

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 provision 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 provision 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 80 grants/appropriations is given in **Table 2.1**:

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

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	2346.26	452.89	2799.15	2565.77	(-) 233.38
	II Capital	840.62	402.57	1243.19	854.36	(-) 388.83
	III Loans and Advances	0.19	0.00	0.19	0.19	0.00
Total Voted		3187.07	855.46	4042.53	3420.32	(-) 622.21
Charged	IV Revenue	356.95	3.42	360.37	342.44	(-) 17.93
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	713.85	0.00	713.85	389.97	(-) 323.88
Total Charged		1070.80	3.42	1074.22	732.41	(-) 341.81
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		4257.87	858.88	5116.75	4152.73	(-) 964.02

The overall saving of Rs.964.02 crore was the result of saving of Rs 1007.54 crore in 52 grants and 4 appropriations under Revenue Section, 43 grants under Capital Section and one appropriation (Public Debt-Repayments) under Loan Section, set off by excess of Rs.43.52 crore in 20 grants under Revenue Section and 2 grants under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated in August 2009 to the Controlling Officers requesting them to explain the significant variations. Besides regular reminders, separate meetings were also held with the Controlling Officers of each department by the Senior Deputy Accountant General (Accounts and Entitlement) in which they were again requested to furnish reasons for excesses/savings. The explanations for variation were not received (August 2009) in any case (Saving and Excess) except District Administration Department having excess expenditure, who submitted the reasons before finalization of the Appropriation Accounts (August 2009).

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 37 cases, savings exceeded Rs. 1 crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of Rs.964.02 crore, savings of Rs 565.09 crore (58.62 per cent)² occurred in 4 cases relating to three grants and one appropriation as indicated in **Table 2.2**.

Table 2.2: List of Grants 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	18-Pensions and Other Retirement Benefits	290.95	0.00	290.95	228.96	61.99
Capital-Voted						
2	27-Planning Machinery	155.77	0.00	155.77	36.92	118.85
3	36-Urban Development	57.38	93.68	151.06	90.69	60.37
Capital-Charged						
4	75-Servicing of Debt	713.85	0.00	713.85	389.97	323.88

The savings under Pensions and Other Retirement Benefits was due to increase of retirement age of Government employees by three years. However, the reason for savings under Urban Development and Servicing of Debt was not intimated (August 2009). In grant number 27 under Planning Machinery (4059-60-051-27), surrender of Rs.119.17 crore against savings of Rs.118.85 crore was injudicious and led to an ultimate excess of Rs.0.32 crore under the head.

2.3.2 Persistent Savings

In 10 cases, during the last five years there were persistent savings of more than Rs.10 lakh in each case and also by 10 per cent or more of the total grant (**Table 2.3**)

². Exceeding Rs 50 crore in each case.

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
Revenue-Voted						
1	34-Art and Culture and Gazetteers Unit	5.18	2.30	6.45	7.21	8.32
Capital-Voted						
2	27-Planning Machinery	12.15	32.32	49.67	121.36	118.85
3	31-School Education	2.46	1.23	5.04	3.20	2.08
4	35-Medical, Public Health and Family Welfare	12.73	28.38	9.90	7.93	37.61
5	36-Urban Development	10.20	40.21	14.97	17.07	60.37
6	39-Tourism	9.56	10.43	3.88	1.00	0.60
7	45-Co-operation	3.21	3.02	8.76	11.94	14.71
8	55-Power Projects	36.48	22.66	52.99	66.63	18.28
9	56-Road Transport	6.30	3.90	5.92	6.83	3.39
10	65-State Council of Education Research and Training	0.57	1.31	1.53	4.06	1.20

The reasons for persistent savings have not been intimated (August 2009).

2.3.3 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 Rs.189.95 crore was incurred in 14 cases as detailed in **Table 2.5** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2008-09

(Rupees in crore)

Number and Name of		Amount of Expenditure without provision	Reasons/ Remarks
Grants	Head of Account		
35-Medical, Public Health and Family Welfare	4552-06-800-01-Medical	0.15	Not indicated
36-Urban Development	2217-80-800-06-Slum Improvement	1.18	Not indicated
37-Local Self Government	2217-80-191-01-Grants to Town Committees	0.83	Not indicated
38-Information & Public Relations	2220-60-001-03-Research and Training in Mass Communication	0.06	Not indicated
39-Tourism	3452-80-001-02-Subordinate Establishment	0.45	Not indicated
53-Industries	4860-60-600-16-NKVIB	2.49	Not indicated
55-Power Projects	2801-01-799-03-Debit to MPWA	0.17	Not indicated
58-Roads and Bridges	3054-80-799-01-Stock (Dr)	0.03	Not indicated
60-Water Supply Schemes	2215-01-052-102-Rural Water Supply Programmes	0.51	Not indicated
60-Water Supply Schemes	2215-01-799-02-Stock (Dr)	94.16	Not indicated
60-Water Supply Schemes	2215-01-799-05-Stock (Cr)	83.12	Not indicated
60-Water Supply Schemes	2215-01-799-07-MPWA (Cr)	2.95	Not indicated
60-Water Supply Schemes	4215-01-800-24-Share towards Sub Mission Programmes	2.84	Not indicated
64-Housing	2059-80-102-02-Maintenance and Repairs (Building)	1.01	Not indicated

2.3.4 Drawal of funds to avoid lapse of budget grant

As per provision of Central Treasury Rules read with Rules 290 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below the amounts drawn were neither fully spent for the specific purposes nor remitted to Government Accounts before closure of financial year 2008-09.

Information on lapse of budget provision during the year 2008-09 was called for (August 2009) from 49 departments. However only 27 departments furnished (December 2009) the information on lapse of budget provision which showed that an amount of Rs.36.17 crore remained undisbursed in respect of 15 departments as shown below:

Table 2.5: List of Grants indicating drawal of funds to avoid lapse of budget grant

<i>(Rupees in crore)</i>			
Sl. No	Number and name of Grants	Amount drawn during 2008-09	Amount remaining undisbursed
1.	Youth Resources and Sports	0.81	0.81
2.	Election	2.14	0.50
3.	Sericulture	7.45	0.40
4.	Geology and Mining	1.48	0.85
5.	School Education	3.87	1.63
6.	Food and Civil Supplies	1.07	0.95
7.	Employment and Craftsmen Training	1.32	1.06
8.	Treasuries and Accounts	7.28	7.03
9.	Information Technology	4.32	4.32
10.	Urban Development	67.56	3.76
11.	Art and Culture	0.44	0.44
12.	Transport	6.10	2.35
13.	Evaluation	0.46	0.07
14.	Economics and Statistics	0.09	0.09
15.	Police	195.17	11.91
Total		299.56	36.17

It is evident from the above that funds were drawn to avoid lapse of budget grant in violation of rules and regulations.

2.3.5 Excess over provision 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 regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, but 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 Rs.1968.06 crore for the years 1996-2008 was yet to be regularized as detailed in **Appendix 2.2**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in **Table 2.6**.

Table 2.6: Excess over provision relating to previous years requiring regularisation*(Rupees in crore)*

Year	Number of		Amount of excess over provision
	Grants	Appropriations	
1996-97	31	0	33.43
1997-98	25	1	241.09
1998-99	24	2	263.80
1999-2000	24	2	167.14
2000-01	16	1	51.81
2001-02-	16	0	27.98
2002-03	18	1	723.75
2003-04	30	2	230.79
2004-05	18	2	28.82
2005-06	23	2	64.96
2006-07	24	2	46.03
2007-08	23	2	88.46
Total			1968.06

2.3.6 Excess over provision during 2008-09 requiring regularisation

Table 2.7 contains the summary of total excess in 16 grants amounting to Rs.43.52 crore over authorization from the Consolidated Fund of the State during 2008-09 and requiring regularization under Article 205 of the Constitution.

Table 2.7: Excess over provision requiring regularization during 2008-09*(Rupees in crore)*

Sl. No.	Number and title of grant/appropriation		Total grant appropriation	Expenditure	Excess
Revenue (Voted)					
1.	7	State Excise	6.79	6.87	0.08
2.	11	District Administration and Special Welfare Schemes	46.62	47.44	0.82
3.	13	Village Guards	16.68	17.14	0.46
4.	26	Civil Secretariat	55.53	56.51	0.98
5.	36	Urban Development	4.63	5.79	1.16
6.	38	Information and Public Relations	13.55	13.61	0.06
7.	39	Tourism	6.86	6.90	0.04
8.	46	Statistics	10.57	10.59	0.02
9.	58	Roads and Bridges	94.80	96.59	1.79
10.	60	Water Supply Schemes	28.01	36.07	8.06
11.	64	Housing	31.62	34.17	2.55
12.	65	SCERT	15.17	16.42	1.25
13.	66	Sericulture	9.52	10.26	0.74
14.	67	Home Guards	9.28	9.58	0.30
15.	70	Horticulture	11.71	11.85	0.14
Total Revenue (Voted)			361.34	379.79	18.45
Capital (Voted)					
16.	53	Industries	32.07	35.75	3.68
17.	64	Housing	45.53	66.92	21.39
Total Capital (Voted)			77.60	102.67	25.07
Grand Total			438.94	482.46	43.52

Out of the above, in 3 cases, expenditure aggregating Rs.108.78 crore exceeded the approved provision by Rs. 30.61 crore or more in each case or by more than 20 *per cent* of the total provision Details are given in **Appendix 2.3**.

Government did not furnish any reason/explanation for the excess expenditure (August 2009) except in grant number 11 under District Administration and Special Welfare Schemes where excess expenditure was attributed to enhancement of DA rate and excess appointment of contingency paid employees.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs 84.25 crore obtained in 12 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 2.4**. In 7 cases, supplementary provision of Rs.41.05 crore proved insufficient by more than Rs.1 crore in each case leaving an aggregate uncovered excess expenditure of Rs.39.88 crore (**Appendix 2.5**).

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 of over Rs.509.71 crore in 86 sub-heads. The excess was more than Rs.434.48 crore in 65 sub-heads as detailed in **Appendix 2.6**.

2.3.9 Unexplained re-appropriations

According to Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 53 items out of 80 (66 *per cent*) reasons given for additional provision/withdrawal of provision in re-appropriation orders were not intimated.

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 29 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs.330.87 crore in these 29 schemes, Rs.218.04 crore (66 *per cent*) were surrendered, which included cent *per cent* surrender in one scheme (Rs.0.50 crore). The details of such cases are given in **Appendix 2.7**.

2.3.11 Surrender in excess of actual saving

In 5 cases, the amount surrendered (Rs.50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of Rs.96.24 crore, the amount surrendered was Rs.134.20 crore resulting in excess surrender of Rs.37.96 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.12 Anticipated savings not surrendered

As per 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, however, 23

grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs.119.79 crore (12 per cent of the total savings) (**Appendix 2.9**).

Similarly, out of total savings of Rs.1007.54 crore under 68 other grants/appropriations (savings of Rs.1 crore and above in each grant/appropriation) amount of Rs.291.56 crore (29 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 12 cases (surrender of funds in excess of Rs.10 crore), Rs.666.12 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2009 indicating inadequate financial control. Thus, these funds could not be utilized for other developmental purposes.

2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 13 sub-heads listed in **Appendix 2.12**, expenditure exceeding Rs.10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. **Appendix 2.13** also 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.

The uniform flow of expenditure is a primary requirement of budgetary control. **Appendix 2.13** reveals that during the year 2008-09 expenditure in the last quarter ranged between 53 per cent and cent percent of the total expenditure which is indicative of lack of effective financial control and violation of financial rules.

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 309 of Central Treasury Rules, 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 (Accounts & Entitlement). The total amount of DCC bills received during the period 2007-2009 was only Rs.5.23 crore against the amount of AC bills of Rs.21.09 crore leading to an outstanding balance of DCC bills of Rs.15.86 crore as on 31 March 2009. Year wise details are given in Table 2.8.

Table 2.8: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

<i>(Rupees in crore)</i>				
Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
2007-08	6.49	3.51	54.08	2.98
2008-09	14.60	1.72	11.78	12.88
Total	21.09	5.23		15.86

Department-wise pending DCC bills for the years up to 2008-09 are detailed in **Appendix 2.14**.

Non submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

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 and 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 (Accounts & Entitlement). 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. Two Controlling Officers did not reconcile expenditure amounting to Rs.230.26 crore as of December 2009 as indicated in **Table 2.9**:

Table 2.9:S List of controlling officers whose expenditure remained un-reconciled during 2008-2009

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Commissioner & Secretary, Municipalities, Nagaland	18.33
2.	Commissioner & Secretary, Works and Housing, Nagaland	211.93

2.5 Conclusion and Recommendation

There was an overall saving of Rs.964.02 crore and excess expenditure of Rs.43.52 crore. This excess expenditure together with an excess expenditure of Rs.1968.06 crore pertaining to 1996-2008 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was also noticed towards the end of the year. In respect of 13 major heads expenditure exceeding Rs.10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in the last quarter of the year. The AC Bills were not adjusted for long periods and therefore was fraught with the risk of misappropriation.

Budgetary controls should be strengthened in all Government Department particularly in the departments whose savings/excess persisted for last five years. Issuance of re-appropriation/surrender orders at the end of the year should be avoided. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the AC Bills within sixty days from the date of drawal of the amount.