*, out of which under 12 grants and two appropriation the saving was more than ₹ 500 crore.

2.2.4.2 Savings under schemes

In 52 cases relating to 22 grants/appropriations, savings amounting ₹ 13,893.82 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 1,581 sub heads were operated during 2018-19. Of these more than ₹ 100 crore savings were noticed under 56 schemes irrespective of grants, details of which are shown in *Appendix 2.5*.

Under these 56 schemes a total amount of ₹ 48,495.62 crore was budgeted but only ₹ 30,224.35 crore was spent, resulting in saving of ₹ 18,271.33 crore which is 60.45 *per cent* of overall saving. Large savings are indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Department.

2.2.5 Persistent savings under grants

In 32 cases under 25 grants during the period 2014-15 to 2018-19, there were persistent savings of more than ₹ 20 crore and these were 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 *per cent* and 85.99 *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. Though this had been pointed out in earlier State Finance Reports, the problem still persists.

2.2.6 Entire budget provisions not utilised under sub heads

In 82 cases, under 31 grants the entire provision of ₹ 10 crore or more made for various sub-heads aggregating to ₹ 3,456.04 crore remained unutilised. Details are given in *Appendix 2.7*.

Recommendation: The Finance Department should review the reasons for non-utilisation of the provisions under various schemes and grants. Finance Department should take steps to make more judicious provisions to ensure optimum utilisation of the budget provisions as well.

2.2.7 Supplementary provisions under Grants/Appropriations

a) Unnecessary supplementary provisions

In 33 cases pertaining to 29 grants and one appropriation, supplementary provision of ₹ one crore or more in each case aggregating ₹ 3,664.50 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 against the additional requirement of ₹ 6,473.85 crore, supplementary provision of ₹ 14,139.25 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 7,665.39 crore are shown in *Appendix 2.9*.

2.2.8 Supplementary provisions under sub-heads/schemes

a) Unnecessary supplementary provisions

In 47 cases, under 21 grants, supplementary provision of ₹ one crore or more in each case aggregating ₹ 2,716.19 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 50 cases, under 20 grants, against the additional requirement of ₹ 8,861.34 crore, supplementary provision of ₹ 10,873.95 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 2,012.61 crore is shown in *Appendix 2.11*.

c) Inadequate supplementary provisions

In nine cases, under eight grants, against the additional requirement of ₹ 123.42 crore, supplementary provision of ₹ 61.38 crore proved inadequate. The resultant deficit exceeding ₹ one crore or more in each case, aggregating ₹ 62.04 crore is shown in *Appendix 2.12*.

Recommendation: The State Government should prepare supplementary budget as per actual requirement and should ensure that excessive and unnecessary supplementary provisions are avoided.

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 22 sub-heads/schemes under nine grants as detailed in *Appendix 2.13*. This indicates that the estimates were not properly assessed, as even after 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 19 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 ₹ 6,987.83 crore, the amount surrendered was ₹ 7,281.39 crore, resulting in excess surrender of ₹ 293.56 crore. The details are given in *Appendix 2.14*.

2.2.11 Anticipated savings not surrendered

In seven cases under three 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 ₹ 1,847.65 crore which is 6.28 per cent of the total savings of ₹ 29,437.08 crore as detailed in *Appendix 2.15*.

Similarly, out of savings of ₹ 12,100.14 crore in 22 cases under 15 grants and one appropriation (after surrender, savings of ₹ one crore and above in each case), provisions amounting to ₹ 764.33 crore (6.32 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 the Madhya Pradesh Budget Manual (as followed by Government of Chhattisgarh), rush of expenditure, particularly in the closing months of the financial year, should be avoided. Contrary to this, expenditure

of ₹ 9,213.94 crore was incurred in 22 Major Heads mainly under Crop husbandry (₹ 4,472.67 crore), Co-operation (₹ 3,066.09 crore) and (Capital outlay on other Rural development Programmes (₹ 317.61 crore) during the last quarter of 2018-19 which was 63.58 *per cent* of the total expenditure of ₹ 14,491.09 crore under these heads as detailed in **Appendix 2.17**.

Rush of expenditure in the closing months 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 reflective of prudent financial management and is against the provisions of the Budget manual.

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

2.3 Advances from the Contingency Fund

As per the Chhattisgarh Contingency Fund Act, 2001, no advance shall be made out of the Contingency Fund, except for the purpose of meeting unforeseen expenditure. During 2018-19, in seven (serial no. 1 to 7 of table 2.5) out of eight cases amounting to ₹ 9.80 crore, the expenditure did not meet the criteria for drawal from Contingency Fund as these expenditure were not of an unforeseen or an emergent character. Thus, the advances drawn from the Contingency Fund was in violation of the Act. Details are shown in **Table 2.5**.

Table 2.5: Expenditure from Contingency Fund of the State

(₹ in lakh)

Sl. No.	Department	Purpose	Drawn amount	Month of drawal of fund
1.	General Administrative Department	Vikash Yatra Programme, 2018	385.84	May, June, July, August, September, October 2018 and January 2019
2.	Electronics and Information Technology Department	For creation of Venture Capital Fund	200.00	May 2018
3		For creation of Chhattisgarh Innovation Fund	100.00	May 2018
4		For creation of Entrepreneur Corpus Fund	200.00	May 2018
5	Law and Legislature department	Purchase of new vehicle for Honourable Judge of High Court of Chhattisgarh	18.09	June 2018
6	Social Security and Welfare	Compliance of order passed by Collectors and National Human Rights Commission for payment of victim compensation for crime victims	75.95	February 2019
7	Home (census) Department	Data Entry work for National Population Register	0.54	February 2019
8	Forestry and Wildlife	Payment of decree amount	492.33	March 2019
Total			1,472.75	

Recommendation: *The State Government should ensure that no advances are drawn from the Contingency Fund except to meet expenditure of emergent and unforeseen nature.*