

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, juxtaposed with the amounts of voted grants and appropriations charged 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 authorized by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

2.1.2 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 authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against 82 grants/appropriations was as given in **Table 2.1**:

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

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<i>Voted</i>	I Revenue	27,263.82	2,565.26	29,829.08	25,606.83	-4,222.25
	II Capital	6,601.43	1,168.73	7,770.16	6,721.82	-1,048.34
	III Loans and Advances	1,791.15	853.00	2,644.15	1,862.19 ¹	-781.96
Total Voted		35,656.40	4,586.99	40,243.39	34,190.84²	-6,052.55
Charged	IV Revenue	4,998.49	13.82	5,012.31	4,588.80	-423.51
	V Capital	6.77	27.34	34.11	33.55	-0.56
	VI Public Debt-Repayment	3,836.56	--	3,836.56	1,961.02	-1,875.54
Total Charged		8,841.82	41.16	8,882.98	6,583.37	-2,299.61
Grand Total		44,498.22	4,628.15	49,126.37	40,774.21³	-8,352.16

The overall saving of Rs 8,352.16 crore was the result of savings of Rs 8,357.94 crore in 74 grants and 46 appropriations under the Revenue Section, 49 grants and six appropriations under the Capital Section, offset by excess of Rs 5.80 crore in two grants/appropriations under the Revenue Section and two grants/appropriations under Capital Section.

The savings/excesses were intimated from 3 to 28 July 2009 to the Controlling Officers asking them to explain the significant variations. Out of 868 sub-heads, explanations for variations were not received (August 2009) in respect of 676 sub-heads (savings: 603 sub-heads and excess: 73 sub-heads).

1 Includes Rs 0.73 crore in respect of Inter-State Settlement.

2 Gross figures without taking into account the recoveries adjusted as reduction of expenditure under revenue expenditure: Rs 681.76 crore and capital expenditure: Rs 42.22 crore.

3 The actual expenditure was overstated to the following extent for the reasons mentioned below:

Rupees 289.59 crore (Revenue Voted Section: Rs 180.95 crore and Capital Voted Section: Rs 108.64 crore) being the unspent amount was transferred to Major Head 8443-Civil Deposits, 800-Other Deposits. Out of total deposits, Rs 103.75 crore was credited through NIL payment vouchers.

Rupees 26.63 crore (Deposits: Rs 912.44 crore-Disbursements: Rs 885.81 crore) in respect of Government institutions added to the balance of Major Head 8443-Civil Deposit, 106-Personal Deposit Account. Out of the total deposit of Rs 912.44 crore during the year, Rs 426.05 crore were credited through NIL payment vouchers.

Genuineness of expenditure of Rs 32.24 lakh drawn on Abstract Contingent bills could not be vouchsafed, as Detailed Contingent bills were not submitted.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis allocative priorities

The outcome of appropriation audit revealed that in 26 cases, savings exceeded Rs 10 crore in each case and also by more than 20 per cent of the total provisions aggregating Rs 5,403.66 crore (**Appendix 2.1**). Against the total savings of Rs 8,352.16 crore (**Table 2.1**), savings of Rs 5118.69 crore (61.28 per cent⁴) occurred in 14 cases relating to 12 grants and two appropriations as indicated in **Table 2.2**.

Table 2.2: List of Grants/Appropriations with savings of Rs 50 crore and above
(Rupees in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1	06-Finance	3,100.96	15.35	3,116.31	2,491.70	624.61
2	12-Energy	1,765.87	0.84	1,766.71	1,380.36	386.35
3	13-Farmers Welfare and Agriculture Development	589.97	99.21	689.18	455.59	233.59
4	29-Law and Legislative Affairs	273.25	29.28	302.53	234.03	68.50
5	58-Expenditure on Relief on Account of Natural Calamities and Scarcity	619.41	528.01	1,147.42	866.06	281.36
6	64-Scheduled Castes Sub -Plan	757.27	65.75	823.02	657.51	165.51
7	80-Financial Assistance to three-tier Panchayati Raj Institutions	2,079.69	283.07	2,362.76	1,753.53	609.23
Capital-Voted						
8	06-Finance	371.41	16.91	388.32	73.72	314.60
9	20-Public Health Engineering	279.41	193.79	473.20	339.27	133.93
10	22-Urban Administration and Development Urban Bodies	275.49	--	275.49	150.27	125.22
11	57-Externally Aided Projects Pertaining to Water Resources Department	350.24	--	350.24	239.06	111.18
12	77-Other expenditure pertaining to School Education Department(excluding Primary Education)	54.18	110.00	164.18	74.18	90.00
Revenue-Charged						
13	12-Energy	265.00	--	265.00	165.94	99.06
Capital-Charged						
14	Public Debt	3,836.56	Token	3,836.56	1,961.01	1,875.55
TOTAL						5118.69

4. Exceeding Rs 50 crore and also more than 20 per cent of the total provision in each case.

Reasons for the substantial savings in the grants/appropriations shown in the above table are as under:-

Public Debt (Capital Charged): Significant savings occurred mainly under 6003-Internal Debt of the State Government- Ways and Means Advances (Rs 981.00 crore) and Advances to meet shortfalls (Rs 999.99 crore), which were partly offset by excesses under 6003-Internal Debt of the State Government - 12.15 *per cent* Madhya Pradesh State Development-Loan, 2008 (Rs 30.58 crore), Loans from the National Agricultural Credit Fund of the National Bank for Agriculture and Rural Development (Rs 44.49 crore) and Power Bonds-2, Payment of Principal Amount (Rs 47.16 crore). The savings of Rs 999.99 crore were partly attributed to non-probability of Ways and Means Advances (Rs 31.00 crore) while excesses of Rs 30.58 crore, Rs 44.49 crore and Rs 47.16 crore mentioned earlier were attributed mainly to re-payment of loans. Reasons for the remaining other savings/excesses had not been intimated (August 2009).

06-Finance (Revenue Voted) : Substantial savings occurred mainly under 2054-Treasury and Accounts Administration- Works related to Information Technology (Rs 21.09 crore), 2070-Other Administrative Services-State Plan Schemes (Normal)-Other Expenditure (Rs 710 crore), 2071-Pension and Other Retirement Benefits-Minor Head 104-Madhya Pradesh (Rs 43.92 crore), Composite State of Madhya Pradesh (Rs 137.56 crore) and Minor Head 105-Madhya Pradesh (Rs 19.95 crore), which were partly offset by excesses mainly under 2071-Pension and Other Retirement Benefits, Minor Head 101-Madhya Pradesh (Rs 44.60 crore), Composite State of Madhya Pradesh (Rs 220.11 crore) and Minor Head 105-Composite State of Madhya Pradesh (Rs 99.23 crore). Reasons for the savings and excesses had not been intimated (August 2009).

06-Finance (Capital Voted) : Substantial savings occurred mainly under 6075-Loans for Miscellaneous General Services-Provision for settlement of Guaranteed Loans (Rs 85 crore) and Loan Assistance for restructuring of State Government Undertaking (Rs 217.85 crore). Reasons for the above savings had not been intimated (August 2009).

12-Energy (Revenue Voted) : Substantial savings occurred mainly under 2801-Power, Minor Head 101-Externally Aided Project (Normal)- Grant from Department for International Development (DFID) under Electricity Area Development Programme (Phase-II) (Rs 18.09 crore) and Minor Head 800-Incentive Grant for disposal of arrear bills of Farmers (Rs 507.82 crore), which were partly off set by excess under 2801-Power, Minor Head 800-Tariff Grant (Rs 150 crore). The savings were mainly attributed to non-receipt of funds from GOI and non-receipt of claims from farmers. The excess of Rs 150 crore was attributed to less provision in tariff grants and for advance payments the year 2009-10.

12-Energy (Revenue Charged) : Significant savings occurred under 2045-Other Taxes and Duties on Commodities and Services, Minor Head 103-Transfer of Energy Development Cess to Energy Development Fund levied under M.P. Upkar Adhiniyam 1982 (Rs 99.05 crore). Reasons for the savings had not been intimated (August 2009).

13-Farmers Welfare and Agriculture Development (Revenue Voted): Substantial savings occurred mainly under 2401-Crop Husbandry-Central Sector Schemes (Normal)-Beej Gram Yojna (Rs 7.26 crore), Centrally Sponsored Schemes Normal-National Oil Seed Development Project (Rs 5.36 crore), State Plan Schemes (Normal)-Balram Pond (Rs 7.23 crore), Chief Minister Labourers Safety Scheme, 2007 (Rs 5.40 crore) and National Agricultural Development Scheme (Rs 195.48 crore), which were partly offset by excess under 2401-Crop Husbandry-State Plan Schemes (Normal)-National Agriculture Insurance Scheme (Corpus of Fund) (Rs 9.20 crore).

Savings of Rs 195.48 crore under the National Agricultural Development Scheme was partly attributed to receipt of administrative approval for lesser amount from GOI (Rs 80.48 crore). The saving of Rs 7.26 crore under Beej Gram Yojna was mainly attributed to non-receipt of funds from GOI as per demand while the excess of Rs 9.20 crore under the National Agriculture Insurance Scheme was due to requirement of funds for payment of insurance claims. Reasons for other savings and excesses in other cases had not been intimated (August 2009).

20- Public Health Engineering (Capital Voted): Significant savings occurred mainly under 4215-Capital Outlay on Water Supply and Sanitation-Centrally Sponsored Schemes Normal-Water Supply Scheme for Problem Villages (Rs 53.02 crore), Piped Water Supply Scheme for Big Villages (Rs 50 crore) and Minor Head 800-Central Sector Schemes, Normal-Works related to Quality of Water (H.R.D. Programme) (Rs 18.62 crore). Reasons for the above savings had not been intimated (August 2009).

22-Urban Administration and Development-Urban Bodies (Capital Voted): Significant savings occurred mainly under 6217-Loans for Urban Development- Externally Aided Projects (Normal)-Development of Basic Facilities in Capital (Rs 22.78 crore) and Development of Basic Facilities in Municipal Corporations (Rs 97.47 crore). Reasons for the above savings had not been intimated (August 2009).

29- Law and Legislative Affairs (Revenue Voted) : Substantial savings occurred mainly under 2014-Administration of Justice-Fast Track Scheme (Rs 6.95 crore), Mufussil Establishment and Village



Courts (Rs 8.15 crore), 2015-Elections- Preparation and Printing of Electoral Rolls (Rs 5.86 crore), Charges for conduct of Elections to Parliament (Rs 6.48 crore), Charges for conduct of Elections to State Legislature (Rs 25.93 crore) and Issue of Photo Identity Cards to Voters (Rs 6.70 crore). The savings of Rs 8.15 crore, Rs 6.48 crore and Rs 25.93 crore above were attributed to 15 *per cent* economy cut, restriction on drawals and non-appointment of members in village courts by the Finance Department, conducting of by-election of only one Parliamentary Constituency, Betul during the year, not increasing the rate of honorarium of officers/staff engaged in election counting work and not discharging the liabilities relating to elections to the State Legislature during the current financial year. Reasons for savings in other schemes had not been intimated (August 2009).

57-Externally Aided Projects pertaining to Water Resources Department (Capital Voted): Significant savings occurred under 4700-Capital Outlay on Major Irrigation-Externally Aided Projects (Normal)-Providing Services regarding Irrigation and Drainage Institutions-Water Resources Department (Rs 7.39 crore), Minor Head 001- Improvement in productivity of Pre-constructed Irrigation Schemes of Five Basins-Agriculture Department (Rs 8.59 crore), Improvement in productivity of Pre-constructed Irrigation Scheme of Five-Basins-Fisheries Department (Rs 5.95 crore), Improvement in productivity of Pre-constructed Irrigation Schemes of Five-Basin-Animal Husbandry Department (Rs 5.56 crore), Minor Head 001-Improvement in Productivity of Pre-constructed Irrigation Schemes of Five-Basins-Water Resources Department (Rs 13.62 crore), Minor head 052-Improvement in Productivity of Pre-constructed Irrigation Schemes of Five-Basins-Water Resources Department (Rs 7.75 crore), and Minor Head 800-Improvement in productivity of Pre-constructed Irrigation Schemes of Five-Basins-Water Resources Department (Rs 41.25 crore). Savings of Rs 7.39 crore and Rs 5.56 crore above were partly due to adoption of economic measures (Rs 5.52 crore and Rs. 1.75 crore). The saving of Rs 5.95 crore above was partly due to negligible demand of funds (Rs 0.92 crore), the saving of Rs 13.62 crore was partly due to adoption of economy measures, insufficient progress of training programme and less demand of funds (Rs 10.34 crore) while the saving of Rs 41.25 crore above was mainly due to slow progress in civil works. Reasons for the remaining savings had not been intimated. (August 2009)

58-Expenditure on Relief on Account of Natural Calamities and Scarcity (Revenue Voted): Significant savings occurred under 2245-Relief on Account of Natural Calamities-Additional Provision for Drought Relief and Employment (Rs 22.91 crore), Relief to sufferers of fire (Rs 14.55 crore), Drinking Water Supply (Rs 51.23 crore), Relief



to hailstorm sufferers (Rs 20.42 crore), Assistance to Local Bodies/Institutions and Other Non-Government Bodies in flood-affected areas (Rs 18.00 crore), Transfer to Reserve Funds and Deposits Accounts-Natural Calamities Unspent-Margin Money Fund-Famine Relief Fund (Rs 277.39 crore) and Arrangement of immediate work and emergency plans in calamities affected areas (Rs 10.00 crore), The amount received from the National Contingency Calamity Relief Fund (Rs 71.12 crore) and Financial Aid in Calamities under Revenue Book 6-4 (Rs 10 crore) were offset by excesses under 2245-Relief on Account of Natural Calamities-Implementation of Relief Works through Tehsildars (Rs 44.17 crore), Cash doles (Rs 17.86 crore) and Assistance for restoration of other works (Rs 166.54 crore). Reasons for the savings except for Rs 277.39 crore above were attributed to non-occurrence of calamities while specific reasons for the savings of Rs 277.39 crore as well as excesses had not been intimated (August 2009).

64-Scheduled Castes Sub-Plan (Revenue Voted) : Substantial savings occurred mainly under 2052-Secretariat-General Services-Scheduled Castes Sub Plan (SCSP)-Common Man Insurance Scheme (Rs 10 crore), 2401-Crop Husbandry-S.C.S.P.-National Agriculture Development Scheme (Rs 51 crore), 2210-Medical and Public Health-S.C.S.P.-Upgradation of Rural Medical Institutions (Rs 4.13 crore), Centrally Sponsored Schemes-S.C.S.P.-National Health Insurance Scheme (Rupees nine crore), 2202-General Education-Centrally Sponsored Schemes. S.C.S.P.-Sarva Shiksha (Education for All) Abhiyan (Rs 29.20 crore), SCSP-Supply of Cycles (Rs 9.11 crore), 2236-Nutrition-S.C.S.P.-Minimum Need Programme, Special Nutrition Scheme (Rs 5.35 crore) and 2501-Special Programmes for Rural Development-Externally Aided Projects S.C.S.P.-M.P. Rural Livelihood Projects (Rs 6.72 crore), which were partly offset by substantial excesses under 2202-General Education-S.C.S.P. Supply of Cycle (Rs 7.21 crore) and 2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes-S.C.S.P.-Construction of Baba Saheb Ambedkar Monuments (Rs 2.39 crore). Savings of Rs 10 crore above were attributed to non-payment of premium of Common Man Insurance Scheme up to 2008-09. Savings of Rs 51 crore above were partly due to receipt of administrative sanction for less amount (Rs 21 crore), savings of Rs 9.11 crore above was partly due to less number of girl students for supply of cycles (Rs 5.32 crore) and savings of Rs 6.72 crore above was due to non-receipt of demand. The excess of Rs 7.21 crore above was partly due to requirement of funds for increased number of

admission of girl students in Class IX (Rs 5.32 crore) and excess of Rs 2.39 crore above was due to requirement of funds for construction of Baba Saheb Ambedkar monuments in the third and last phase. Reasons for the savings in other cases had not been intimated (August 2009).

77-Other expenditure pertaining to School Education Department (Excluding Primary Education) (Capital Voted) : Substantial savings of Rs 90 crore occurred under 4202-Capital Outlay on Education, Sports, Art and Culture-Centrally Sponsored Schemes Normal-Construction of New High School buildings under the 'Success' scheme. The savings were attributed to non-receipt of sanction of the scheme from GOI.

80-Financial Assistance to Three Tier Panchayati Raj Institutions (Revenue Voted) : Significant savings occurred mainly under 2202-General Education-01-Minor Head 103-State Plan Schemes (Normal)-Grant for Salary of Shiksha Karmees (Rs 66.94 crore), Minor Head 800-Grant for Salary of Shiksha Karmees (Rs 195.68 crore) 02-Minor Head 191-Grant for Salary of Shiksha Karmees (Rs 27.26 crore), 2235-Social Security and Welfare-Minor Head 102-Social Security and Welfare (Rs 22.12 crore), 2501-Special Programmes for Rural Development-State Plan Schemes (Normal)-Backward Region Grand Fund Scheme (Rs 91.63 crore), 2515-Other Rural Development Programmes-Recommendations of Central Finance Commission (Normal)-Improvement of Sources relating to Water Supply and Sanitation (Rs 51.72 crore), Grant to Gram Panchayat for Minimum Basic needs (Rs 50.88 crore) and 2853-Non Ferrous Mining and Metallurgical Industries-State Plan Schemes (Normal)-Transfer of Revenue received from subsidiary Minerals of Rural Areas to Panchayats (Rs 13.31 crore). Savings of Rs 66.94 crore and Rs 195.68 crore above were attributed mainly to non-filling of vacant posts while the saving of Rs 91.63 crore was mainly due to less receipt of Central share from GOI and non-receipt of demand. Reasons for the other savings had not been intimated (August 2009).

2.3.2 Persistent savings

In six cases, during the last five years, there were persistent savings of more than Rupees one crore in each case and also by 20 *per cent* or more of the total provision/grant (**Table 2.3**).

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Table 2.3: List of grants/appropriations indicating persistent savings during 2004-09
(Rupees in crore)

Sl. No.	Number and name of the grant	Amount of savings/Percentage in brackets				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue-Voted						
01	22-Urban Administration and Development-Urban Bodies	1.24 (30.00)	04.04 (30.93)	10.95 (52.52)	09.45 (39.84)	36.76 (56.61)
During 2007-08 and 2008-09 the savings were mainly under Major head 2217-Urban Development in Scheme urban services programme for poor people and State Urban Cleanliness Mission due to non-filling of vacant posts, non-finalisation of agreement, non-supply of material and primary stage of consultancy works. During 2004-05 to 2006-07 the savings were mainly under Major head 2217 in the scheme 'Development of Basic Facilities in Municipal Corporations' due to non-receipt of sanctions for creation of office for the scheme and non-commencement of the scheme, fixing of target for completion of work in the next financial year, late commencement of project implementation work, reduction in allotment by the State Planning Board, post remaining vacant and non-preparation of work plan etc.						
02	29-Law and Legislative Affairs	79.24 (35.50)	63.50 (33.49)	60.00 (28.60)	57.64 (26.27)	68.50 (22.64)
During 2004-05 to 2008-09, the savings were mainly under Major head 2014-Adminstration of Justice "Mufussil Establishment and Village Courts", and 2015-Election in the schemes preparation and printing of electoral rolls, charges for conduct of election to Parliament/State legislature and issue of photo identity cards to voters, mainly due to 15 per cent economy cut, restriction on drawals, non-appointment of members in village courts, less conduct of elections to Parliament, non increasing the rate of honorarium to officer/staff engaged in election work etc.						
Revenue-Charged						
03	06-Finance	2.18 (82.30)	2.56 (91.76)	3.09 (30.78)	10.44 (98.40)	10.70 (84.05)
During 2004-05 to 2008-09, savings occurred persistently under the schemes 2071-Pension and Other Retirement Benefits-01-101 and 102-Composite State of Madhya Pradesh, reasons for which were not intimated by the Finance Department.						
Capital-Voted						
04	17-Co-operation	18.30 (45.50)	15.67 (34.34)	8.17 (22.89)	43.79 (43.98)	2.91 (32.12)
During 2004-05 to 2008-09, savings mainly occurred under Major head 4425-Capital Outlay on Co-operation in the schemes 'Investment in share capital of Primary Agriculture Credit/Farmers Service/Large Scale Multipurpose Co-operative Societies' and 'Investment in Share Capital of Primary Land Development Banks/Central Co operative Banks'. 'Integrated Co operative Development Projects and Major head 6425-Loans for Co operation in the scheme 'Purchase of Debenture Floated by the MP State Co-operative Land Development Bank and Macro Management of Agriculture Supplementation'. In 2007-08 savings under the schemes 'Investment in share capital of Primary Agriculture Credit Co operative Society and Primary Land Development Banks were due to non-receipt of funds from the NABARD'. In 2004-05, savings under the schemes investment of share capital of primary land development bank and macro management of agriculture supplementation were due to non-receipt of Govt. sanction. Reasons for other savings have not been intimated by the department.						
05	67-Public Works-Building	32.14 (46.10)	35.38 (44.67)	46.67 (58.56)	38.80 (50.31)	20.67 (23.34)
During 2004-05, saving occurred mainly under Major head 4059-Capital Outlay on Public Works in the scheme "Construction Works under Jail Improvement" while in 2005-06 to 2008-09, savings persistently occurred under Major head 4059 in the scheme 'Administration of Justice', 'Construction Works under Jail Improvements Schemes', 4211-Capital outlay on Family Welfare-'Extension of Rural (areas) Family Welfare Centers' and 4216-Capital Outlay on Housing- Administration of Justice (Construction of Staff quarters). No reasons for savings were intimated by the department.						
Capital-Charged						
06	Public Debt	6,015.13 (51.70)	7,577.46 (88.82)	4,463.47 (72.05)	2,004.48 (54.45)	1,875.54 (48.88)
During 2004-05 to 2008-09, savings persistently occurred under the scheme 6003-110-779-Advances to Meet Shortfall and 637-Ways and Means Advances. Specific reasons for the savings were not intimated by the department.						

2.3.3 Excess Expenditure

In 24 cases of scheme, expenditure aggregating Rs 1,054.40 crore exceeded the approved provisions by Rs 10 crore or more in each case and also by more than 20 *per cent* of the total provisions. Details are given in **Appendix 2.2**. No case of persistent excesses was observed during the last five years.

2.3.4 Drawal of funds to avoid lapse of budget grant

As per the provisions of the Madhya Pradesh Treasury Rules 284, no money should be drawn from the treasury unless it is required for immediate disbursement. In respect of the case mentioned below, the amounts drawn were neither fully spent for the specific purposes nor remitted to the Government Accounts before closure of the financial year 2008-09.

Scrutiny of records in the office of the Additional Principal Conservator of Forests (Development) M.P. Bhopal revealed (July 2009) that an amount of Rs 23 crore was released to Forest Department as special Central assistance for various works recommended by TFC for the year 2008-09. Against this, the department booked an expenditure of Rs 22.49 crore, out of which Rs 3.29 crore was transferred to 8443-Civil Deposit-800-Other Deposit on 31 March 2009. Thus, Rs 3.80 crore was not utilised by the State Government during 2008-09.

On this being pointed out, the department did not furnish any specific reply.

2.3.5 Excess over provisions relating to previous years requiring regularisation

As per 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. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. However, excess expenditure amounting to Rs 4685.64 crore for the years 1993-94, 1994-95 and 1997-98 to 2007-2008 was yet to be regularised as detailed in **Appendix 2.3**. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.4**.

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Table 2.4: Excess over provisions relating to previous years requiring regularization

(Rupees in crore)

Year	Number of		Amount of excess over provision (Rupees. in crore)	Status of Regularisation
	Grants	Appropriations		
1993-94	19	02	258.11	Explanations submitted to PAC
1994-95	14	01	407.46	--do--
1997-98	10	03	302.79	Explanations submitted except Rs 2335170
1998-99	12	05	1276.45	Explanations submitted
1999-2000	11	06	1584.94	Explanations submitted
2000-2001	03	04	265.07	Explanations submitted
2001-2002	-	03	6.26	Explanations submitted
2002-2003	03	05	424.79	Explanations submitted except Rs 31000
2003-2004	04	03	2.54	Explanations submitted only except for Rs 2.46 crore
2004-2005	13	02	83.66	Explanations submitted except for Rs 4.44 crore
2005-2006	04	02	37.58	Explanations submitted except Rs 29.23 crore
2006-07	02	01	35.99	Explanations not submitted for whole amount
2007-08	Nil	Nil	Nil	Nil
TOTAL	95	37	4685.64	

2.3.6 Excess over provisions during 2008-09 requiring regularisation

Table 2.5 contains the summary over authorization of total excesses in four grants amounting to Rs 5.80 crore from the Consolidated Fund of the State during 2008-09 and requires regularisation under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2008-09

(Rupees in crore)

(Expenditure in Lakhs)					
Sl. No.	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
Voted Grants)					
01	43	Sports and Youth Welfare (Capital Voted)	23.94	25.56	1.62
02	62	Panchayat (Revenue Voted)	55.68	59.36	3.68
Charged Grants					
03	24	Public Works-Roads and Bridges (Revenue Charged)	0.50	0.71	0.21
04	24	Public Works-Roads and Bridges (Capital Charged)	32.34	32.63	0.29
Total			112.46	118.26	5.80

No reasons for the above excesses had been intimated (August 2009).

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provisions (Rs 50 lakh or more in each case) aggregating Rs 1,179.98 crore obtained in 34 cases during the year, proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in **Appendix 2.4**. In 30 cases, against the additional requirement of Rs 1,896.94 crore, supplementary provision of Rs 3,361.89 crore proved excessive, resulting in savings in each case exceeding Rs 20 lakh, aggregating Rs 1,464.95 crore (**Appendix 2.5**). In two cases, supplementary provisions proved insufficient leaving uncovered excess expenditure of Rs 1.91 crore as detailed in **Appendix 2.6**.

2.3.8 Excessive/Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriations (cases with 25 *per cent* and above) in respect of 20 schemes resulted in savings/excesses of more than Rupees one crore each in respect of 20 schemes as detailed in **Appendix 2.7**.

2.3.9 Defective sanctions for re-appropriation/surrenders

As per instructions (November 2006 and March 2007) of the State Government and its financial rules, (i) all sanctions for re-appropriations/ surrenders should be issued before the end of the financial year and should be received in Accountant General (A&E)'s office well in time for incorporation in the accounts, (ii) proper details of schemes should be furnished, (iii) re-appropriation from one grant to another and from Capital to Revenue head should not be done and (iv) provisions in concerned heads should be available from which surrenders/re-appropriations are sanctioned. Audit observed that Rs 287.44 crore was re-appropriated/surrendered during the year in violation of these instructions. However, these were not accepted by the Accountant General (A&E) for inclusion in the accounts. Details are given in **Appendix-2.8**.

2.3.10 Substantial surrenders

Substantial surrenders (cases where more than 50 *per cent* of the total provision were surrendered) were made in respect of 78 schemes. Out of the total provision amounting to Rs 1706.93 crore in these 78 schemes, Rs 1427.07 crore (83.60 *per cent*) was surrendered, which included 100 *per cent* surrender in 28 schemes (Rs 427.84 crore). Details of selected 28 cases along with reasons

are given in **Appendix 2.9**. The main reasons for the substantial surrenders were to non receipt of Central Share from the Government of India, closure of scheme by Government of India, 15 *per cent* economy cut in the budget, non-sanction of projects of urban bodies situated in tribal areas by GOI, arrangement of payments from internal sources, non-implementation of schemes, non receipt of demands from Drought Prone Irrigation Programme (DPIP) schemes, non-supposition of calamities, non-receipt of funds/sanction for schemes from GOI etc. The reasons of surrenders in respect of five cases (Serial nos.7,10,22,23, and 25 in **Appendix 2.9**) had not been intimated.

2.3.11 Surrender in excess of actual saving

In seven cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of Rs 354.71 crore, the amount surrendered was Rs 368.12 crore, resulting in excess surrender of Rs 13.41 crore. Details are given in **Appendix 2.10**.

2.3.12 Anticipated savings not surrendered

As per instructions (November 2006 and March 2007) of the State Government, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there were, however, 47 grants/appropriations in which savings occurred but no part of them had been surrendered by the concerned departments. The amount involved in these cases was Rs 2,344.09 crore (28.07 *per cent* of the total savings of Rs 8,352.16 crore, as given in **Table 2.1**) (**Appendix 2.11**).

Similarly, out of total savings of Rs 4,762.13 crore under 45 other grants/appropriations (savings of Rupees one crore and above were indicated in each grant/appropriation) an amount aggregating Rs 2,490.58 crore (52.30 *per cent* of the total savings in these schemes) were not surrendered, details of which are given in **Appendix 2.12**. Besides, in 47 major heads, (surrender of funds in excess of Rs 10 crore in each case), aggregating Rs 2,375.03 crore (**Appendix 2.13**) were surrendered on the last two working days of March 2009, indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.

2.3.13 Rush of expenditure

According to the provisions of the Madhya Pradesh Treasury Code (MPTC) and instructions dated 23 March 1989, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 39 schemes listed in **Appendix 2.14**, expenditure exceeding Rs 10 crore and also more than 50 *per cent* of the total expenditure in each case aggregating Rs 1,627.56 crore (78.94 *per cent*) was incurred in March 2009.

Table 2.6 presents the major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Table 2.6: Cases of rush of expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2030	195.89	166.23	84.86	158.19	80.75
2	2217	507.90	390.98	76.98	341.52	67.24
3	3425	50.64	32.48	64.14	31.98	63.15
4	4055	23.70	13.95	58.86	13.95	58.86
5	4705	11.47	7.10	61.90	6.37	55.54
6	5452	51.32	43.45	84.66	27.37	53.33
7	6004	444.87	389.61	87.58	372.65	83.77
8	6075	27.15	27.15	100	27.15	100
9	7075	18.84	18.84	100	18.84	100
TOTAL		1,331.78	1,089.79	81.83	998.02	74.94

In the nine major heads above expenditure of Rs 998.02 crore (74.94 *per cent*) was incurred in March 2009, of which in two major heads (6075 and 7075), the entire expenditure was incurred in March 2009. This indicates deficient financial management and non-maintenance of uniform flow of expenditure which is a primary requirement of budgetary control.

2.4 Non-reconciliation of Departmental figures

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

As per rule 313 of MPTC, every drawing officer has to certify in each abstract contingent (AC) bill that detailed countersigned contingent bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. There was an outstanding balance of DCC bills of Rs 20.99 crore pertaining to the period from 1996-97 to 2008-09 as on 31 March 2009. Year-wise details are given in **Table 2.7**.

Table 2.7: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(Rupees in crore)

Sl. No.	Year	Amount of outstanding AC bills
1	1996-1997	0.15
2	1997-1998	0.03
3	1998-1999	2.42
4	1999-2000	8.75 ⁵
5	2000-2001	1.62
6	2001-2002	0.004
7	2002-2003	0.004
8	2003-2004	7.59 ⁶
9	2006-2007	0.03
10	2007-2008	0.06
11	2008-2009	0.33
Total		20.99

Department-wise pending DCC bills for the years up to 2008-09 is detailed in **Appendix 2.15**

2.4.2 Unreconciled expenditure

To enable controlling officers of departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, the Manual of Treasury Compilation (Second Edition 2007) Office of the Accountant General (A&E) stipulates that the expenditure recorded in their books should

5 AC Bills of Rs 4.03 crore pertaining to Major Head 2202 were destroyed in a fire accident that took place on 29.2.2000. Hence details are not available.

6 The details of AC Bills of Rs 7.59 crore pertaining to Major Head 2070 (State Protocol Officer) are not available due to the seizure of records by Investigating Agency.

be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of departmental figures is pointed out regularly in Audit Reports, lapses on the part of controlling officers in this regard continued to persist during 2008-09 also. Controlling officers of 14 departments did not reconcile expenditure amounting to Rs 286.68 crore as of March 2009. Out of the 14 Controlling Officers, amounts exceeding Rs 10 crore in each case aggregating Rs 263.56 crore remained unreconciled during 2008-2009 in respect of four controlling officers as given in **Table 2.8**:

Table 2.8: List of controlling officers under whom amounts exceeding Rs 10 crore in each case remained unreconciled during 2008-2009

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Secretary, General Administration Department	16.67
2.	Chief Principal Forest Conservator	72.35
3.	Chief Secretary, Public Works Department	103.69
4.	Chief Engineer, Public Works Department	70.85
	Total	263.56

2.4.3 Non-adjustment of temporary advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanctions of the State Government. According to the State Finance Departments' instruction (October 2001), temporary advances taken by Government employees for tours or contingent expenditure should be adjusted within three months or at the end of financial year, whichever was earlier. Otherwise interest as per the interest rate on fixed deposits of State Bank of India would be charged from the responsible employee/officer.

Test check of records (December 2008 to June 2009) of Drawing and Disbursing Officers in the State and information provided by the various departments (to the extent available) reveals that as of 31 March 2009, 128 advances aggregating Rs 23.14 lakh were pending for adjustment by DDOs in their records. No reasons for non-adjustment of temporary advances for periods ranging from one year to more than 10 years had been intimated by the department. Age-wise analysis of advances pending is given in **Table 2.9**.

Table 2.9 Age wise analysis of advances pending

Sl. No	Pendency	No of Advances	Amount (in Rupees)
1	More than 10 years	75	2,05,800
2	More than five years up to 10 years	33	1,28,250
3	More than one years but less than five years	18	19,68,900
4	Less than one year	02	11,500
		128	23,14,450

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 729 PD Accounts (Government:719, Semi Government:10) having balances of Rs 1,488.25 crore as of 31 March 2009 in 53 District Treasuries. Of these accounts, in 333 PD Accounts having balances of Rs 323.95 crore, there were no transactions during 2008-09 as also for the last five years. The closing balances in the PD accounts indicated that the administrators had not followed the provisions of MPTC PART I Rule 543 regarding closing of PD Accounts by minus debit to the relevant service head before closing of the financial year.

Test check of records relating to PD Accounts of Assistant Commissioner, Tribal Welfare Departments, Khandwa and Badwani revealed that according to instructions (October 2008) of the Tribal Welfare Department issued under the approval of Finance Department, Government of Madhya Pradesh (September 2008), the PD Accounts were to be closed by the end of November 2008 and balances credited to the Consolidated Fund of the State. Utilization of the amount relating to development works was also to be ensured upto November 2008. Accordingly, the departments closed the PD Accounts and the balance amount of Rs 31.53⁷ crore were transferred to bank accounts in November 2008 instead of crediting the same into the relevant service heads of the Consolidated Fund of the State. The amount was still lying in the bank accounts as of 31 March 2009.

⁷ Assistant Commissioner, Tribal Welfare Department, Khandwa (Rs 20.34 crore lying in Narmda Malwa Gramin Bank, Khandwa A/C No. 414) and Assistant Commissioner Tribal Development, Badwani (Rs 11.19 crore in Bank of India A/C No. 6176).

The departments stated (March 2009) that the amount was kept in the bank accounts for payment of various works in progress. The reply is not tenable, as the departments had not followed the instructions regarding closing of PD Accounts and transferring of the balance amounts to the Consolidated Fund of the State by minus debit to the relevant service heads.

The matter was reported to Government (January 2010). Reply is awaited.

2.6 Out-come of Review of Selected Grants

A review of budgetary procedure and control over expenditure and test check of records pertaining to nine grants⁸ revealed the following:

2.6.1 Non-maintenance of expenditure control registers


For the purpose of effective control and monitoring over expenditure, a register is required to be maintained by controlling officers of grants and the subordinate offices are required to send monthly expenditure statements regularly to these controlling officers. Figures of expenditure so received are to be posted in the Expenditure Control Register and progressive totals thereof worked out month-by-month by the controlling officers to enable them to update the position of expenditure.

Test check of records of grant nos. 9,14,19,34 and 47 revealed that neither were Expenditure Control Registers maintained by any of the controlling officers nor did the subordinate offices send Monthly Expenditure Statements regularly. This indicated the absence of proper control and monitoring of expenditure which led to (a) heavy excesses/ large savings over the provisions under certain sub-heads, and (b) inadequate / unnecessary / excessive supplementary provisions.

2.6.2 Defective preparation of budget estimates

The procedure followed in the test-checked grants⁸ and the Appropriation Accounts, 2008-09 revealed that demands for budget estimates were prepared on an adhoc basis. The poor quality of budget preparation and budgetary operations led to :

⁸ 09-Expenditure pertaining to Revenue Department (Revenue voted), 11-Commerce, Industries and Employment (Revenue voted), 14-Animal Husbandry (Revenue voted), 19-Public Health and Family Welfare (Capital voted), 28-State Legislature (Revenue voted), 34-Social Welfare (Revenue voted), 47-Technical Education and Training (Revenue voted), 58-Expenditure on Relief on account of Natural Calamities and Scarcity (Revenue and Capital voted) and 67-Public Works-Buildings (Capital voted).

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- (i) Excessive provisions totalling Rs 384.58 crore ranging between Rs 4.60 crore and Rs 281.36 crore in seven grants (9,11,14,28,34,47 and 58) under the Revenue voted section. In the Capital voted section also, excessive provisions totalling Rs 59.20 crore ranged from Rs 2.50 crore to Rs 36.03 crore in three grants (19,58 and 67).
 - (ii) Substantial savings occurred of Rupees two crore or more and also more than 20 *per cent* of the provision in each case aggregating Rs 575.15 crore under 27 schemes of the test-checked grants during 2008-09 (persistent savings had occurred in respect of 20 schemes) as per details given in **Appendix-2.16**. Under six schemes, substantial excesses of more than Rupees one crore in each case totalling Rs 232.71 crore during 2008-09 (persistent excesses had occurred in respect of two schemes) were noticed as per details given in **Appendix 2.17**.
 - (iii) In five schemes, supplementary provisions totalling Rs 126.31 crore remained unutilized and proved unnecessary and in six schemes, the supplementary provisions were excessive by Rs 314.14 crore. In three other schemes, the supplementary provisions were inadequate in view of a total excess of Rs 185.37 crore. Details are given in **Appendix-2.18**

2.6.3 Parking of funds under Civil Deposit and Bank Account

Financial Rules prohibit drawal of money from the treasury unless required for immediate disbursement. Test check of records and Appropriation Accounts 2008-09 revealed that money was drawn and credited to Civil Deposit after being exhibited as final expenditure in the accounts to avoid the lapse of budget provisions. Details are given below: -

- (i) A sum of Rs 0.35 crore was drawn under the scheme 2203-105-0701-2667-Polytechnic Institutions under grant no. 47 and credited to Major head 8443-Civil Deposit-800-Other Deposit on 31 March 2009.
- (ii) An amount of Rs 1.10 crore was drawn under the scheme 2403-107-0801-6995-Development of Grassland and distribution of fodder seed on 31st March 2009 by the DDO under Major Head 2403 in Grant no. 14 and deposited to 8443-Civil Deposit-106-Personal DepositAccounts.

2.6.4 Non-reconciliation of expenditure under selected grants

In order to enable the controlling officers to ascertain the exact and updated position of expenditure, figures of expenditure in departmental records should be reconciled with those shown in the records of the Accountant General (A&E)-I, Madhya Pradesh. Test check revealed that reconciliation of departmental expenditure figures for the year 2008-09 was not carried out with the figures of the Accountant General (A&E)-I by any of the controlling officers in respect of grant nos. 9 and 19, demonstrating ineffective control over expenditure.

2.7 Conclusion

Although the overall saving of Rs 8,352 crore during the year was 17 *per cent* of the total budget provision (Rs 49,126 crore), the following facts indicate defective budget preparation, ineffective financial management and budgetary control over expenditure by the State Government.

A supplementary provision of Rs 4,628 crore obtained during the year was not required in view of the overall saving of Rs 8,352 crore. Rupees 290 crore were transferred to Civil Deposit by exhibiting it as final expenditure in the accounts. Government was yet to regularise excess expenditure of Rs 4,686 crore pertaining to the period 1993-94, 1994-95 and 1997-98 to 2007-08. Excess expenditure of Rs 5.80 crore in four grants/appropriations during the year required regularisation. There were defective sanctions of surrenders/re-appropriations amounting to Rs 287.44 crore issued in violation of financial rules and instructions of the State Government. AC bills amounting Rs 20.99 crore remained outstanding for adjustment as on 31 March 2009. Fourteen Controlling Officers did not reconcile expenditure of Rs 287 crore. Government did not close 729 PD Accounts having huge balances of Rs 1488 crore as of 31 March 2009, of which in 333 PD Accounts having balances of Rs 324 crore remained unoperative during the year.

2.8 Recommendations

- Budgetary control should be strengthened by all the Government departments where savings/excesses have been observed. Transfer of funds to Civil Deposits at the fag end of the financial year with a view to avoid lapse of budget should be avoided.
- Regularisation of excess expenditure pending from 1993-94 may be taken up on priority basis.
- Last minute issuance of re-appropriations/surrenders should be avoided.