

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 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 budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to 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 2009-10 against 29 grants/appropriations was as given in **Table 2.1**:

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

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving (-)/ Excess (+)
Voted	I Revenue	13404.53	296.36	13700.89	13426.68	(-) 274.21
	II Capital	7675.15	594.97	8270.12	7004.39	(-) 1265.73
	III Loans and Advances	64.76	-	64.76	49.11	(-) 15.65
Total Voted		21144.44	891.33	22035.77	20480.18	(-) 1555.59
Charged	IV Revenue	1753.84	225.60	1979.44	2160.14	(+) 180.70
	V Capital	-	-	-	-	-
	VI Public Debt-Repayment	808.47	-	808.47	3573.90	(+) 2765.43
Total Charged		2562.31	225.60	2787.91	5734.04	(+) 2946.13
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		23706.75	1116.93	24823.68	26214.22	(+) 1390.54

The overall excess of ₹ 1390.54 crore was the result of excess of ₹ 4062.58 crore in five grants and one appropriation under Revenue Section and nine grants and one

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue (₹ 262.93 crore) and capital (₹ 770.61 crore)

appropriation under Public Debt-Repayments (Loan Section), offset by saving of ₹ 2,672.03 crore in 24 grants and five appropriations under Revenue Section and 19 grants under Capital Section.

The savings/excesses reflected in the detailed Appropriation Accounts were intimated to the Controlling Officers requesting them to explain the significant variations. Reasons thereof were not explained (October 2010).

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 44 cases, savings exceeded ₹ one crore in each case or by more than 20 *per cent* of the total provision (*Appendix 2.1*). Against the total savings of ₹ 2,672.03 crore, savings of ₹ 2,200.12 crore (82 *per cent*)² occurred in 14 cases relating to 12 grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supple- mentary	Total grant	Actual expenditure	Savings
I-Revenue (voted)						
1.	2-Home	1875.50	156.71	2032.21	1892.28	139.93
2.	3-Planning and Development	135.70	-	135.70	37.39	98.31
3.	7-Education	1907.31	29.91	1937.22	1685.11	252.11
Total-Revenue (voted)		3918.51	186.62	4105.13	3614.78	490.35
II-Capital (voted)						
4.	3-Planning and Development	354.60	179.25	533.85	152.31	381.54
5.	6-Power Development	1283.00	-	1283.00	1035.05	247.95
6.	7-Education	278.03	2.31	280.34	158.39	121.95
7.	8-Finance	821.00	-	821.00	598.78	222.22
8.	12-Agriculture	182.97	45.94	228.91	169.35	59.56
9.	14-Revenue	135.04	-	135.04	62.99	72.05
10.	15-Consumer Affairs and Public Distribution	1005.96	162.21	1168.17	857.29	310.88
11.	19-Housing and Urban Development	331.80	45.00	376.80	280.70	96.10
12.	22-Irrigation and Flood Control	453.33	-	453.33	389.10	64.23
13.	25-Labour, Stationery and Printing	69.65	2.11	71.76	1.96	69.80
14.	27-Higher Education	191.72	-	191.72	128.23	63.49
Total-Capital (voted)		5107.10	436.82	5543.92	3834.15	1709.77
Grand total		9025.61	623.44	9649.05	7448.93	2200.12

² Exceeding ₹ 50 crore in each case.

Reasons for substantial savings against each grant were not explained (October 2010) by the State Government.

2.3.2 *Persistent Savings*

In ten cases, during the last five years persistent savings of more than ₹ one crore in each case and also by 10 *per cent* or more of the total grant were noticed **Table 2.3**.

Table 2.3: List of Grants indicating Persistent Savings during 2005-10

(₹ in crore)

S.No	Grant number and name	Amount of Savings				
		2005-06	2006-07	2007-08	2008-09	2009-2010
Revenue (Voted)						
1.	4-Information	2.05 (14)	2.37 (14)	3.22 (17)	3.78 (18)	3.21 (12)
2.	10-Law	20.28 (33)	25.57 (40)	34.23 (42)	25.34 (19)	43.00 (38)
Capital(Voted)						
3.	3-Planning and Development	166.97 (32)	260.64 (76)	300.35 (66)	147.89 (37)	381.54 (71)
4.	7-Education	23.80 (29)	29.42 (27)	28.77 (21)	57.59 (30)	121.95 (43)
5.	8-Finance	22.75 (89)	364.64 (99)	291.26 (90)	432.23 (82)	222.22 (27)
6.	13-Animal Husbandry	3.74 (38)	7.03 (52)	5.03 (41)	8.49 (48)	8.87 (36)
7.	14-Revenue	28.76 (90)	98.67 (97)	105.81 (88)	145.22 (88)	72.05 (53)
8.	19-Housing and Urban Development	27.14 (24)	106.61 (64)	60.41 (15)	279.90 (63)	96.10 (26)
9.	25-Labour, Stationery and Printing	15.33 (92)	15.48 (93)	34.70 (96)	74.44 (95)	69.80 (97)
10.	27-Higher Education	14.21 (19)	21.16 (25)	55.48 (55)	79.75 (47)	63.49 (33)

Reasons for persistent savings under these heads were not explained (October 2010) by the State Government.

2.3.3 *Excess Expenditure*

In 15 cases, expenditure aggregating ₹ 11,875.82 crore exceeded the approved provisions by ₹ 4,062.03 crore in each case by ₹ one crore or by more than 20 *per cent* of the total provision. Details are given in **Appendix 2.2**. Of these, excess expenditure by more than 20 *per cent* has been observed consistently for the last five years in respect of one grant and one appropriation **Table 2.4**.

Table 2.4: List of Grants indicating Persistent Excess expenditure during 2005-10

(₹ in crore)

S.No	Grant number and name	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-2010
Revenue (Voted)						
1.	25-Labour, Stationery and Printing	11.21 (47)	11.50 (46)	11.59 (42)	9.73 (30)	47.69 (132)
Capital (Charged)						
2.	8-Finance	11839.59 (3526)	997.35 (233)	1233.79 (231)	2740.40 (448)	2765.44 (342)

Reasons for persistent excesses under these heads were not explained (October 2010) by the State Government.

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 was, however, noticed that expenditure of ₹ 423.78 crore was incurred in 49 Major heads of account as detailed in **Appendix-2.3** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization 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 ₹ 74,366.04 crore for the years 1980-2009 was yet to be regularized as detailed in **Appendix 2.4**.

2.3.6 Excess over provisions during 2009-10 requiring regularization

Table 2.5 contains the summary of total excess in 13 grants and one appropriation amounting to ₹ 4,062.58 crore over authorization from the Consolidated Fund of the State during 2009-10 and requires regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2009-10

(₹ in crore)

Sl. No	Grant/Appropriation number and name	Total Grant/ Appropriation	Expenditure	Excess
I- Revenue(Voted)				
1	6-Power Development	2435.66	2795.20	359.54
2.	15-Consumer Affairs and Public Distribution	3.97	5.52	1.55
3.	18-Social Welfare	278.71	281.66	2.95
4.	25-Labour, Stationery and Printing	36.03	83.72	47.69
5.	27-Higher Education	275.96	450.25	174.29
Total Revenue (Voted)		3030.33	3616.35	586.02

Sl. No	Grant/Appropriation number and name	Total Grant/Appropriation	Expenditure	Excess
II-Revenue (Charged)				
6.	8-Finance	1950.44	2138.24	187.80
Total Revenue (Charged)		1950.44	2138.24	187.80
Total Revenue (Section)		4980.77	5754.59	773.82
III-Capital (Voted)				
7.	1-General Administration	29.15	36.91	7.76
8.	11-Industries and Commerce	111.29	114.29	3.00
9.	16-Public Works	1216.92	1465.23	248.31
10.	18-Social Welfare	182.67	199.59	16.92
11.	20-Tourism	113.82	171.77	57.95
12.	23-Public Health Engineering	345.31	505.00	159.69
13.	24-Hospitality, Protocol and Toshakhana	-	0.47	0.47
14.	26-Fisheries	10.05	10.60	0.55
15.	29-Transport	25.40	54.07	28.67
Total (Capital Voted)		2034.61	2557.93	523.32
III-Capital (Charged)				
16.	8-Finance Department	808.46	3573.90	2765.44
Total Capital (Charged)		808.46	3573.90	2765.44
Total Capital (Section)		2843.07	6131.83	3288.76
Grand Total		7823.84	11886.42	4062.58

In the Revenue section, there was excess expenditure of ₹ 773.82 crore in five grants and one appropriation while in the Capital section, excess expenditure amounted to ₹ 3,288.76 crore in nine grants and one appropriation as detailed above. The excess expenditure of ₹ 4,062.58 crore was mainly due to part clearance of overdraft of ₹ 3,517.55 crore obtained during the year by the State Government from the Jammu and Kashmir Bank Limited.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

In 13 cases, involving 11 grants and one appropriation (*Appendix-2.5*), supplementary provision of ₹ 508.46 crore was obtained in excess of the original provision in anticipation of expenditure. However, the final expenditure of ₹ 4,797.26 crore was even less than the original grant of ₹ 5,680.45 crore. The savings of ₹ 1391.65 crore thus exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In six other cases relating to five grants, supplementary grants aggregating ₹ 276.47 crore were obtained against the requirement of ₹ 113.90 crore resulting in saving of ₹ 162.57 crore (*Appendix-2.6*).

Apart from these cases, supplementary provision of ₹ 331.01 crore proved insufficient in eight cases relating to six grants and one appropriation in each leaving an uncovered aggregate excess expenditure of ₹ 684.38 crore (*Appendix-2.7*).

2.3.8 Anticipated savings not surrendered

As per the State 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 2009-10, there were, however, 28 grants and five appropriations in which savings occurred but no part of which had

been surrendered by the concerned departments. The savings in these cases was of the order of ₹ 2,672.03 crore which includes ₹ 2671.73 crore in 44 cases (involving 28 grants and two appropriations) where savings involved were ₹ one crore and above. Relevant details are indicated in **Appendix-2.8**. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.3.9 Rush of expenditure

According to Jammu and Kashmir Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 15 major heads listed in **Table 2.6**, expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure for the year was incurred either during the last quarter or during the last month of the financial year 2009-10. The percentage of expenditure in the last quarter ranged between 63 and 99 per cent and during the last month it ranged between 51 and 94 per cent of the total expenditure.

Table 2.6: Cases of rush of Expenditure towards the end of the financial year 2009-10

(₹ in lakh)

Sl. No.	Grant number and name	Major head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	01-General Administration	4075	2,580.70	2,101.21	81	1,987.27	77
2.	03-Planning and Development	5475	57,842.00	38,320.58	66	30,387.34	53
3.	07-Education	4202	15,839.10	13,119.00	83	13,484.90	85
4.	08-Finance	2040	7,355.90	5,870.78	80	5,552.33	75
5.		5475	14,929.00	14,888.51	99	12,767.00	86
6.	11-Industries and Commerce	4851	9,971.50	7,524.61	75	5,059.00	51
7.	12-Agriculture	4401	6486.70	5272.10	81	4,159.76	64
8.		4415	5405.20	5051.05	93	3,750.18	69
9.	14-Revenue	2245	14466.00	9163.29	63	11810.15	82
10.	16-Public Works	4059	19,768.00	14,511.08	73	10,060.93	51
11.	18-Social Welfare	2225	6,298.90	5,211.07	83	3,604.09	57
12.	19-Housing and Urban Development	4217	27,018.00	19,206.92	71	13,967.41	52
13.	20-Tourism	4406	2514.80	1,720.48	68	1,553.83	62
14.	25-Stationery and Printing	2230	6532.90	4,208.20	64	3,353.58	51
15.	29-Transport	5055	3971.10	3,822.78	96	3,738.60	94
	Total			1,49,991.66		1,25,236.37	

2.4 Non-reconciliation of Departmental figures

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

As per rules (Chapter-VIII of the Jammu and Kashmir Financial Code Volume-I), every drawing officer has to certify in each abstract contingent bill that detailed 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. In contravention of the above rules, for a total amount of ₹ 1922.93 crore (**Appendix-2.9**) drawn on AC bills by various DDOs (34 departments) during 1996-2010, corresponding DC bills have not been submitted (June 2010) to the Principal Accountant General. Non-remittance of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation and requires close monitoring. Further, reasons for non-settlement of the outstanding AC bills that are more than two years old should be investigated and action initiated for immediate settlement. Non-observance of codal provisions with regard to furnishing of DC bills and failure to comply with the instructions issued by the Finance Department by the concerned DDOs have rendered expenditure of ₹ 1,922.93 crore doubtful.

The matter has been continually brought to the notice of Government/Finance Department from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of the Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, State Financial Rules stipulate that expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General. 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 2009-10 also. 104 (out of 311) Controlling Officers did not reconcile expenditure amounting to ₹ 12,731.08 crore as of October 2010 which constituted 59 *per cent* of the total net revenue and capital expenditure.

2.5 Errors in budgeting process

Scrutiny of Demand of Grants for the year 2009-10 showed following inherent flaws in preparation:

- Lump sum budgetary provisions are being placed with Controlling Officers in various Demands for Grants instead of detailed head-wise/scheme-wise provisions which is in contravention of Financial Rules.
- Detailed head 'subsidy' is not being provided under relevant major/minor head/sub head of accounts in Demand for Grants.
- The Capital heads of accounts are being closed at sub head level in the demand for grants. No detailed breakup below thereto up to object head level is available in the approved demand for grants that includes Grant in Aid and Subsidy.
- Distribution of expenditure between work charged and maintenance expenditure not provided in the demand for grants under relevant major heads of accounts so that estimates of salary and non-salary items could be separately reflected in the accounts at sub head level.

- Details of all CSS, Central Plan schemes and State Plan Schemes to be classified under group head 0031, 0021 and 0011 respectively are not being provided in the demand for grants.

These deficiencies make the whole budgeting process erroneous, making reconciliation of departmental figures with those adopted by the Principal Accountant General, difficult. The above matter had been reported to the State Government from time to time. Further action in the matter is awaited (October 2010).

2.6 Review of Grant

Grant No 7- Review of Grant for Education Department

2.6.1 Introduction

The Department of Education has the overall responsibility for determining the policies and strategies for imparting of Education to students at all levels. Apart from it, the department has the responsibility of the department to provide the basic infrastructural facilities to the students.

2.6.2 Budget allocation and expenditure

The overall position of budget provisions, actual disbursements and unspent provisions under the grant for the last three years is given in the table below:

Table 2.7

(₹ in crore)

Year	Budget provisions		Actual disbursements#		Less expenditure vis-à-vis budget provision
	Revenue	Capital	Revenue	Capital	
2007-08	1291.08	175.22	1270.47	155.29	40.54
2008-09	1542.63	276.24	1386.82	224.66	207.39
2009-10	2136.72	456.25	2090.53	286.63	215.81

(#Figures taken for MHs 2202, 2203, 2204, 2205, 4202 as depicted in the Finance Account)

2.6.3 Supplementary Grants

As per the provisions of budget manual, supplementary estimates should not be presented to the Legislature until its necessity is clearly established. While dealing with the application of supplementary grants it should be ensured by the Administrative department in consultation with the Finance department that no appropriation is possible within grants. It was noticed that despite less spendings against the budget provision in each year (2007-10) as tabulated above, the department sought supplementary grants amounting to ₹ 213.80 crore³. This was indicative of the fact that there was no need of supplementary grants for the sector.

2.6.4 Excess expenditure

The controlling officer of the department administering the grant is responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within a grant. The Accountant General is required to warn the controlling authority concerned immediately on the first instance of excesses.

³ 2007-08: ₹. 100.48 crore; 2008-09: ₹ 81.10 crore; 2009-10: ₹ 32.22 crore

It was seen that controlling officers continued to incur expenditure in excess of budgetary allotment despite being informed through warning slips and monthly appropriation accounts from time to time to Accountant General as tabulated below:

Table 2.8

(₹ in lakh)

Major head/Minor head	Grant	Expenditure	Excess
2202/02/107/0905- Meritorious students	3.25	169.71	166.46
2202/02/110/0241- Grant to Sainik School Nagrota for maintenance of Building	55.00	6448.62	6393.62
2202/80/278- Research and Publication, Kashmir	177.56	189.00	11.44

Significant excess of expenditure over budgetary provision was also noticed in respect of centrally sponsored scheme 'Mid-Day-Meals', as tabulated below:-

Table 2.9

(₹ in lakh)

Scheme/Major Head	Provision	Expenditure	Excess
2202/01/800/0031/1030- Mid-Day-Meals	100.00	572.40	472.40
4202/01/800/0031/1030- Mid-Day-Meals	4750.00	5953.28	1203.28

2.6.5 Unutilised grants

As per the provisions of the budget manual, the grants should be appropriated only after the estimates are examined by the administrative department of the Secretariat concerned. It was noticed that the appropriated grants remained un-utilized during the year 2009-10 indicating that these were either not required or not examined by the administrative department as tabulated below:

Table 2.10

(₹ in lakh)

Head	Amount
2202/099/107/0241-Grant to Sainik School Nagrota, Jammu	89.12
2202/80/003/0011/0271-State Institute of Education, Kashmir	518.16
2202/02/110/099/0243-Sainik School Manasbal, Kashmir	165.00
2202/01/201/0031/2281-Vocational Training Project	600.00
2202/02/109/0243-Sainik School Manasbal (Maintenance of Building)	2.00
4202/01/0011/1222-Strengthening of DIET	1160.00

It was also seen that ₹ one crore was appropriated under MH 2202/1428-Adult Education which remained unspent as the scheme had been closed way back in the year 2002. Though the matter had been brought to the notice of the State Government, yet funds were allotted for the year 2009-10, indicating inadequate control.

2.6.7 Savings not surrendered

As per the provisions of the budget manual all the anticipated savings should be surrendered to the Government immediately as and when they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other units which are definitely foreseen at the time.

Significant savings were noticed in some schemes where provision was distinctly/separately placed in approved demand for grants.

Table 2.11

(₹ in lakh)

Major Head	Grant	Total grant/ appropriation	Actual expenditure	Saving
2055-Police (0957-Internal Security)	O-4354.64 S-211.08	4565.72	4454.18	111.54
2202-General Education (0214-Director Education Kashmir, 0271-SIE Kmr; 0277/0099 SIE Jammu; 0277/0011-SIE Jammu)	O-41217.68 S-191.96	41409.64	2366.35	39043.29
2204-Sports and Youth Service (0954-NCC)	O-413.52	413.52	343.10	70.42
2205-Art and Culture (0272-Development of archives; 1890-Director Library; 0221- Government Library and Reading room Jammu)	O-1288.20	1288.20	990.22	297.98
3454-Census, Surveys and Statistics (0468-State Gazetteers)	O-50.18	50.18	26.26	23.92

(O: Original; S; Supplementary)

The significant savings in the above mentioned schemes definitely shall have deprived the beneficiaries/areas for which the amount was appropriated.