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## Chapter-II

# FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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## 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, juxtaposed with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-2011 against 81 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	Saving (-)/ Excess (+)
<i>Voted</i>	I Revenue	37,253.48	8,544.89	45,798.37	39,883.65	-5,914.72
	II Capital	8,212.52	2,546.82	10,759.34	9,217.60	-1,541.74
	III Loans and Advances	1,639.73	2,576.67	4,216.40	3,722.83 <sup>1</sup>	-493.57
<b>Total Voted</b>		<b>47,105.73</b>	<b>13,668.38</b>	<b>60,774.11</b>	<b>52,824.08<sup>2</sup></b>	<b>-7,950.03</b>
<b>Charged</b>	IV Revenue	5,921.36	803.97	6,725.33	5,848.18	-877.15
	V Capital	9.27	6.69	15.96	26.78	+10.82
	VI Public Debt-Repayment	5,922.00	Negligible	5,922.00	2,529.23	-3,392.77
<b>Total Charged</b>		<b>11,852.63</b>	<b>810.66</b>	<b>12,663.29</b>	<b>8,404.19</b>	<b>-4,259.10</b>
<b>Grand Total</b>		<b>58,958.36</b>	<b>14,479.04</b>	<b>73,437.40</b>	<b>61,228.27<sup>3</sup></b>	<b>-12,209.13</b>

(Source: Appropriation Accounts)

The overall saving of ₹ 12,209.13 crore was the result of savings of ₹ 12,221.75 crore in 74 grants and 42 appropriations under the Revenue Section, 53 grants and seven appropriations under the Capital Section, offset by excess of ₹ 12.62 crore in one appropriation each under Revenue and Capital Section.

The savings/excesses were intimated from 19 July 2011 to 10 August 2011 to the Controlling Officers asking them to explain the significant variations. Reasons for final saving have not been intimated by the concerned Departments (September 2011). Major savings were in respect of Finance, Housing and Environment, Minor Irrigation, Higher Education, Law and Legislative Affairs departments, etc.

<sup>1</sup> Includes ₹ 1.85 crore in respect of Inter-State Settlement.

<sup>2</sup> Gross figure without taking into account the recoveries adjusted as reduction of expenditure under revenue expenditure: ₹ 720.24 crore and capital expenditure: ₹ 450.75 crore.

<sup>3</sup> The actual expenditure was overstated to the following extent for the reasons mentioned below:

₹ 900.31 crore (Revenue Voted section: ₹ 264.48 crore and Capital Voted section: ₹ 635.83 crore) being the unspent amount was transferred to Major Head 8443-Civil Deposit, 800-Other Deposits through NIL payment vouchers on 31 March 2011.

Out of the total deposit of ₹ 1,293.56 crore transferred to PD Account, unspent balance of ₹ 158.26 crore was not written back thereby inflating the expenditure in the consolidated fund to this extent.

Genuineness of expenditure of ₹ 1.15 crore drawn on Abstract Contingent bills during 2010-11 could not be vouchsafed, as Detailed Contingent bills were not submitted by the Deputy Director, National Cadet Corps, Bhopal.

## 2.3 Financial accountability and budget management

### 2.3.1 Appropriations vis-à-vis allocative priorities

The outcome of appropriation audit revealed that in 27 cases, savings exceeded ₹ 10 crore in each case and also by more than 20 per cent of the total provisions aggregating ₹ 6,955.18 crore (**Appendix 2.1**). Against the total savings of ₹ 12,209.13 crore (**Table 2.1**), savings of ₹ 6,205.64 crore (50.83 per cent)<sup>4</sup> occurred in eight cases relating to seven grants and one appropriation as indicated in **Table 2.2**

**Table 2.2 : List of Grants/Appropriations with savings of ₹ 100 crore and above**

(₹ in crore)						
Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1.	06-Finance	4,308.55	1,089.16	5,397.71	3,895.86	1,501.85
2.	15-Financial Assistance to Three Tier Panchayati Raj Institutions under Scheduled Castes Sub-Plan	1,148.54	3.24	1151.78	903.25	248.53
3.	21-Housing and Environment	221.99	6.01	228.00	81.94	146.06
4.	29-Law and Legislative Affairs	326.09	306.74	632.83	373.13	259.70
5.	44-Higher Education	509.67	279.65	789.32	606.61	182.71
<b>Capital-Voted</b>						
6.	11-Commerce Industry and Employment	119.16	1.00	120.16	17.81	102.35
7.	45-Minor Irrigation Works	680.18	50.00	730.18	358.51	371.67
<b>Capital-Charged</b>						
8	Public Debt	5,922.00	Negligible	5,922.00	2,529.23	3,392.77
<b>Total</b>		<b>13,236.18</b>	<b>1,735.80</b>	<b>14,971.98</b>	<b>8,766.34</b>	<b>6,205.64</b>

(Source: Appropriation Accounts)

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

**Public Debt (Capital Charged):** Significant savings occurred mainly under 6003-Internal Debt of the State Government- Ways and Means Advances (₹ 2,000 crore) and Advances to meet shortfalls (₹ 2,000 crore), which were partly offset by excesses under 6003-Internal Debt of the State Government-Special securities issued to National Small Savings Fund of the Central

<sup>4</sup> Exceeding ₹ 100 crore and also more than 20 per cent of the total provision in each case.

Government (₹ 252 crore) and 6004-Loans and Advances from the Central Government-Consolidated loan recommended by the 12<sup>th</sup> Finance Commission (₹ 363.06 crore). Reasons for the savings/excesses had not been intimated (September 2011).

**06-Finance (Revenue Voted):** Substantial savings occurred mainly under 2052-Secretariat-General Services-State Plan Schemes (Normal)-Common Men Insurance Scheme (₹ 12.68 crore), 2070-Other Administrative Services-State Plan Schemes (Normal)-Other Expenditure (₹ 850 crore), 2071-Pension and Other Retirement Benefits-Minor Head 101- Composite State of Madhya Pradesh (₹ 173.73 crore), 104-Composite State of Madhya Pradesh (₹ 162.15 crore), 105-Madhya Pradesh (₹ 124.59 crore), Composite state of Madhya Pradesh (₹ 159.42 crore) and Minor Head 200-Pension Payment to All India Services officers (₹ 34 crore), which were partly offset by excesses mainly under 2052-Secretariat General Services-Janshree Insurance Scheme (₹ 9.64 crore), 2071-Pension and Other Retirement Benefits-Minor Head 115-Composite State of Madhya Pradesh (₹ 76.26 crore) and 117-Contributory Pension Scheme (₹ 15.19 crore). Reasons for the savings and excesses had not been intimated (September 2011).

**11-Commerce, Industry and Employment (Capital Voted):** Significant savings occurred mainly under 6856-Loans for Petro-Chemical Industries-State Plan Scheme (Normal)-Industry Investment Promotion Assistance Scheme (₹ 100 crore). The saving was stated (March 2011) by the Secretary, Commerce, Industry and Employment Department, mainly due to non-release of interest free loan to Bharat-Oman Refinery Limited as it had not started the production during 2010-11.

**15-Financial Assistance to Three Tier Panchayati Raj Institutions under Scheduled Castes Sub-Plan(S.C.S.P.) (Revenue Voted):** Substantial savings occurred mainly under 2505-Rural Employment-Centrally Sponsored Schemes (S.C.S.P.)-Rashtriya Gramin Rojgar Guarantee Yojna (₹ 86.62 crore) and 2515-Other Rural Development Programmes- Centrally Sponsored Schemes (S.C.S.P.)-Mid Day Meal Programme (₹ 36.50 crore), Central Sector Schemes (S.C.S.P.)-Transportation of Mid-day Meal Material (₹ 162.97 crore). These savings were partly offset by excess under 2216-Housing-Indira Awas Yojna (₹ 17.51 crore) and 2501-Special Programme for Rural Development-Backward Region Grand Fund Scheme (₹ 48.50 crore). The savings were stated (March 2011) by the concerned departments under grant no.15, mainly due to non-receipt/less receipt of Central share.

**21-Housing and Environment (Revenue Voted):** Substantial savings occurred mainly under 2217-Urban Development-State Plan Schemes (Normal)-Grant to M.P. Development Authority Federation for Minor and Medium Urban Infrastructure Development Scheme (₹ 138.17 crore). The saving was stated (March 2011) by the Secretary, Housing and Environment Department, to be due to change in nodal agency for implementation of Minor and Medium Infrastructure Development Scheme.

**29-Law and Legislative Affairs (Revenue Voted):** Substantial savings occurred mainly under 2014-Administration of Justice-Minor Head-105-

General Establishment (₹ 134.93 crore), Village Courts (₹ 10.89 crore) and Reforms in Judicial System (13<sup>th</sup> Finance Commission) (₹ 79.09 crore). Reasons for the savings had not been intimated (September 2011).

**44-Higher Education (Revenue Voted):** Substantial savings occurred mainly under 2202-General Education-Central Sector Schemes Normal-Establishment of Bundelkhand University (₹ 20 crore) and Arts, Science and Commerce Colleges (₹ 144.37 crore). Saving of ₹ 20 crore was due to non-sanctioning of amount by the Finance Department for establishment of Bundelkhand University. Saving of ₹ 144.37 crore was stated (March 2011) by the Commissioner cum Secretary, Higher Education Department, substantially due to non-receipt of arrears on account of revision of UGC pay scale from the Central Government, for Arts, Science and Commerce Colleges (₹ 95.65 crore).

**45-Minor Irrigation Works (Capital Voted):** Substantial savings occurred mainly under 4702-Capital outlay on Minor Irrigation-Minor Head-101-NABARD (Normal) Direction and Administration (₹ 10 crore), Loan Assistance from NABARD (₹ 49.35 crore), Additional Central Assistance (Normal)-Improvement-Strengthening Re-establishment (₹ 207.82 crore), A.I.B.P. schemes (₹ 56.02 crore) and Minor Head 800-State Plan Schemes (Normal)-Direction and Administration (₹ 21.14 crore) and A.I.B.P. Schemes (₹ 10.67 crore). Saving of ₹ 49.35 crore was surrendered to provide funds for the Supplementary Budget under Grant no.23 related to Water Resources Department. Reasons for other savings had not been intimated (September 2011).

### 2.3.2 Persistent savings

In five grants/appropriations, during the last five years, there were persistent savings of more than ₹ one crore in each case and also by 20 per cent or more of the total provision under grant/appropriation (Table 2.3).

**Table 2.3: List of grants/appropriations indicating persistent savings during 2006-11**

(₹ in crore)

Sl. No.	Number and name of the grant	Savings (Per cent in brackets)				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue-Voted</b>						
01	02-Other Expenditure pertaining to General Administration Department	6.80 (35.90)	5.60 (31.91)	11.23 (33.63)	10.41 (26.35)	13.27 (31.91)
Persistent savings mainly occurred under the Major head 2070-Other Administrative Services in the Scheme "office of the Reception and Estate Officer" and under various schemes under Major head 2235-Social Security and Welfare.						
<b>Revenue-Charged</b>						
02	06-Finance	3.09 (30.78)	10.44 (98.40)	10.70 (84.05)	9.99 (78.48)	12.41 (97.49)
Savings occurred persistently under the schemes 2071-Pension and Other Retirement Benefits-01-101 and 102-Composite State of Madhya Pradesh.						

Sl. No.	Number and name of the grant	Savings (Per cent in brackets)				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Capital-Voted</b>						
03	57-Externally aided projects pertaining to Water Resources Department	93.04 (50.68)	172.85 (54.13)	111.18 (31.74)	89.69 (25.58)	74.90 (20.68)
Savings mainly occurred under the various schemes related to Major head 4700-Capital outlay on Major Irrigation.						
04	58-Expenditure on Relief on account of Natural Calamities and Scarcity	16.30 (100)	4.30 (100)	2.50 (100)	2.70 (64.29)	2.93 (69.76)
Savings persistently occurred mainly under the Major head 6245-Loans for relief on account of Natural Calamities in the Scheme "Loans for Redressal of water scarcity" arising out of Natural Calamities.						
<b>Capital-Charged</b>						
05	Public Debt	4,463.47 (72.05)	2,004.48 (54.45)	1,875.54 (48.88)	3,896.40 (61.94)	3,392.77 (57.29)
Savings persistently occurred mainly under the scheme 6003-110-0779-Advances to Meet Shortfall and 0637-Ways and Means Advances.						

(Source: Appropriation Accounts of respective years)

### **2.3.3 Excess expenditure under schemes**

In 32 cases, expenditure aggregating ₹ 2,446.84 crore exceeded the approved provisions by ₹ 10 crore or more in each case and also by more than 20 per cent of the total provisions. Details are given in **Appendix 2.2.(A)**.

### **2.3.4 Unutilised provisions under schemes**

In 49 cases, entire provision of ₹ five crore or more in each case aggregating to ₹ 6,171.56 crore remained unutilized. The details are given in **Appendix 2.2 (B)**.

### **2.3.5 Excess over provisions relating to previous years requiring regularisation**

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. However, excess expenditure amounting to ₹ 4,815.41 crore for the years 1993-94, 1994-95, 1997-98 to 2006-2007, 2008-09 and 2009-10 was yet to be regularised as detailed in **Appendix 2.3**. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.4**.

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

Year	Number of		Amount of excess over provision (₹ in crore)	Status of Regularization
	Grants	Appropriations		
1993-94	19	02	258.11	Explanations submitted by the concerned Departments to PAC between April 1996 to September 2007.
1994-95	14	01	407.46	Explanations submitted by the concerned Departments to PAC between June 1997 to September 2006.
1997-98	10	03	302.79	Explanations submitted by the concerned Departments to PAC between February 2000 to May 2010 except for ₹23.35 lakh.
1998-99	12	05	1,276.46	Explanations submitted by the concerned Departments to PAC between May 2001 to September 2007.
1999-2000	11	06	1,584.94	Explanations submitted by the concerned Departments to PAC between February 2002 to June 2003.
2000-2001	03	04	265.07	Explanations submitted by the concerned Departments to PAC between February 2004 to May 2006.
2001-2002	-	03	6.26	Explanations submitted by the concerned Departments to PAC between June 2005 to May 2006.
2002-2003	03	05	424.79	Explanations submitted by the concerned Departments to PAC between March 2005 to September 2007 except ₹31,000.
2003-2004	04	03	2.54	Explanations submitted by the concerned Departments to PAC between January 2007 to June 2011 except for ₹2.41 crore.
2004-2005	13	02	83.66	Explanations submitted by the concerned Departments to PAC between February 2007 to July 2010 except for ₹4.44 crore.
2005-2006	04	02	37.58	Explanations submitted by the concerned Departments to PAC between February 2008 to January 2009 except for ₹29.23 crore.
2006-07	02	01	35.99	Explanations submitted by the concerned Departments to PAC on 16 June 2009.
2008-09	02	02	5.80	Explanatory Notes not submitted by the concerned Departments to PAC.
2009-10	04	Nil	123.96	Explanatory Notes not submitted by the concerned Departments to PAC.
<b>Total</b>	<b>101</b>	<b>39</b>	<b>4,815.41</b>	

**2.3.6 Excess over provisions during 2010-11 requiring regularization**

**Table 2.5** contains the summary of total excesses in two appropriations amounting to ₹ 12.62 crore over authorization from the Consolidated Fund of the State during 2010-11 and requires regularisation under Article 205 of the Constitution.



**Table 2.5: Excess over provisions requiring regularization during 2010-11**  
(₹ in crore)

Sl. No.	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
<b>Revenue Charged -</b>					
01	23	Water Resources Department	0.20	0.22	0.02
<b>Capital Charged -</b>					
02	24	Public Works-Roads and Bridges	11.00	23.60	12.60
<b>Total</b>			<b>11.20</b>	<b>23.82</b>	<b>12.62</b>

(Source: Appropriation Accounts)

No reasons for the above excesses had been intimated (September 2011).

### **2.3.7 Unnecessary/Excessive/Inadequate supplementary provision**

Supplementary provision of ₹ 50 lakh or more in each case aggregating ₹ 3,019.02 crore obtained in 27 cases during the year, proved unnecessary as the expenditure did not come up to the level of the original provision as detailed in **Appendix 2.4**. In 68 cases, against the additional requirement of ₹ 7,771.34 crore, supplementary provision of ₹ 11,330.16 crore proved excessive, resulting in savings exceeding ₹ 20 lakh in each case, aggregating ₹ 3,558.82 crore (**Appendix 2.5**). In one case, supplementary provision proved insufficient leaving uncovered excess expenditure of ₹ 12.60 crore as detailed in **Appendix 2.6**.

### **2.3.8 Excessive/unnecessary re-appropriation/surrender of funds**

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriations/surrenders (25 per cent and above) in respect of 30 cases resulted in savings/excesses of more than ₹ one crore in each scheme as detailed in **Appendix 2.7**.

### **2.3.9 Defective sanction to re-appropriation/surrender of funds**

As per instructions (November 2006 and March 2007) of the State Government and its financial rules, (i) all sanctions for re-appropriations/surrenders should be issued before the end of the financial year and should be received in Accountant General (A&E)'s office well in time for incorporation in the accounts, (ii) proper detail of schemes should be furnished and total of sanctions should be correct (iii) re-appropriation from Capital Head to Revenue Head and vice versa is not permissible (iv) re-appropriation to new service heads in which no budget provision is provided is not permissible and (v) provision in concerned heads should be available from which surrenders/re-appropriations are sanctioned. A total of 22 sanctions to re-appropriation or surrender of ₹ 167.25 crore issued during the year in violation of these instructions were not accepted by the Accountant General (A&E) for inclusion in the accounts. Details are given in **Appendix-2.8**.

### 2.3.10 Substantial surrenders

- Substantial surrenders (more than 50 per cent of the total provision) were made in 137 schemes. Out of a total provision ₹ 2,470.83 crore, ₹ 1,887.79 crore (76.40 per cent) were surrendered. These included 100 per cent surrender of ₹ one crore or more in each of the 44 schemes (₹ 434.84 crore). The main reasons for the substantial surrenders were attributed to change in nodal agency by the Government for implementation of Minor and Medium Development Scheme, non-receipt of Central share/funds from the Government of India, payment made directly by Ministry of Surface Transport, non-filling up of vacant posts, non-release of amount provisioned by the 13<sup>th</sup> Finance Commission by the Finance Department, non-receipt of bills, non-payment of loans to (TRIFAC) Corporation etc. The reasons for surrenders in remaining 11 cases (**Appendix 2.9**) were not intimated (September 2011).
- While submitting the Budget for the year 2010-11, the Finance Minister declared that National Health Insurance Scheme is being implemented in the State and it will be implemented in 10 districts in First Phase and a provision of ₹ 60 crore was made for this purpose. The entire provision of ₹ 60 crore remained unutilized, out of which ₹ 47.13 crore was surrendered (March 2011) and ₹ 10.70 crore reappropriated to the scheme 2210-01-110-0101-8798-Upgradation of Hospitals and ₹ 2.17 crore to the scheme 2210-03-103-0101-7317-Upgradation of Rural Medical Institutes under Grant no.19-Public Health and Family Welfare.

### 2.3.11 Unrealistic and injudicious surrenders

In eight cases, the amount surrendered was in excess of the actual savings (₹ 50 lakh or more in each case) indicating lack of/inadequate budgetary control in these grants. As against savings of ₹ 825.96 crore, the amount surrendered was ₹ 899.05 crore, resulting in excess surrender of ₹ 73.09 crore. Details are given in **Appendix 2.10**.

### 2.3.12 Anticipated savings not surrendered

As per instructions (March 2007) of the Government, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2010-11, there were 24 grants and 13 appropriations in which savings occurred but no part of these was surrendered by the concerned departments. The amount involved in these cases was ₹ 3,802.87 crore (31.15 per cent of the total savings of ₹ 12,209.13 crore) (**Appendix 2.11**).

Similarly, out of total savings of ₹ 7,081.46 crore under 51 other grants/appropriations having saving of ₹ one crore and above, in each grant/appropriation, an amount aggregating ₹ 3,050.39 crore (43.08 per cent of the total savings in these schemes) was not surrendered, details of which are given in **Appendix 2.12**. Besides, in 60 major heads, (surrender of funds in

excess of ₹ 10 crore in each case), saving aggregating ₹ 3,648.03 crore (**Appendix 2.13**) were surrendered on the last date of financial year, indicating inadequate financial control as a result of which these funds could not be utilized for development purposes.

### **2.3.13 Rush of expenditure**

According to the provisions of the Madhya Pradesh Treasury Code (MPTC) and instructions dated 23 March 1989, rush of expenditure in the closing months of the financial year should be avoided. Contrary to this, in respect of 71 schemes listed in **Appendix 2.14**, expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure in each case, aggregating ₹ 5,770.88 crore (68.30 per cent of the total expenditure these cases) was incurred in March 2011.

As per the provisions of the Madhya Pradesh Treasury Code (MPTC) Part I Sub-Rule 284, no money should be drawn from the treasury unless it is required for immediate disbursement. During 2010-11, a sum of ₹ 900.31 crore was drawn on 31 March 2011 and transferred to 8443-Civil Deposits-800 Other Deposits by exhibiting it as final expenditure under the relevant scheme in the accounts. This included a sum of ₹ 719.45 crore transferred from the Central schemes as per details given in **Appendix 2.15**. Thus drawal of funds was made to avoid lapse of Central funds and contrary to the provision of Rule 284 of M.P.T.C. Part 1.

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

**Table 2.6 : Cases of Rush of Expenditure towards the end of the Financial Year 2010-11**

(₹ in crore)

Sl. No.	Major head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2810	21.28	16.76	78.76	15.34	72.09
2.	4055	20.15	20.15	100	19.15	95.04
3.	4202	271.16	185.68	68.48	181.73	67.02
4.	4210	114.87	70.11	61.03	62.96	54.81
5.	4235	158.47	152.12	95.99	149.47	94.32
6.	4705	102.96	88.25	85.71	83.28	80.89
7.	4801	409.63	362.73	88.55	283.04	69.10
8.	5452	32.86	20.93	63.69	18.78	57.15
9.	6801	3,475.46	2,423.28	69.73	2,060.61	59.29
	<b>Total</b>	<b>4,606.84</b>	<b>3,340.01</b>	<b>72.50</b>	<b>2,874.36</b>	<b>62.39</b>

(Source: Information provided by the A.G. (A&E))

The percentage of expenditure spent in the month of March to total expenditure in respect of nine Major Heads ranged between 54 per cent to 96 per cent against the proportionate percentage of 8.33 per month indicating deficient financial management and non-maintenance on uniform flow of expenditure which is the primary requirement of budgetary control.

### 2.3.14 Misclassification of budget provisions in demand for grant

During audit of grants statement in the budget, it was noticed under the object heads 63-Machines and 64-Major Construction Works in 25 schemes subordinate to Major Heads 2011, 2054, 2055, 2203, 2204, 2210, 2211, 2215, 2230, 2402, 2406, 3475, provision of ₹ one crore or more in each case aggregating ₹ 166.66 crore was misclassified under Revenue Expenditure. In five other schemes subordinate to Major Heads 4202 and 4515, provision of ₹ one crore or more in each case aggregating ₹ 114.71 crore under the object head 42-Grants-in-aid was misclassified under Capital Outlay. Details are given (**Appendix 2.16**).

## 2.4 Outcome of Review of Selected Grants

A review of budgetary procedure and control over expenditure and test check of records (June/July 2011) pertaining to three grants<sup>5</sup> was conducted.

Director, Agriculture Engineering Bhopal and Director, Farmer Welfare and Agriculture Development Department are the Controlling Officer of Grant No.13, Member Finance, Narmada Valley Development Department, Bhopal is the Controlling Officer of Grant No.48 and Commissioner/Secretary, Panchayat and Rural Development Department is the Controlling Officer of Grant No.74. Following points were noticed.

### 2.4.1 Defective preparation of budget and budgetary control

- Test-check of grants<sup>5</sup> and the review of the Appropriation Accounts, 2010-11 revealed that budget estimates were unrealistic. This led to net savings totaling ₹ 522.49 crore ranging between ₹ eight crore and ₹ 430 crore in three grants (13, 48 and 74) under the Revenue Voted section.
- Substantial saving of ₹ two crore or more and also more than 20 *per cent* of the provision occurred in each case aggregating ₹ 540.80 crore under 20 schemes of the test-checked grants during 2010-11 as per details given in **Appendix-2.17**. Under 10 schemes, substantial excesses of more than ₹ one crore in each case totaling ₹ 235.51 crore during 2010-11 were noticed as per details given in **Appendix-2.18**.
- In two schemes, supplementary provisions totaling ₹ 10.01 crore proved unnecessary and in another three schemes, the supplementary provisions were excessive by ₹ 44.72 crore. In one other scheme, the supplementary provision was inadequate in view of an overall excess of ₹ 12.47 crore. Details are given in **Appendix-2.19**.
- Under Grant No.74, in the following schemes the surrender of funds was unrealistic. This indicated ineffective monitoring by the Department.

<sup>5</sup> 13-Farmers Welfare and Agriculture Development (Revenue-Voted), 48-Narmada Valley Development (Revenue Voted), 74-Financial Assistance to Three Tier Panchayati Raj Institutions (Revenue-Voted).

- (i) Under the scheme 2235-60-196-0101-7084-National Family Assistance Scheme, against the available saving of ₹ 3.23 crore, an amount of ₹ 6.57 crore were unrealistically surrendered which resulted in final excess of ₹ 3.34 crore.
- (ii) Under the scheme 2202-02-191-8403-Grant for salary of Shiksha Karmees despite excess of ₹ 44.92 crore, a further sum of ₹ 16.44 crore was unrealistically surrendered which resulted in final excess of ₹ 61.36 crore.

#### **2.4.2 Parking of funds under Civil Deposit**

Financial Rules prohibit drawal of money from the treasury unless required for immediate disbursement. Test check of records pertaining to Grant No.13 revealed that money was drawn and credited to Civil Deposit after being exhibited as final expenditure in the accounts to avoid the lapse of budget.

Unspent amount of ₹ 19.20 crore and ₹ 92.57 crore pertaining to the scheme National Agriculture Development Scheme was deposited in 8443-Civil Deposit-800-Other Deposits on 31 March 2011 by the Director Agriculture Engineering, Bhopal and Director, Agriculture, Farmers Welfare and Agriculture Development Bhopal respectively. This inflated the expenditure to that extent under the scheme during 2010-11. The Director, Agriculture Engineering stated (July 2011) that as orders for purchase of material had been issued, the amount was kept in the deposit account for payment of bills to be received during 2011-12. The Director, Agriculture, Farmers Welfare stated (July 2011) that the amount was kept in the deposit account to meet the expenditure on beneficiary oriented projects in April 2011.

Replies are not tenable as the funds unutilised should be surrendered or refunded before the close of the financial year and demanded in next year and also money should not be drawn unless required for immediate disbursement as per Rule 284 of MPTC Vol.I.

#### **2.4.3 Rush of expenditure in March**

Regular flow of expenditure throughout the year is the primary requirement of budgetary control. In 15 Schemes under Grant No.13 and 74 as per details given in **Appendix 2.20** the expenditure of ₹ 10 lakh and more in each case during March 2011 totaling ₹ 177.19 crore ranged from 39 *per cent* to 100 *per cent* of the total expenditure. This indicated inadequate financial control and monitoring.

Controlling Officers of Grant No.13 replied (July 2011) that funds under the scheme were released late by the State Government and also the bills were received late in February and March. The reply is not tenable as the State Government should initiate action for timely release of funds and its utilisation. No specific reply was given by the Controlling Officer of Grant No.74. The matter was reported to Government (August and September 2011); reply had not been received.

## **2.5 Conclusion**

Against the total provision of ₹ 73,437 crore during 2010-11, an expenditure of ₹ 61,228 crore was incurred. Supplementary provision of ₹ 14,479 crore during 2010-11 proved excessive as there was an overall saving of ₹ 12,209 crore. Major savings were in respect of Finance, Housing and Environment, Minor Irrigation, Higher Education, Law and Legislative Affairs departments, etc. A sum of ₹ 1,058 crore was transferred to Civil Deposit in Public Account and ₹ 3,648 crore were surrendered on the last day of the financial year. There was also rush of expenditure in the closing stages of the financial year. Re-appropriation/surrender of funds in 30 cases was made injudiciously which resulted in saving/excess over provision.

Excess expenditure of ₹ 12.62 crore incurred during 2010-11 and ₹ 4,815.41 crore relating to the period 1993-94 to 2009-2010 required regularisation under Article 205 of the Constitution.

## **2.6 Recommendations**

Budgetary control should be strengthened in all the Government departments by proper monitoring of expenditure, timely surrender of funds and avoiding rush of expenditure in the closing months of financial year. Excessive/unnecessary supplementary and re-appropriation of funds should be avoided. Re-appropriation/surrender of funds at the close of the financial year also requires to be avoided. The practice of transfer of funds to Civil Deposit at the fag end of the financial year after exhibiting it as final expenditure in the Accounts should be reviewed by the State Government. Regularisation of excess expenditure pending since 1993-94 may be taken up on priority basis.