

## Chapter 2

### Financial Management and Budgetary Control

#### 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of expenditure, voted and charged, of the Government for each financial year as compared with amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list 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 Act. 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 authorisation given under the Appropriation Act and the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether 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 2009-10 against 60 grants/appropriations is given in **Table 2.1**:

**Table 2.1: Summarised 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 (+)
<b>Voted</b>	I Revenue	47003.99	3126.05	50130.04	45730.41	(-) 4399.63
	II Capital	4490.74	523.46	5014.20	3214.92	(-) 1799.28
	III Loans and Advances	911.60	31.82	943.42	752.44	(-) 190.98
	IV. Public Debt	-	-	-	-	-
<b>Total Voted</b>		<b>52406.33</b>	<b>3681.33</b>	<b>56087.66</b>	<b>49697.77</b>	<b>(-) 6389.89</b>
<b>Charged</b>	IV Revenue	14010.57	120.36	14130.93	14129.68	(-) 1.25
	V Capital	-	12.38	12.38	12.04	(-) 0.34
	VI Public Debt- Repayment	14562.39	122.33	14684.72	16996.62	(+) 2311.90
<b>Total Charged</b>		<b>28572.96</b>	<b>255.07</b>	<b>28828.03</b>	<b>31138.34</b>	<b>(+) 2310.31</b>
<b>Appropriation to Contingency Fund (if any)</b>		-	-	-	-	-
<b>Grand Total</b>		<b>80979.29</b>	<b>3936.40</b>	<b>84915.69</b>	<b>80836.11</b>	<b>(-) 4079.58</b>

Source: Appropriation Accounts

**The overall saving of ₹ 4079.58 crore was the result of saving of ₹ 7572.48 crore in 38 grants and 25 appropriations under Revenue Section and 41 grants and 17 appropriations under Capital Section, offset by excess of ₹ 3492.90 crore in 16 grants under Revenue Section and eight grants under Capital Section.**

The savings/excesses (Detailed Appropriation Accounts) were intimated (May 2010) to the Departmental Controlling Officers requesting them to explain the significant variations. Out of 1180 sub-heads, explanations for variations were not received in respect of 1051 sub-heads (Saving: 793 sub-heads and Excess: 358 sub-heads). Substantial savings occurred in Commerce and Industries, Education (Higher), Education (School), Finance, Housing, Municipal Affairs and Urban Development Departments. Substantial excess occurred in Finance, Home, Panchayat and Rural Development and Public Works Departments. Reasons for savings and excesses were not furnished by the Departments as of November 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 74 cases, savings exceeded ₹ 10 crore in each case or by more than 20 per cent of total provision (*Appendix 2.1*). Against the total savings of ₹ 7572.48 crore, savings of ₹ 6673.88 crore (88 per cent) occurred in 21 cases<sup>1</sup> relating to 20 grants as indicated in **Table 2.2**.

**Table 2.2: List of Grants with savings of ₹ 50 crore and above** (Rupees in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1	9-Commerce and Industries	387.47	-	387.47	252.03	135.44
2	11-Cottage and Small Scale Industries	241.40	4.51	245.91	194.42	51.49
3	13-Education (Higher)	1721.76	-	1721.76	1492.01	229.75
4	15-Education (School)	9858.25	308.69	10166.94	9874.88	292.06
5	18-Finance	9524.05	305.99	9830.04	7331.45	2498.59
6	34-Judicial	271.76	0.33	272.09	218.59	53.50
7	36-Land and Land Reforms	729.29	59.92	789.21	713.78	75.43
8	38-Minority Affairs and Madrasah Education	480.11	54.89	535.00	443.61	91.39
9	39-Municipal Affairs	2680.99	-	2680.99	2144.12	536.87
10	44-Public Enterprises	152.13	-	152.13	1.63	150.50
11	47-Relief	612.63	575.30	1187.93	980.62	207.31
12	54-Urban Development	1716.02	-	1716.02	970.51	745.51
<b>Capital-Voted</b>						
1	5-Agriculture	81.10	-	81.10	5.44	75.66
2	24-Health and Family Welfare	278.88	-	278.88	212.61	66.27
3	25-Public Works	732.20	116.68	848.88	777.35	71.53
4	28-Housing	521.15	-	521.15	64.35	456.80
5	32-Irrigation and Waterways	577.67	141.42	719.09	370.19	348.90
6	39-Municipal Affairs	191.39	4.25	195.64	76.56	119.08
7	43-Power and Non-Conventional Energy Sources	847.36	-	847.36	648.94	198.42
8	45-Public Health Engineering	645.09	-	645.09	444.89	200.20
9	55-Water Resources Investigation and Development	192.09	-	192.09	122.91	69.18
<b>Total</b>						<b>6673.88</b>

Source: Appropriation Accounts

<sup>1</sup> Exceeding ₹ 50 crore in each case

- **Under Grant No. 9 in Revenue-Voted Section**, saving was due to non-receipt of proposals from departmentally managed PSUs in due time.
- **Under Grant No. 15 in Revenue-Voted Section**, available reasons for savings included augmentation of funds by supplementary provision in March 2010 for meeting larger establishment charges for development of computer education in non-Government Secondary Schools (₹ 3.62 crore), creation of fund through supplementary provision in March 2010 for disbursing State share for centrally sponsored schemes, viz. Rashtriya Madhyamik Siksha Abhiyan (₹ 26.83 crore) and creation of fund through re-appropriation from within the grant required for construction of kitchen-cum-store under National Programme for Mid-Day Meal in schools (₹ 5.34 crore). Reasons for savings in other cases of the grant were not intimated.
- **Under Grant No. 47 in Revenue-Voted Section**, savings of ₹166.87 crore occurred mainly due to augmentation of fund by supplementary provision in March 2010 required for Intra-Account Transfer to Calamity Relief Fund.
- Savings of ₹ 355 crore under **Capital-Voted Section of Grant No. 28** was due to according of administrative approval at the fag end of the financial year 2009-10 pertaining to “Economically Weaker Section Housing Scheme”, guideline for which was finalised in December 2009.
- **Under Grant No. 32 in Capital-Voted Section** savings (₹ 171.44 crore) occurred due to augmentation of fund by supplementary provision in March 2010 for reconstruction of ‘Aila’ affected Sunderban embankments. Reasons for savings in other cases of the grant were not intimated.

Reasons for savings under other grants were not intimated.

### 2.3.2 Persistent Savings

In 25 cases, during the last five years there were persistent savings of more than ₹ 1 crore in each case and also by 10 *per cent* or more of the total grant (Table 2.3)

Table 2.3: List of Grants registering persistent savings during 2005-10  
(Rupees in crore)

No. and Name of the grant		Amount of savings				
		2005-06	2006-07	2007-08	2008-09	2009-10
<b>Revenue-Voted</b>						
1	1-State Legislature	5.34 (24)	5.69 (25)	4.95 (17)	7.41 (25)	6.15 (17)
2	7-Backward Classes Welfare	65.55 (19)	58.33 (16)	64.06 (15)	-*	-*
3	10-Consumer Affairs	3.05 (14)	4.85 (20)	6.47 (25)	5.26 (18)	5.78 (15)
4	22-Food Processing Industries and Horticulture	7.29 (40)	8.72 (48)	12.56 (33)	19.01 (32)	9.48 (14)
5	31-Information and Technology	5.05 (20)	14.49 (52)	17.77 (33)	13.96 (30)	-*
6	34-Judicial	25.09 (17)	20.80 (14)	30.48 (17)	34.10 (17)	53.50 (20)

**Report on "State Finances" for the year ended 31 March 2010**

	No. and Name of the grant	Amount of savings				
		2005-06	2006-07	2007-08	2008-09	2009-10
7	35-Labour	55.59 (28)	55.09 (27)	-*	50.29 (19)	-*
8	38-Minority Affairs and Madrasah Education	0.88 (21)	16.34 (79)	128.64 (54)	154.79 (38)	24.85 (54)
9	39-Municipal Affairs	65.99 (83)	42.43 (39)	269.88 (17)	-*	536.87 (20)
10	44-Public Enterprises	40.83 (42)	1.78 (11)	0.64 (35)	43.06 (43)	150.50 (99)
<b>Capital-Voted</b>						
1	5-Agriculture	8.26 (77)	6.14 (42)	14.74 (87)	4.93 (58)	75.67 (93)
2	9-Commerce and Industries	3.88 (10)	11.65 (21)	9.42 (18)	237.72 (83)	16.95 (47)
3	15-Education (School)	2.50 (50)	4.11 (68)	14.35 (72)	7.68 (56)	7.89 (55)
4	19-Fire Services	3.99 (50)	3.39 (38)	5.68 (38)	6.44 (26)	4.64 (19)
5	22-Food Processing Industries and Horticulture	2.67 (51)	4.51 (55)	17.20 (85)	3.38 (41)	18.66 (78)
6	23-Forest	8.85 (59)	12.86 (86)	12.37 (49)	-*	3.64 (13)
7	24-Health and Family Welfare	19.62 (28)	62.67 (54)	67.83 (52)	59.54 (30)	66.27 (24)
8	25-Public Works	266.83 (39)	310.31 (43)	240.03 (29)	-*	-*
9	32-Irrigation and Waterways	92.34 (37)	180.58 (52)	126.14 (35)	186.50 (43)	348.90 (48)
10	36-Land and Land Reforms	2.08 (20)	7.52 (30)	2.21 (19)	13.90 (43)	20.55 (63)
11	39-Municipal Affairs	65.99 (83)	42.43 (39)	35.41 (30)	41.66 (22)	119.08 (61)
12	51-Technical Education and Training	4.91 (81)	9.08 (70)	2.63 (43)	-*	42.78 (46)
13	55-Water Resources Investigation and Development	13.99 (26)	61.52 (66)	43.42 (39)	17.60 (11)	69.18 (36)
<b>Revenue Charged</b>						
1	28-Housing	2.16 (25)	2.69 (34)	1.97 (33)	1.33 (27)	1.28 (30)
2	36-Land and Land Reforms	3.10 (97)	2.44 (80)	1.99 (99)	1.74 (87)	1.49 (74)

Source: Appropriation Accounts

\*Savings were within 10 per cent of the respective grant

Further analysis revealed that the persistent savings were attributable to the following:

- **Savings under Revenue-Voted Section of Grant No. 34 – Judicial** were mainly due to non-filling of total sanctioned posts and economic measures imposed by the Finance Department. Other factors cited by the department included non-availability of lands for construction of buildings within the year, sanction of funds at the fag end of the year leading to non-drawal of

LOC and non-completion of tender formalities/process within the particular year.

- **Saving under Revenue-Voted Section of Grant No. 44 – Public Enterprises** was due to creation of fund by supplementary provision in March 2009 for implementation of the Externally Aided Project “West Bengal Public Sector Reform Programme-Phase II”. Reasons for savings under this grant in other years were not intimated.
- In respect of **Savings under Capital-Voted Section of Grant No. 24 – Health and Family Welfare**, savings were mainly due to non-submission of utilisation certificates for previously sanctioned funds in due time, non-finalisation of tender formalities within the financial year and too meagre allocation to take up a particular scheme having higher demand.

**Reasons for savings in other major cases under Revenue-Voted and Capital-Voted Section were not intimated.**

### 2.3.3 Excess Expenditure

In eight cases, expenditure aggregating ₹ 28906.79 crore exceeded the approved provisions by ₹ 10 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 was, however, noticed that expenditure of ₹ 3442.12 crore was incurred in 27 cases as detailed in **Table 2.4** 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 2009-10**

(Rupees in crore)

Number and names of		Expenditure incurred without provisions
Grants	Appropriations	
<b>4-Agricultural Marketing</b> -Revenue (Voted)-2435-Other Agricultural Programmes-01-Marketing and Quality Control-800-Other Expenditure-SP 012-Subsidy for Marketing of Potatoes Produced in West Bengal (AM)		5.57
<b>6-Animal Resources Development</b> -Revenue (Voted)-2403-Animal Husbandry-00-001-Direction and Administration-Centrally Sponsored (New Schemes)		3.98
<b>6-Animal Resources Development</b> -Revenue (Voted)-4403-Capital Outlay on Animal Husbandry-00-102-Cattle and Buffalo Development-SP 001-Strengthening of Artificial Insemination Services		1.82
<b>13-Education (Higher)</b> -Revenue (Voted)-2203-Technical Education-SP 011-Development of Non-Government Engineering Colleges and Institutions		2.50

Number and names of		Expenditure incurred without provisions
Grants	Appropriations	
15-Education(School)-Revenue (Voted)-2202-General Education-01-Elementary Education-112-National Programme of Mid-day Meals in Schools- Plan-Centrally Sponsored (New Schemes)		18.18
	<b>18-Finance-Revenue(Charged)-2049-Interest Payments-01-Interest on Internal Debt-101-Interest on Market Loans (Charged)-Non-Plan</b>	
	099-7.55 per cent West Bengal Government Stock, 2019	75.50
	101-7.50 per cent West Bengal Government Stock, 2019	56.25
	102-7.10 per cent West Bengal Government Stock, 2014	88.75
	103-7.96 per cent West Bengal Government Stock, 2019	79.60
	105-8.02 per cent West Bengal Government Stock, 2019	80.20
	106-8.31 per cent West Bengal Government Stock, 2019	62.32
	107-7.70 per cent West Bengal Government Stock, 2019	15.82
	<b>18-Finance-Capital (Charged)-6003-Internal Debt of the State Government-</b>	
	101-Market Loans-Non-Plan-Bearing interest	
	M 004-12.15 per cent West Bengal Loan, 2008	435.16
	M 005-12.50 per cent West Bengal Loan, 2008	270.59
	M 011-11.50 per cent West Bengal Loan, 2008	148.14
	M 012-11.50 per cent West Bengal Loan, 2009	180.83
	M 041-12.25 per cent West Bengal Loan, 2009	494.00
	M 042-11.85 per cent West Bengal Loan, 2009	272.68
	111-Special Securities issued to National Small Savings Funds of the Central Government-Non-Plan-011-9.50 per cent Government of West Bengal (NSSF)(Non-Transferable) Special Securities, 2004 (FA)	118.22
	<b>18-Finance-Capital (Charged)-6004-Loans and Advances from the Central Government-101-Block Loans-Non-Plan-001-Loans for State Plan Schemes (FA)</b>	<b>796.54</b>
	101-Loans to cover gap in resources-Non-Plan-001-Special Medium-Term-Non-Plan Loans	75.89

Number and names of		Expenditure incurred without provisions
Grants	Appropriations	
<b>25-Public Works-Revenue(Voted)-3054-Roads and Bridges</b>		
80-General-797-Transfers to/from Reserve Fund-Deposit Account-SP 002- Transfer to West Bengal Transport Infrastructure Development Fund		53.02
<b>39-Municipal Affairs-Revenue (Voted)-2217-Urban Development</b>		
05-Other Development Schemes-051-Construction-SP 003-Construction/Re-development of Housing of the Urban poor (MA)		36.20
789-Special Component Plan for SC-SP 023-Construction/ Re-development of Housing of the Urban poor (MA)		15.36
<b>40-Panchayat and Rural Development-Revenue(Voted)</b>		
2515-Other Rural Development Programmes-800-Other Expenditure-SP 013-Assistance to Panchayati Raj Bodies for Running Sishu Siksha Kendra (CECs)		30.00
<b>45-Public Health Engineering-Capital (Voted)-</b>		
4215-Capital Outlay on Water Supply and Sanitation-101-Water Supply-SP 001-ACA for Darjeeling Water Supply Pumping Scheme		20.00
<b>53-Transport-Revenue (Voted)-</b>		
3055-Road Transport-800-Other Expenditure-SP 008-Subsidy to Owners of Buses/Mini Buses for Replacement of Pre-1993 Vehicles (TR)		5.00
<b>Total</b>		<b>3442.12</b>

Source: Appropriation Accounts

Expenditure of ₹8222.19 crore incurred without provisions for Special Ways and Means Advances and Overdraft under Grant no 18 (6003- internal debt of the State Government) has not been included in the list.

In none of the cases, reasons for incurring expenditure without any budget provision were intimated by the Departments (September 2010).

### 2.3.5 Operation of New Scheme Heads without obtaining requisite approval/concurrence

State Government is required to seek the advice of the Principal Accountant General (Accounts and Entitlement), West Bengal before opening any new sub-heads of account. On scrutiny Budget documents of Government of West Bengal for the year 2009-10, it was observed that necessary approval was not obtained in respect of opening of new sub-head codes under 19 grants through which about ₹ 528.93 crore were spent as detailed in *Appendix 2.3*.

### 2.3.6 Drawal of funds to avoid lapse of budget grant

Rules 4.004 and 4.005 of West Bengal Treasury Rules *inter alia* stipulate that (i) no money should be drawn from the Consolidated Fund unless it is required for immediate disbursement and (ii) the money should be spent for the purpose for which it was provided for in the Appropriation Act by the Legislature.

Test-check of records of three DDOs revealed that an amount of ₹ 106.29 crore, allotted for implementation of various development schemes

was transferred from different Service Heads to Deposit Accounts by drawing transfer credit bills ('NIL' bills) from the Treasury during 2009-10, as detailed below:

**Table 2.5: Amount transferred to Deposit Account** (Rupees in crore)

Name of the DDO	Amount transferred	Service Head	Deposit Head	Name of the authority operating the Deposit Account
DM, Hooghly	10.25	2575	8443	DM
DM, Howrah	30.67	5475, 2575, 4059, 2235, 2245, 4216, 3425, 4217, 2204, 2203, 4202	8443	DM
DM, South 24 Parganas	65.37	2245, 3425, 2403, 2250, 2575,	8443	DM
	<b>106.29</b>			

Source: Records of test-checked DDOs

Thus, ₹ 106.29 crore, though booked as expenditure under the Consolidated Fund of the State, was not actually spent but credited to Deposit Account, thereby inflating the expenditure shown in the Government Account for 2009-10.

### 2.3.7 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. Time limit for regularisation of expenditure has, however, not been prescribed under the Article. Regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 28906.54 crore for the years 2003-2009 was yet to be regularised as detailed in **Table 2.6**.

**Table 2.6: Excess over provisions relating to previous years requiring regularisation**

Year	Number of		Amount of excess over provision (Rupees in crore)
	Grants	Appropriations	
2003-04	11 (Grant Nos. 7, 9, 16, 29, 31, 37, 47, 51, 54, 55, 56)	9 (Grant Nos. 5, 9, 18, 27, 28, 36, 43, 45, 47)	10734.02
2004-05	8 (Grant Nos. 8, 18, 20, 25, 29, 48, 53, 56)	7 (Grant Nos. 1, 6, 18, 20, 21, 24, 36)	4767.14
2005-06	13 (Grant Nos. 6, 7, 9, 11, 20, 30, 38, 44, 45, 50, 52, 53, 54)	4 (Grant Nos. 6, 12, 18, 43)	260.64
2006-07	12 (Grant Nos. 8, 9, 11, 13, 20, 26, 28, 30, 31, 43, 45, 54)	8 (Grant Nos. 5, 6, 20, 23, 27, 42, 47, 53)	293.31
2007-08	14 (Grant Nos. 3, 4, 5, 9, 18, 20, 21, 26, 32, 43, 44, 46, 50, 56)	8 (Grant Nos. 6, 9, 18, 23, 34, 42, 53, 55)	12145.54
2008-09	13 (Grant Nos. 4, 9, 18, 20, 21, 25, 27, 35, 50, 52, 53, 54, 59)	4 (Grant Nos. 12, 18, 39, 53)	705.89
<b>Total</b>	<b>71</b>	<b>40</b>	<b>28906.54</b>

Source: Appropriation Accounts

Non-regularisation of excess expenditure indicates breach of legislative control over appropriations.



### 2.3.8 Excess over provisions during 2009-10 requiring regularisation

**Table 2.7** contains the summary of total excess expenditure under 16 grants and six appropriations amounting to ₹ 3492.90 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2009-10 which requires regularisation under Article 205 of the Constitution.

**Table 2.7: Excess over provisions requiring regularisation during 2009-10**

Sl. No	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
			( R u p e e s i n c r o r e )		
<b>Voted Grants</b>					
1	4-Revenue	Agricultural Marketing	17.92	31.57	13.65
	4-Capital		19.12	22.07	2.95
2	5-Revenue	Agriculture	697.83	701.18	3.35
3	19-Revenue	Fire and Emergency Services	143.22	150.05	6.83
4	20-Revenue	Fisheries	132.19	143.57	11.38
5	21-Revenue	Food and Supplies	2207.96	2246.16	38.20
6	23-Revenue	Forest	280.66	289.54	8.88
7	24-Revenue	Health and Family Welfare	2780.04	2887.21	107.17
8	25-Revenue	Public Works	1324.55	1477.64	153.09
9	27-Revenue	Home	2597.31	2918.10	320.79
	27-Capital		106.36	107.71	1.35
10	28-Revenue	Housing	76.04	77.63	1.59
11	33-Revenue	Jails	132.11	138.75	6.64
12	35-Capital	Labour	0.52	2.10	1.58
13	40-Revenue	Panchayat and Rural Development	2998.17	3233.02	234.85
14	43-Revenue	Power and Non-Conventional Energy Sources	76.58	214.00	137.42
15	53-Capital	Transport	262.38	268.33	5.95
16	56-Revenue	Women and Child Development and Social Welfare	1404.42	1468.84	64.42
<b>Total</b>	<b>Voted</b>				<b>1120.09</b>
<b>Charged Appropriations</b>					
1	5-Revenue	Agriculture	3.80	4.13	0.33
	5-Capital		1.97	2.21	0.24
2	18-Revenue	Finance	13917.52	13966.49	48.97
	18-Capital		14566.22	16888.31	2322.09
3	20-Revenue	Fisheries	6.49	6.99	0.50
4	29-Capital	Industrial Reconstruction	-	0.60	0.60
5	32-Capital	Irrigation and Waterways	68.31	69.37	0.0106
6	43-Revenue	Power and Non-Conventional Energy Sources	20.78	20.85	0.07
<b>Total</b>	<b>Charged</b>				<b>2372.81</b>
<b>Grand total</b>					<b>3492.90</b>

Source: Appropriation Accounts

Thus, excess expenditures for the years 2003-04 to 2009-10 worth ₹ 32399.44 crore<sup>2</sup> needs regularisation as of March 2010. In case of most of the grants, obtaining inadequate supplementary provision led to excess expenditure, which indicates lack of control over financial management by the controlling officers.

### 2.3.9 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 316.29 crore obtained in 18 cases (₹ 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**. On the other hand, in 14 cases, supplementary provision of

<sup>2</sup> ₹ 28906.54 crore pertaining to 2003-09 plus ₹ 3492.90 crore pertaining to 2009-10

₹ 1855.25 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 3171.95 crore (*Appendix 2.5*).

Under **Capital-Voted Section of Grant No. 32- Irrigation and Waterways**, savings out of original provision stood at ₹ 207.48 crore, supplementary provision of ₹ 141.42 crore further inflated the savings.

Also under **Revenue-voted Section of Grant No. 36-Land and Land Reforms** saving out of original provision was ₹ 15.51 crore, further supplementary provision of ₹ 59.92 crore proved to be unnecessary.

Similarly, under **Revenue-Voted Section of Grant No. 38 – Minority Affairs and Madrasah Education**, given the saving of ₹ 36.50 crore out of original provision, supplementary provision of ₹ 54.89 crore was unrealistic.

All these indicated **lack of control on the part of the controlling authorities towards budget formulation.**

### ***2.3.10 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. Cases were noticed where injudicious re-appropriation proved excessive or insufficient leading to savings of ₹ 426.68 crore (in 38 sub-heads under 17 grants) and excess expenditure of ₹ 333.22 crore (in 35 sub-heads under 17 grants), as detailed in *Appendix 2.6*.

Under **2202-General Education-112-National Programme of Mid-Day Meals in schools-Plan-SP 001-Mid-Day Meal for children of Grant No. 15 Education (School)**, even after ₹ 66.82 crore were withdrawn from original provision of ₹ 265.20 crore, savings to the tune of ₹ 51.76 crore occurred.

On the other hand, under **2055-Police-00-108-State Headquarters Police-Non-Plan-001-Calcutta Police of Grant No. 27 Home**, ₹ 2.38 crore were withdrawn by re-appropriation from original provision of ₹ 569.68 crore; but finally there was an excess expenditure of ₹ 103.26 crore.

All these reflect injudicious re-appropriation.

### ***2.3.11 Unexplained re-appropriations***

According to Paragraph 14 of West Bengal Budget Manual, reasons for additional expenditure and savings should be explained in the re-appropriation statement. However, out of 171 re-appropriation orders issued during 2009-10 for ₹ 902.79 crore, reasons were furnished only in respect of ₹ 119.37 crore in ten instances (seven grants).

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

Under Grant number **11-Cottage and Small Scale Industries (Revenue-Voted)**, out of total grant/appropriation of ₹ 245.91 crore, there were savings of ₹ 51.49 crore. The Department, however, surrendered ₹ 55.67 crore indicating excess surrender of ₹ 4.18 crore. Absence of proper prudence and budgetary control led to such excess surrender.

### 2.3.13 Anticipated savings not surrendered

As per Budget Manual, spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2009-10, under 36 grants and 10 Appropriations, no part of the aggregate savings of ₹ 2136.71 crore was surrendered by the concerned Departments, as detailed in **Appendix 2.7**. Such un-surrendered savings accounted for 28 per cent of the total savings during 2009-10.

Similarly, out of total savings of ₹ 4579.53 crore under 10 other grants and one appropriation (each with a saving of ₹ 1 crore and above), amount aggregating ₹ 3502.89 crore (76 per cent of savings under those grants) were not surrendered, details of which are given in **Appendix 2.8**.

Besides, in eight cases, (surrender of funds in excess of ₹ 10 crore), ₹ 1754.64 crore were (**Appendix 2.9**) surrendered on the last working day of March 2010 indicating inadequate financial control and the fact that these funds could not be gainfully utilised for other development purposes.

### 2.3.14 Rush of expenditure

According to Rule 389 A of West Bengal Financial Rule, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 18 major-heads, expenditure exceeding ₹ 10 crore or more than 50 per cent of the total expenditure for the year was incurred in March 2010. **Table 2.8** presents the major heads where more than 50 per cent expenditure was incurred during the last month of the financial year.

**Table 2.8: Cases of rush of expenditure towards the end of the financial year 2009-10**  
(Rupees in crore)

	Major Head	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	2425-Co-operation	162.53	102.73	63.	83.27	51
2	2435-Other Agricultural Programmes	41.08	27.19	66	25.46	62
3	2801-Power	196.76	180.00	91	180.00	91
4	2852-Industries	230.57	121.16	32	118.50	51
5	3425-Other Scientific Research	13.23	12.14	92	11.50	87
6	4055-Civil Outlay on Police	12.79	9.68	76	8.60	67
7	4059-Capital Outlay on Public Works	114.66	79.77	70	66.26	58
8	4070-Capital Outlay on Other Administrative Services	29.86	21.77	73	15.85	53
9	4202-Capital Outlay on Education, Sports, Art and Culture	71.63	49.29	69	41.61	58
10	4216-Capital Outlay on Housing	73.00	67.56	93	63.84	87
11	4217-Capital Outlay on Urban Development	17.21	14.12	82	10.56	61
12	4235-Capital Outlay on Social Security and Welfare	75.81	24.84	96	18.05	70
13	4250-Capital Outlay on Other Social Services	18.23	15.11	83	14.44	79
14	4435-Capital Outlay on Other Agricultural Programmes	27.09	20.80	77	15.43	57
15	4575-Capital Outlay on Other Special Areas Programmes	230.69	159.18	69	121.44	53
16	4711-Capital Outlay on Flood Control Projects	306.75	229.23	75	208.40	68

	Major Head	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
17	4801-Capital Outlay on Power Projects	189.50	144.50	76	99.50	53
18	5075-Capital Outlay on Other Transport Services	52.50	36.00	69	36.00	69

*Source: Expenditure booked by Pr. AG (A&E)*

The position emerging from **Table 2.8** above reveals that although financial rules require that Government expenditure should be evenly distributed throughout the year, rush of expenditure particularly in the closing months of the financial year occurred. Under those major heads, as shown in the **Table 2.8**, 51 to 91 *per cent* of expenditure was incurred in March 2010. Thus, uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained indicating deficient financial management.

## **2.4 Errors in Budgeting Process and Financial Management**

One basic tenet of efficient financial management is realistic preparation of budget. Under article 202 (1) of the Constitution of India, the overall responsibility of preparation of budget lies with Finance Department. The materials based on which budget estimates are to be prepared should be obtained from the local budgeting officers. The responsibility for preparation of annual budget estimate for a department by collecting necessary inputs from the lower level functionaries (DDOs) lies with the Departmental Controlling Officer of that department. The detailed procedure for the same and time schedule for submission of the same to the Finance department have been stipulated in the West Bengal Financial Rules as well as the West Bengal Budget Manual.

The system of preparation of budget as followed by two Departments namely, Panchayat and Rural Development (P&RD) and Municipal Affairs (MA) departments during 2004-09, were test-checked during May to July 2010. Similarly, a review of various financial management issues was conducted in respect of Grants No. 39-Municipal Affairs and 40-Panchayat and Rural Development for the period 2004-05 to 2009-10. Various deficiencies in budget preparation process, control over expenditure as well as lack of prudence in financial management were observed, as discussed in the succeeding paragraphs:

### **2.4.1 Budget preparation process**

#### **2.4.1.1 Punctuality in submission of estimates**

P&RD and MA were required to submit their budget estimates for the next year within 15 October every year. During 2006-09, the MA department submitted their estimates to Finance department up to December of previous year. Neither the P&RD itself nor Finance department could intimate the position in respect of P&RD department.

#### **2.4.1.2 Compilation of actual expenditure**

As per Rule 384 and 385 of WBFR, the Departmental Controlling Officer or a Disbursing Officer, under whose disposal the grant is placed, is required to keep a constant watch over the progress of expenditure by obtaining monthly statement of expenditure (SOE) from the concerned authority. Further, DCOs are also required to maintain Departmental Consolidated Accounts (DCA) and arrange their verification month by month with those maintained by the Principal Accountant General (Accounts and Entitlement), West Bengal.

Neither of the test-checked departments either maintained any DCA or pursued the issue of obtaining SOEs with respective DDOs. In absence of any system of monitoring over actual progress of expenditure, departments had prepared their budget estimates on the basis of gross approximation by adding a percentage on the expenditure figures of previous financial years.

#### **2.4.1.3 Non- consideration of actual men in position**

P&RD and MA departments did not maintain records of sanctioned strength *vis-a-vis* actual men-in-position under the Directorate. As a result, budget provision on pay and allowances of staff was also not realistic.

Thus, owing to non-adherence to the budget preparation process, there was little linkage between actual requirements and budget estimates.

#### **2.4.1.4 New Service/New Instruments of Service**

In three cases involving three grants (Grant: 27 under Home Department; Grant: 39 under Municipal Affairs Department and Grant: 53 under Transport Department, expenditure aggregating Rs 65.84 crore, which should have been treated as 'New Service/New Instruments of Service', was incurred without the approval of the Legislature.

### **2.4.2 Review on financial management under two grants**

#### **2.4.2.1 Persistent savings and excess**

There were persistent savings ranging from ₹ 47.54 crore to ₹ 444.26 crore under Grant No.40-P&RD during 2004-05 to 2008-09 with simultaneous occurrence of excess expenditure under different major heads of account ranging from ₹ 10.95 crore to ₹ 317.66 crore. In 82 cases the savings exceeded ₹ 1 crore. There were 13 sub-heads of accounts, in which persisting savings in at least four years were noticed during 2004-05 to 2008-09.

Grant No. 39-MA also revealed persistent savings ranging from ₹ 308.23 crore to ₹ 456.64 crore with simultaneous occurrence of excess expenditure ranging from ₹ 77.60 crore to ₹ 272.59 crore under different major heads. During 2004-05 and 2008-09 there were 16 sub-heads of accounts, in which persisting savings in at least four years were noticed.

The following table shows the cases of persistent variations under some major heads under these two grants:

**Table 2.9: Cases of persistent savings/excesses (Rupees in lakh)**

Major Head	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Grant number: 39 – Municipal Affairs</b>						
2049-Interest Payments	(-) 187.15 (59)	(-) 199.99 (65)	(-) 82.18 (25)	-	-	-
2217-Urban Development	(-) 16875.63 (18)	(-) 16596.63 (17)	(-) 18484.15 (15)	-	-	(-) 50556.90 (21)
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	-	(+) 7003.86 (41)	(+) 856.21 (124)	-	-	(-) 2734.18 (12)
4217-Capital Outlay on Urban Development	(-) 178.07 (51)	(-) 156.20 (31)	-	-	(-) 2985.67 (44)	(-) 9116.22 (87)
6217-Loans for Urban Development	(-) 12409.66 (93)	(-) 6442.40 (7)	-	(-) 3636.40 (35)	-	(-) 2788.78 (31)
<b>Grant number: 40 Panchayat and Rural Development</b>						
2049-Interest Payments	(-) 169.99 (100)	(-) 105.63 (58)	(-) 119.46 (53)	-	-	(-) 118.54 (61)
2217-Urban Development	(-) 3.61 (18)	(-) 10.96 (14)	-	(-) 18.61 (34)	-	-
2501-Special Programmes for Rural Development	-	(-) 579.67 (17)	-	(-) 8694.78 (22)	-	(-) 3879.94 (11)
<b>Grant number: 40 Panchayat and Rural Development</b>						
2575-Other Special Areas Programmes	-	(-) 470.12 (25)	-	(+) 232.50 (11)	(+) 1782.57 (247)	-
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	(-) 161.10 (14)	-	-	(+) 847.68 (32)	(+) 1044.09 (67)	(-) 606.92 (19)

Source: Appropriation Accounts

(percentage of variations with respect to net budget allotments have been shown in brackets)

Cases where variations were within 10 per cent of budget provision are not indicated

Further, under the following heads of accounts also, variations (both excess and savings) were noticed in actual expenditure figures with respect to net budget allotments:

**Table 2.10: Instances of variations with respect to net budget allotments (Rupees in lakh)**

Major Head	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Grant number: 39 – Municipal Affairs</b>						
2211-Family Welfare	-	-	-	-	(+) 1270.94 (94)	(-) 463.75 (11)
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	-	(+) 7003.86 (41)	(+) 856.21 (124)	-	-	(-) 2734.18 (12)
<b>Grant number: 40 Panchayat and Rural Development</b>						
2505-Rural Employment	-	-	-	-	(-) 5731.10 (18)	(+) 11988.63 (25)
2575-Other Special Areas Programmes	-	(-) 470.12 (25)	-	(+) 232.50 (11)	(+) 1782.57 (247)	-

Source: Appropriation Accounts

These were indicative of unrealistic assessment of budget estimates and laxity in budgetary control by the departments of Municipal Affairs (for Grant No. 39) and Panchayat and Rural Development (for Grant No. 40). These variations, if viewed in light of deficiencies in the budget preparation procedure as discussed in para 2.6 above, deemed attention of the Departmental Controlling Officer as well as Finance department.

#### 2.4.2.2 Delay in release of Funds

Rule 373 of the West Bengal Financial Rules (WBFR) stipulates that the Departments should make arrangement for distributing and communicating sanctioned funds among Drawing and Disbursing Officers (DDOs) at the

beginning of the financial year enabling them to plan their work programme subsequently as per availability of fund for the current year.

Scrutiny of the records in P&RD and MA Departments showed that the release of funds under 118 sub heads in the last quarter of the year varied between 50 per cent and 100 per cent of the total grant in both the departments during 2004-05 and 2008-09, which resulted in huge savings as well as hampering the various developmental works. In 2008-09, Panchayat and Rural Development Department released 97 per cent<sup>3</sup> of the total amount in the month of March.

#### **2.4.2.3 Non surrender of savings**

Under Rule 384 of the WBFR, the DCO or Disbursing Officer should keep a constant watch over the progress of expenditure and keep himself informed of such circumstances as may affect the progress of expenditure, in order to take early steps for obtaining supplementary grants or surrendering any probable savings as may be necessary.

During the period 2004-05 to 2008-09, the P&RD and MA departments did not surrender savings of ₹ 789.50 crore and ₹ 1908.69 crore respectively. P&RD department surrendered an amount of ₹ 45 crore in 2004-05, ₹ 192.03 crore in 2005-06 and ₹ 252.89 crore in 2006-07 on the 31<sup>st</sup> of March of respective financial years leaving no scope for its utilisation/re-appropriation in other schemes/development works. This indicated that pre-budget scrutiny of schemes had not been efficient.

#### **2.4.2.4 Unnecessary supplementary grants / Injudicious / Unnecessary Surrender**

In 2008-09 the original grant for “loans for KMC for Kolkata Environment Improvement Project” under Municipal Affairs Department was ₹ 65.35 crore which was augmented by supplementary grant of ₹ 20.65 crore. However, at the time of requisitioning supplementary funds, total anticipated expenditure was to the extent of ₹ 56.28 crore only and subsequently savings occurred to the extent of ₹ 29.72 crore. Hence, supplementary grant of ₹ 20.65 crore was unnecessary. Similarly in 2007-08, unnecessary supplementary grants of ₹ 121.48 crore made in six sub heads by P&RD department resulted in huge savings, which could have been re-appropriated to other sub heads for better utilisation.

P&RD department surrendered a sum of ₹ 90.64 crore under 22 sub-heads of accounts against Original Budget Provisions of ₹ 155.25 crore during 2004-05 and 2008-09. However, the expenditure of the Department for the same period under those sub-heads was ₹ 110.64 crore, which shows such surrender of fund to the extent of ₹ 46.03 crore was injudicious and assessment of budget requirements by the department was unrealistic.

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<sup>3</sup> ₹ 10304.80 lakh out of ₹ 10634.14 lakh under 11 sub heads.

## 2.5 Other topics of concern

### 2.5.1 Irregularities in the functioning of treasuries

#### Non-maintenance of records relating to sanction orders

During inspection of treasuries for the year 2009-10, it was noticed that in 14 treasuries the system of noting the sanction orders relating to drawal on AC Bills/Grants-in-aid/withdrawal from GPF/Committed Value of Pension/Gratuity and other bills were not maintained and as such the authenticity of the claims could not be checked leaving scope for fraudulent drawal/double drawal of Government money from the treasuries.

#### Irregularities in payment of pension

Scrutiny of the records of treasuries disclosed that ₹ 1.04 crore in respect of pension, family pension and relief thereon was paid in excess to pensioners due to non-reduction of basic pension, doubtful and unauthorised pension, payment of relief even after re-employment/re-marriage, payments of pension even after death of pensioners and non-reduction of enhanced rate of family pension even after the stipulated period. Details are as under:

- (i) In 27 treasuries an amount of ₹ 45.97 lakh was paid in excess to 115 pensioners on account of relief paid to re-employed pensioners, non-reduction of enhanced rate of family pension even after the stipulated period, wrong calculation of pension paid on remarriage, etc.
- (ii) The Treasury Officers of 43 treasuries failed to recover ₹ 57.62 lakh deposited to 559 deceased pensioners' bank accounts even after the death of the pensioners.
- (iii) Due to non-reduction of commuted value of pension from the basic pension in time ₹ 46784 was overpaid in four treasuries in 13 cases, requiring recovery from the pensioners.

## 2.6 Recommendations

- *The Controlling Officers should keep constant watch over progress of expenditure as required under Rules 384 and 385 of West Bengal Financial Rules, so that possibility of savings/excess is anticipated well in advance.*
- *Non-surrendering of anticipated savings by various Departments needs to be seriously viewed for fruitful utilisation of surplus fund.*
- *Reconciliation of figures recorded by all controlling officers with those booked by Accountant General should be conducted regularly.*