

## CHAPTER II

### 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 compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Accounts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Accounts in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and Accounts.

**2.1.2** Audit of appropriation 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 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 summarised position of actual expenditure during 2008-09 against 70 grants/appropriations was as given in **Table 2.1**:

**Table 2.1: Summarised position of Actual expenditure vis-à-vis Original/Supplementary provisions**

*(Rupees in crore)*

	Name of expenditure	Original grant/appropriation	Supplementary grant / appropriation	Total	Actual expenditure*	Saving (-) / Excess (+)
<b>Voted</b>	I Revenue	2716.74	1190.88	3907.62	2660.20	(-) 12,47.42
	II Capital	314.24	1461.94	1776.18	1291.02	(-) 4,85.16
	III Loans and Advances	4.02	25.00	29.02	27.24	(-) 1.78
<b>Total Voted</b>		<b>3035.00</b>	<b>2677.82</b>	<b>5712.82</b>	<b>3978.46</b>	<b>(-)17,34.36</b>
<b>Charged</b>	IV Revenue	244.92	4.03	248.95	235.31	(-) 13.64
	V Capital	-	-	-	-	
	VI Public Debt-Repayment	184.54	-	184.54	63.46	(-) 121.08
<b>Total Charged</b>		<b>429.46</b>	<b>4.03</b>	<b>433.49</b>	<b>298.77</b>	<b>(-) 134.72</b>
<b>Appropriation to Contingency Fund (if any)</b>		-	-	-	-	
<b>Grand Total</b>		<b>3464.46</b>	<b>2681.85</b>	<b>6146.31</b>	<b>4277</b>	<b>(-)1869.08</b>

\* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue Expenditure (Rs.0.06 crore) and Capital Expenditure (Rs.0.78 crore).

The overall saving of Rs.18,69.08 crore was the results of saving of Rs.19,39.68 crore in 54 grants and 5 appropriations under Revenue Section, 31 grants and 1 appropriation under Capital Section, offset by excess of Rs.70.60 crore in 11 grants under Revenue Section and 4 grants under Capital Section.

A substantial savings of Rs.1247.42 crore in revenue (voted) head occurred due to savings in Secretariat-Economic Services (Rs.1179.28 crore), Directorate of Accounts (Rs.17.29 crore), Agriculture (Rs.12.12 crore), Rural Works (Rs.13.67 crore), Power (Civil) Rs.12.18 crore), Civil Aviation (Rs.9.45 crore) and Public Works (Rs.9.05 crore).

Excess expenditure mainly occurred in Education (Rs.15.48 crore), Power (Rs.7.19 crore), Public Health Engineering (Rs.37.07 crore) and Fisheries (Rs.1.14 crore).

The savings/excess (Detailed in the Appropriation Accounts) for 69 Grants and 1 Appropriation were intimated from 8th December 2009 to 13th December 2009 to the Controlling Officers requesting them to explain the reasons for significant variations, out of which 22 replies were received from the Controlling Officers. Besides regular reminders, reconciliation were also held with the Finance Department and the Controlling Officers of each department from 7th September 2009 to 19th September 2009 by Accountant General in which they were again requested to furnish reasons for excess/savings. Out of 134 Major Heads, explanations for variations were not received (31 December 2009) in respect of 109 Major Heads (Savings in 91 Major Heads and excess in 18 Major Heads).

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 24 cases, savings exceeded rupees one crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of Rs.1,939.68 crore, savings of Rs.1,548.54 crore (79.83 per cent) exceeding Rs.10 crore in each case occurred in 26 relating to 6 grants as indicated in **Table 2.2**.

**Table 2.2: List of Grants with savings of Rs.10 crore and above.**

<i>(Rs. in crore)</i>						
Sl. No	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving (-) / Excess (+)
<b>Revenue-Voted</b>						
1.	50-Secretariat Economic Services	11,82.47	0.25	11,82.72	3.44	11,79.28
2.	66- Power (Civil)	14.58	6.45	21.03	8.85	12.18
<b>Capital-Voted</b>						
3.	14-Education	1.74	115.62	117.36	50.83	66.53
4.	16-Art and Cultural Affairs	15.36	-	15.36	3.55	11.81
5.	32-Roads and Bridges	104.93	593.23	698.16	540.50	157.66
<b>Capital-Charged</b>						
6	Public Debt	184.54	-	184.54	63.46	121.08
<b>Grant Total</b>		<b>15,03.62</b>	<b>715.55</b>	<b>22,19.17</b>	<b>670.63</b>	<b>15,48.54</b>

Reason for excessive savings in the above cases had not been furnished (December 2009 by the Government).

### 2.3.2 Persistent Savings

In four cases, during the last five years there were persistent savings of more than rupees one crore each and also by normal 10 per cent or more of the total grant. (Table 2.3)

**Table 2.3: List of Grants indicating Persistent Savings during 2004-09**

*(Rupees in crore)*

Sl. No	No. and Name of the Grant	Amount of Savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
<b>Revenue-Voted</b>						
1.	50-Secretariat Economic Services	17.77 (53)	341.37 (94)	328.24 (89)	523.23 (94)	1179.28 (99)
<b>Capital-Voted</b>						
2.	14-Education	8.97 (35)	10.75 (34)	9.84 (20)	10.11 (35)	66.53 (57)
3.	31-Public Works	17.95 (64)	3.21 (22)	10.03 (40)	5.10 (23)	31.82 (48)
4.	34-Power	52.71 (32)	52.60 (37)	25.85 (22)	63.52 (40)	45.87 (28)

(Figures in the parentheses indicate percentage of saving to total provision)

One grant, viz. 'Secretariat-Economic Services' posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive/re-appropriations-Persistent savings indicative of poor budgeting and inadequate control over allocation there against.

### 2.3.3 Excess Expenditure

In two cases, expenditure aggregating Rs.6.76 crore exceeded the approved budget provision by Rs.1 crore or more in each case or by more than 20 per cent of the total provisions. Details are given in **Appendix 2.2**.

### 2.3.4 Expenditure without provision

As per the Budget Manual, expenditure should not be incurred on a Scheme/Service without provision of funds. It is, however, noticed that expenditure of Rs.12.19 crore was incurred in six grants and one appropriation as detailed in **Appendix-2.3** without any provision in the Original estimates/Supplementary demand and without any re-appropriation orders to this effect.

Significant cases of such expenditure involving expenditure in excess of Rs.1 crore are given in **Table 2.4**.

**Table 2.4: Expenditure incurred without provision during 2008-09**

*(Rupees in crore)*

Grant/Appropriation No.-Major Head of Accounts-Sub Head - Detailed Head	Expenditure without provision
11-Social Welfare-4235-02-800-001 Creation of assets	9.14
Appropriation – 2049-60-701-003- Interest on Power Bonds	1.61

### 2.3.5 Excess over provisions relating to previous year requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Constitution, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to Rs.1022.34 crore for the years from 1986-87 to 2007-08 was yet to be regularised as detailed in **Appendix 2.4**.

### 2.3.6 Excess over provisions during 2008-09 requiring regularization

**Table 2.5** contains the summary of total excess in 15 grants amounting to Rs.70.61 crore over authorisation from the Consolidated Fund during 2008-09 and requires regularisation under Article 205 of the Constitution.

**Table 2.5: Excess over provisions requiring regularisation during 2008-09.**

*(Rupees in crore)*

Sl. No.	Number and Titles of grants/appropriation	Total Grant / Appropriation	Expenditure	Excess
<b>Revenue - Voted</b>				
1	5 – Secretariat Administration	36.35	36.48	0.13
2	9-Motor Garages	11.22	11.60	0.38
3	14-Education	360.11	375.59	15.48
4	17-Gazetteer	0.30	0.32	0.02
5	29-Co-operation	5.97	6.33	0.36
6	34-Power	142.28	149.47	7.19
7	37-Legal Metrology	2.98	3.93	0.95
8	43-Fisheries	7.48	8.62	1.14
9	48-Horticulture	17.30	17.58	0.28
10	56-Tourism	5.99	7.23	1.24
11	59-Public Health Engineering	212.66	249.74	37.08
<b>Capital –Voted</b>				
12	29-Co-operative	22.20	22.40	0.20
13	43-Fisheries	0.01	0.25	0.24
14	45-Civil Aviation	1.57	7.09	5.52
15	65-Deptt. of Tirap & Changlang Dist.	22.25	22.64	0.39
	<b>Total</b>	<b>848.67</b>	<b>919.27</b>	<b>70.60</b>

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs.13.02 crore obtained in 8 cases, (Rs.10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.5**. In 6 cases,

supplementary provision of Rs.304.44 crore proved insufficient, by more than rupees one crore in each case, leaving an aggregate excess expenditure of Rs.67.64 crore over the supplementary provision (**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-appropriation proved excessive or insufficient and resulted in savings/excess of over Rs.10 lakh in each sub-head of 94 grants/appropriations as detailed in **Appendix 2.7**.

### **2.3.9 Unexplained re-appropriation**

According to Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague expressions such as “Less requirement of fund”, “requirement of more funds” etc. should be avoided. Scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of some cases reasons given for additional provision/withdrawal of provision in the re-appropriation orders were release of additional funds by the Government of India for major works, non-receipts of funds from the Finance Department, non-completion of construction works in time etc., while in most of the cases vague expressions like, ‘based on actual requirement’ etc., was shown as reasons for re-appropriation.

### **2.3.10 Substantial surrenders**

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 10 grants. Out of the total provisions of Rs.1,196.67 crore in these 10 cases, Rs.1,180.98 crore (98.69 per cent) were available for surrender. The details of such cases are given in **Appendix 2.8**.

### **2.3.11 Surrender in excess of actual saving**

In 4 cases, the amounts surrendered were in excess of actual savings which indicated inadequate budgetary control in these departments. As against savings of Rs.2.02 crore, the surrendered amount was Rs.3.44 crore resulting in excess surrender of Rs.1.42 crore. Details are given in **Appendix 2.9**.

### **2.3.12 Anticipated savings not surrendered**

As per the Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were 40 grants/appropriation in which savings occurred (Rs. 10 lakh and above in each case) but no amount was surrendered by the departments concerned. The amount involved in these cases was Rs.575.22 crore (**Appendix 2.10**). Out of 40 in 35 cases the savings were more than rupees one crore.

Similarly, out of the total savings of Rs.1910.50 crore under 32 grants/appropriations (where savings of Rs. 1 crore and above occurred in each grants/appropriation), amount

aggregating Rs.701.80 crore (36.79 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.11**.

Beside in 13 cases (Surrender of funds in excess of Rs.1 crore) Rs.1276.86 crore were (**Appendix 2.12**) surrendered in the last working day of March 2009 indicating inadequate financial control and the fact that these could not be utilised for other development purposes.

### **2.3.13 Rush of expenditure**

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill planned expenditure. As such, Government expenditure is required to be evenly phased over the year as far as possible. It was, however, noticed that during 2008-09, the expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 38 percent and 96 percent and 25 percent to 98 percent respectively in case of 14 illustrative major heads of account in (**Appendix 2.13**).

## **2.4 Non-reconciliation of departmental figures**

### **2.4.1 Pending submission of detailed countersigned contingent bills against Abstract Contingent Bills.**

Rules provide that draws through Abstract Contingent bills (AC bills) require presentation of Detailed Countersigned Contingent bills (DCC bills) to the Controlling Officer (CO) and transmission of the same to the Accountant General Office. A certificate is also required to be attached to every AC bill to the effect that DCC bills have been submitted to the CO in respect of all one month old AC bills (drawn more than a month before the date of that bill).

Records available in respect of 384 Drawing and Disbursing Officers (DDOs)/Controlling officers revealed that during 2001-09 Rs.46.85 crore were drawn through 2955 AC bills but DCC bills against these draws had not been furnished to the Accountant General as of March 2009 (**Appendix 2.14**). Thus, due to non-submission of DCC bills, the actual expenditure against these draws remained un-assessed by the Government which indicated serious deficiency in control over expenditure.

### **2.4.2 Un-reconciled expenditure**

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books 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 being pointed out regularly in Audit Reports, lapses on the part of controlling officers in this regard continued to

persist during 2008-09. Also 6 Controlling Officer did not reconcile expenditure amounting to Rs.102.29 crore as of March 2009. The details are given in **Table 2.7**.

**Table 2.6: Expenditure remained un-reconciled**

*(Rupees in crore)*

Sl. No.	Controlling Officers	Number of Head of Accounts involved	Amount not reconciled
1	Secretary, Gazetteer	2070	0.32
2	Director, Social Security and Welfare	2235	0.23
3	Director, Urban Development	2217,2230,4217	35.08
4	Director, Civil Aviation	3053,3275,5053	45.68
5	Secretary, Horticulture	2401,2415,4401	19.27
6	Commissioner, Finance (Loans to Govt. Servant)	7610	1.71
<b>Total</b>			<b>102.29</b>

## 2.5 Conclusion

During 2008-09 there was a net saving of Rs.1869.08 crore, after adjusting excess of Rs.70.60 crore. The excess of Rs.70.60 crore requires regularisation under Article 205 of the Constitution. Four grants, viz “Secretariat-Economic Services”, ‘Education’, ‘Public-Works’, and ‘Power’ posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the year is another chronic feature noticed in the overall financial management. In many cases, the anticipated savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes. Detailed bills were not submitted for large amount of advances drawn on abstract contingent bills. Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided.