

CHAPTER II

Financial Management and Budgetary Control

2.1 Introduction

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 authorised by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts is thus a control document facilitating management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-11 against 58 Grants and six Appropriations is given in **Table 2.1**:

Table 2.1 : Summarised 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 (+)
Voted	I. Revenue	3768.69	642.57	4411.26	3738.86	(-) 672.40
	II. Capital	694.00	132.05	826.05	574.73	(-) 251.32
	III. Loans and Advances	34.58	13.38	47.96	41.65	(-) 6.31
	Total Voted	4497.27	788.00	5285.27	4355.24	(-) 930.03
Charged	IV. Revenue	293.19	0.56	293.75	280.24	(-) 13.51
	V. Capital	...	...	...	...	...
	VI. Public Debt- Repayment	179.79	...	179.79	141.08	(-) 38.71
	Total Charged	472.98	0.56	473.54	421.32	(-) 52.22
	Appropriation to Contingency Fund (if any)	...	...	...	99.00	(+) 99.00
	Grand Total	4970.25	788.56	5758.81	4875.56	(-) 883.25

The overall saving of ₹ 883.25 crore was the result of saving of ₹ 1118.63 crore in 45 Grants and 10 Appropriations under Revenue Section, 23 Grants and two

Appropriations under Capital Section, offset by excess of ₹ 235.38 crore in 11 Grants under Revenue Section and one Appropriation under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (August 2011) to the Controlling Officers requesting them to explain the significant variations. Out of 806 sub-heads, explanations for variation were not received in respect of all 806 sub-heads. Department-wise position involving substantial amount of savings/excess for which reasons were not furnished is given in **Appendix 2.1**.

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 25 cases, savings exceeded ₹ 1 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.2**). Against the total savings of ₹ 1118.63 crore, savings of ₹ 687.97 crore (61.5 per cent)¹ occurred in six cases relating to six Grants as indicated in **Table 2.2**.

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

Number and name of the Grant	Original	Supple- mentary	Total	₹ in crore)	
				Actual expenditure	Savings
I. Revenue-Voted					
11- Other Taxes and Duties on Commodities and Services, etc.	285.43	...	285.43	116.14	169.29
21- Miscellaneous General Services, etc.	887.14	122.45	1009.59	759.03	250.56
34- Welfare of Scheduled Castes/Scheduled Tribes, etc.	195.34	5.38	200.72	131.67	69.05
43- Housing, Crop Husbandry, Agricultural, Research and Education etc.	228.76	60.28	289.04	237.15	51.89
Total Revenue -Voted	1596.67	188.11	1784.78	1243.99	540.79
II. Capital-Voted					
29- Urban Development, Capital outlay on Housing etc	101.54	...	101.54	5.56	95.98
56- Roads and Bridges Capital outlay on Roads and Bridges	202.22	82.51	284.73	233.53	51.20
Total Capital -Voted	303.76	82.51	386.27	239.09	147.18
Grand Total	1900.43	270.62	2171.05	1483.08	687.97

Reasons for excessive savings in the above cases had not been furnished (August 2011).

2.3.2 Persistent Savings

In seven cases, during the last five years, there were persistent savings of more than ₹ 50 lakh in each case and also by 20 per cent or more of the total provision (**Table 2.3**).

¹ Exceeding ₹ 50 crore in each case.

Table 2.3: List of Grants indicating Persistent Savings during 2006-11

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount of savings				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue-Voted						
1.	11- Other Taxes and Duties on Commodities and Services, etc	73.12 (44)	96.33 (41)	105.04 (27)	155.52 (56)	169.29 (59)
2.	29- Urban Development, Capital Outlay on Housing, etc	14.79 (51)	14.29 (38)	13.09 (38)	16.14 (31)	24.37 (45)
3.	31-Labour and Employment	3.31 (32)	6.49 (46)	4.01 (31)	3.36 (22)	5.88 (26)
4.	34-Welfare of Scheduled Castes, etc.	56.68 (51)	82.90 (59)	45.33 (39)	73.06 (39)	69.05 (34)
5.	40-North Eastern Areas	37.11 (84)	43.00 (66)	65.59 (72)	14.96 (39)	44.08 (74)
Revenue-Charged						
6.	4-Administration of Justice	1.20 (100)	1.41 (100)	1.73 (99)	2.65 (100)	2.70 (100)
Capital-Voted						
7.	39-Cooperation	2.35 (32)	4.16 (47)	3.81 (48)	4.08 (53)	3.01 (40)

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

Three grants, viz. 'Other Taxes and Duties on Commodities and Services, etc.', 'North Eastern Areas' and 'Welfare of Scheduled Castes, etc.' posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations.

2.3.3 Excess Expenditure

In six cases, expenditure aggregating ₹ 135.28 crore exceeded the approved provisions by ₹ 1 crore or more in each case or by more than 20 per cent of the total provisions during the current year. Details are given in **Appendix 2.3**. Of these, in the following grants/heads (**Table 2.4**), excess expenditure by more than ₹ 1 crore or 20 per cent of the budget provision has been observed consistently for the last five years.

Table 2.4 : List of Grants indicating persistent excess expenditure during 2006-11

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue-Voted						
1.	1-Parliament/State Union Territory Legislature	21.56	22.18	11.25	2.19	3.61
2.	24- Pension and other Retirement benefits	22.54	21.32	46.19	31.89	97.97
Total		44.10	43.50	57.44	34.08	101.58

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 ₹ 145.07 crore was incurred in 34 cases as detailed in **Appendix 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Significant cases of such expenditure involving expenditure in excess of ₹ 1 crore are given in **Table 2.5**.

Table 2.5 : Expenditure incurred without provision during 2010-11

(₹ in crore)		
Sl. No.	Grant/Appropriation No. – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
1.	5 – 2015 – 103 – (03) Expenditure on BLOs, etc.- Sixth Schedule (Part II) Areas	1.58
2.	21 – 2202 – 102 – (07) Mid Day Meal Incentive to Students – General	18.81
3.	26 – 2211 – 101 – (02) Rural Family Welfare Sub-Centres Sixth Schedule (Part II) Areas	1.32
4.	26 – Centrally Sponsored Schemes – 2211-101 – (02) Rural Family Welfare Sub-Centres – General	4.43
5.	38 -3451 – 092 - (01) – Economic Empowerment through financial inclusion (administered by Finance (EA) Department) – General	15.00
6.	40 – 4552 – 14 – 800 - (11) Maintenance of Roads – Sixth Schedule (Part-II) Areas	38.06
7.	43 – 2401 – 115 – (04) Assistance to Small Farmers and Marginal Farmers – Sixth Schedule (Part II) Areas	2.10
8.	43 – Central Sector Schemes 2401 – 109 – (10) Promotion/Strengthening of Information Technology in Agriculture – General	1.43
9.	47 – 2403 – 103 – (09) Employment Generation and Promotion of Food Sufficiency for Poultry Farming under SPA – General	3.81
10.	47 – 2403 – 105 – (01) Employment Generation and Promotion of Food Sufficiency for Piggery Farming under SPA – General	4.52
11.	50 – 4406 – 01 – 070 – (05) Twelfth Finance Commission under Special Problem – Sixth Schedule (Part II) Areas	2.95
12.	50 – 4406 – (05) Twelfth/Thirteen Finance Commission under Special Problem – Sixth Schedule (Part-II) Areas	4.00
13.	53 – 2851 – 001 – 107 - (25) Sericulture Catalytic Development Programme funded by Central Silk Board – General	6.44
14.	56 – 3054 – 04 – 105 - (03) Maintenance and Repairs of District Roads – Sixth Schedule (Part-II) Areas	4.80
15.	56 – 3054 – 800 - (03) Maintenance and Repairs of District Roads – Sixth Schedule (Part-II) Areas	20.58
16.	56 – 5054 – 04 – 800 - (10) Completion of Critical ongoing Spill Over Schemes Construction of Rural Roads (one time ACA) – Sixth Schedule (Part-II) Areas	6.09

2.3.5 Drawal of funds to avoid lapse of budget grant

According to Rule 211 of Meghalaya Treasury Rules, 1986, no money shall be drawn from the Treasury unless it is required for immediate disbursement. In respect of the cases mentioned in **Appendix 2.5**, an amount of ₹ 276.86 crore were drawn at the fog end of the year and deposited into the head of Account 8443-Civil Deposit to avoid lapse of budget grant.

2.3.6 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 regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As indicated in the Reports of the Comptroller and Auditor General of India, excess expenditure of ₹ 975.58 crore for the years from 1971-72 to 2009-10 was yet to be regularised, details of which are given in **Appendix 2.6**.

Out of the total excess expenditure of ₹ 975.58 crore, ₹ 697.38 crore was recommended by the PAC for regularisation. But Act of Legislature in support of regularisation of the excess expenditure had not been furnished, though called for (May 2011) from the Law Department, Government of Meghalaya. Department-wise position of such excess expenditure is given in **Appendix 2.7**.

2.3.7 Excess over provisions during 2010-11 requiring regularisation

Table 2.6 contains the summary of total excess in 11 Grants and one Appropriation amounting to ₹ 235.38 crore over authorisation from the Consolidated Fund during 2010-11 and requires regularisation under Article 205 of the Constitution.

Table 2.6 : Excess over provisions requiring regularisation during 2010-11

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
Revenue – Voted				
1.	1-Parliament/State/ Union Territory Legislature, etc.	28.58	32.19	3.61
2.	2- Governor, Capital Outlay on Housing	0.04	0.21	0.17
3.	4- Administration of Justice	7.29	8.48	1.19
4.	7- Stamps and Registration	1.39	1.46	0.07
5.	9- Taxes on Sales, Trades, etc.	11.22	12.13	0.91
6.	14- District Administration	18.19	19.49	1.30
7.	24-Pension and Other Retirement Benefits	201.65	299.62	97.97
8.	26-Medical and Public Health, Family Welfare, etc.	245.90	276.94	31.04
9.	35- Social Security and Welfare	0.65	0.68	0.03
10.	36- Miscellaneous General Services, etc.	1.84	1.89	0.05
11.	44- Medium Irrigation, Flood Control and Drainage, etc.	0.77	0.81	0.04
Capital – Voted				
1.	63- Appropriation to Contingency Fund	...	99.00	99.00
Total		517.52	752.90	235.38

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 197.43 crore obtained in 17 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 2.8**. In two cases, supplementary provision of ₹ 40.68 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 34.65 crore (**Table 2.7**).

Table 2.7: Insufficient Supplementary Provisions

Number and Name of Grant	(₹ in crore)				
	Original Provision	Supplementary provision	Total	Expenditure	Excess
1-Parliament/State/ Union Territory Legislature, Stationery and Printing, Capital Outlay on Stationery and Printing	28.19	0.39	28.58	32.19	3.61
26- Medical and Public Health, Family Welfare, Capital outlay on Medical and Public Health, etc.	205.61	40.29	245.90	276.94	31.04
Total	233.80	40.68	274.48	309.13	34.65

2.3.9 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. As per the Appropriation Accounts, re-appropriation made under 114 sub-heads proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh. Instances of such cases where excess/saving was more than ₹ one crore in each case are detailed in **Appendix 2.9**.

2.3.10 Unexplained re-appropriations

According to Paragraph 115 of the Budget Manual (Volume I), read with Form 'K' of re-appropriation statement, reasons for all re-appropriations of ₹ 1,000 or more should be given. Scrutiny of Appropriation Accounts revealed that reasons for re-appropriations made during 2010-11 under various head of accounts were not explained in detail. Reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like "less requirement of funds", "requirement of more funds", "less expenditure", "non-receipt of sanction", etc.

2.3.11 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 149 sub-heads on account of either non-implementation or non receipt of sanction of schemes/programmes. Out of the total provision of ₹ 536.74 crore in these 149 schemes, ₹ 445.04 crore were surrendered, which included cent per cent surrender in 89 schemes. The details of 15 such cases involving surrender of entire provisions of ₹ 86.63 crore are given in **Appendix 2.10**.

2.3.12 Surrender in excess of actual saving

The spending departments, as per the provisions of the Budget Manual, are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by controlling officers is resulting in surrender in excess of overall saving grant/appropriation.

In 15 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 305.89 crore, the amount surrendered was ₹ 312.83 crore resulting in excess surrender of ₹ 6.94 crore (**Appendix 2.11**). Some significant cases are shown in (**Table 2.8**).

Table 2.8 : Cases of surrender in excess of savings

Number and name of Grant	Total Grant	Savings	₹ in crore)	
			Amount surrendered	Amount surrendered in excess of savings
11 – Other Taxes and Duties on Commodities and Services, <i>etc.</i> Revenue – Voted	285.43	169.29	170.44	1.15
18-Stationery and Printing, Capital Outlay on Stationery and Printing, <i>etc.</i> Revenue – Voted	16.71	0.50	0.92	0.42
27 – Water Supply and Sanitation, Housing, <i>etc.</i> Revenue – Voted	106.94	1.00	1.64	0.64
28 – Housing Capital Outlay on Housing, Loans for Housing Revenue – Voted	12.08	1.01	1.88	0.87
34 – Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes, <i>etc.</i> Capital – Voted	14.00	8.14	8.54	0.40
53 – Village and Small Industries, Capital Outlay on Village and Small Industries, <i>etc.</i> Revenue – Voted	50.16	3.45	4.30	0.85
55 – Non-Ferrous Mining and Metallurgical Industries, Capital Outlay on Housing, <i>etc.</i> Revenue – Voted	64.94	0.36	0.94	0.58
Total	550.26	183.75	188.66	4.91

2.3.13 Anticipated savings not surrendered

As per Paragraph 152 (iii) of Budget Manual, controlling officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case by the 15th March at the latest. At the close of the year 2010-11, there were, however, 17 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 ₹ 141.32 crore (16 *per cent* of the total savings) (**Appendix 2.12**).

Similarly, out of total savings of ₹ 554.75 crore under 15 other Grants/Appropriation (savings of ₹ 1 crore and above were indicated in each Grant/Appropriation), amount aggregating ₹ 325.38 crore (59 *per cent* of total savings) were not surrendered, details of which are given in **Appendix 2.13**. Besides, in 34 cases, (surrender of funds in excess of ₹ 1 crore), ₹ 669.78 crore were (**Appendix 2.14**) surrendered on the last working day of March 2011, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.14 Rush of expenditure

Rush of expenditure at the close of the year can lead to in fructuous, nugatory or ill-planned expenditure. As such, Government expenditure is required to be evenly phased out throughout the year as far as possible. It was, however, noticed that during 2010-11, the expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 29 per cent and 66 per cent and 16 per cent and 62 per cent respectively in respect of eight illustrative major heads of account as indicated in **Table 2.9** below:

Table 2.9 : 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.	2055	304.78	87.83	29	49.57	16
2.	2202	716.14	366.38	51	157.14	22
3.	2210	249.87	106.35	43	77.42	31
4.	2235	40.16	15.57	39	8.41	21
5.	2401	193.42	127.09	66	119.95	62
6.	2406	67.75	26.93	40	19.75	29
7.	2501	41.45	26.98	65	25.84	62
8.	2852	6.59	2.56	39	1.93	29

As can be seen from the table above, the uniform flow of expenditure during the year, which is a primary requirement of budgetary control, was not maintained, indicating deficient financial management.

2.4 Reconciliation of department figures

2.4.1 Detailed Contingent Bills against Abstract Contingency Bills

According to the Meghalaya Treasury Rules, 1985, the Controlling Officers are to submit Detailed Countersigned Contingent (DCC) bills against the drawal of Abstract Contingent (AC) bills to the Accountant General (AG) within a month from the date of receipt of such bills in his office. As per Finance Accounts for the year 2010-11 (Volume I), the total amount of DCC bills received during the period 2008-11 was only ₹ 30.28 crore against the amount of AC bill of ₹ 33.98 crore leading to an outstanding balance of DCC bills of ₹ 3.70 crore as on March 2011. Year wise details are given in the table below:

Table 2.10 : Outstanding DCC Bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage to AC bills	Outstanding DCC bills
Up to 2007-08	24.46	24.44	99.92	0.02
2008-09	6.79	4.79	70.54	2.00
2009-10	0.28	0.14	50.00	0.14
2010-11	2.45	0.91	37.14	1.54
Total	33.98	30.28	89.11	3.70

Non-adjustment of advances for long period is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers (COs) of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Budget Manual stipulates 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(A&E). Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of COs in this regard continued to persist during 2010-11 also. 29 COs did not reconcile expenditure amounting to ₹ 2333.26 crore as of March 2011 (**Appendix 2.15**). Of these, amounts exceeding ₹ 10 crore in each case remained un-reconciled during 2010-11 in respect of 21 COs as given in **Table 2.11**.

Table 2.11 : Un-reconciled expenditure exceeding ₹ 10 crore

Sl. No.	Controlling Officers	(₹ in crore)	
		Number of Head of Accounts involved	Amount not reconciled
1.	Registrar of Co-operative Society	2425	12.93
2.	Directorate Technical Education and Director of Sports	2203, 2202	759.02
3.	Directorate of Community & Rural Development	2216, 4216, 2415, 2415	204.19
4.	Directorate of Border Area	2501	37.43
5.	Directorate of Industries & Director of Mineral Resources	2851, 2852, 2853	31.59
6.	Directorate of Animal Husbandry & Veterinary	2403	61.99
		2404	8.34
		2415	2.69
7.	Chief Election Officer	2015	11.93
8.	Director General of Police	2055	204.78
9.	Secretary, Legislative Assembly	2011	32.85
10.	Director of Printing & Stationery	2058	16.86
11.	Secretary, District Administration	2053	19.49
12.	Chief Engineer PWD(Building), Shillong	2059	28.71
		4059	28.64
13.	Chief Engineer PWD(Roads), Shillong	2059	138.08
		3054	84.76
		5054	23.35
		4552	38.43
14.	Chief Engineer Irrigation & Water Resources, Shillong	2702	34.84
		4702	80.58
15.	Commissioner of State Excise	2039	10.12
16.	Commissioner of Labour	2230	16.93
17.	Director of Fisheries	4405, 2405	46.95
18.	Director of Agriculture	2401	193.42
19.	Commissioner of Transport	2041, 2070	10.07
20.	Director of Information & Public Relation	2220	14.05
21.	Secretary, Planning	3451	83.94
Total			2236.96

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts is created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. As of 01 April 2010, there were 13 PD accounts with a balance of ₹ 89.05 lakh. During 2010-11, neither any PD account was closed nor any new account was opened. The departmental officer also did not conduct any verification/reconciliation of PD accounts during 2010-11.

2.6 Review of Budgetary Process

2.6.1 Introduction

A major concern is that budgetary process are being undertaken in a mechanical and routine fashion and adequate due diligence is not being given to ensure a high level of preparedness before the budget is finalised. This could reduce the effectiveness of the Government to ensure that developmental goals are achieved as intended by Government.

2.6.2 Budget and Accounts

The Annual Financial Statement of the estimated receipt and expenditure of the State for a financial year is laid before the House of the Legislature in accordance with Article 202 of the Constitution of India. The estimates of expenditure embodied in the Annual Finance Statement shall show separately – (a) the sums required to meet expenditure charged upon the Consolidated Fund of the State, and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State.

Government accounts are kept in three parts, namely Part-I Consolidated Fund, Part - II Contingency Fund and Part-III Public Account. The details of transactions under the three parts are classified according to various Major Heads, Sub-Major Heads, Minor Heads, Sub-Heads and Detailed Heads of accounts prescribed by the Controller General of Accounts.

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue-consisting of receipts heads (Revenue Account) and expenditure heads (Revenue Account), (b) Capital, Public Debt, Loans, *etc.* - consisting of receipt heads (Capital Account) and Expenditure Heads (Capital Account). No money (except expenditure charged upon the Consolidated Fund) can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose necessary Demands for Grants are placed before the Legislature at the beginning of each financial year. The Grants, as and when passed by the Legislature, are incorporated in an Appropriation Act authorising necessary appropriation from the Consolidated Fund. In Public Account, records are kept for all transactions relating to public moneys other than those of the Consolidated Fund and the Contingency Fund.

2.6.3 Examination and evaluation of the budgeting system

An attempt has been made to examine and evaluate the budget documents of the Government of Meghalaya covering the period from 2008-11. The findings of Audit are given in the succeeding paragraphs.

2.6.4 Budgetary Process

As contemplated in Paragraphs 1 and 78 of Budget Manual ², the duty of preparing budget estimates (Receipts and Expenditure) and revised estimates for laying before the Legislature vests with the Finance Department. The budget estimates are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and revised estimates are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the revised and budget estimates. The estimates of receipts should show the amount expected to be actually realised within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years receipts.

During scrutiny of records of Finance Department it was noticed that the departmental budget estimates were not submitted by the Administrative Departments within the target date (31 October) fixed by the Finance (Budget) Department in September 2009. Instances of such delays are given in **Table 2.12**

Table 2.12 : Statement showing the date of submission of Budget Estimates

Sl. No.	Name of Department	Grant Number (Head of Accounts)	Date of submission of Departmental Budget Estimates	Period of delay
1.	Printing and Stationery	18 (2058)	01 December 2010	One month
2.	Housing	28 (2216)	08 December 2009	One month
3.	Border Areas Development	46 (2501)	03 December 2010	One month
4.	Agriculture	43 (0401, 2401)	21 December 2009 & 08 February 2010	One to three months
5.	Law	04 (2014)	08 January 2010	Two months
6.	Mining and Geology	55 (2853)	20 January 2010	Two months
7.	Public Health Engineering	27 (2215)	30 November 2009	One month
8.	Animal Husbandry and Veterinary	48 (2404)	15 January 2010	Two months

As can be seen from the above table, there were delays ranging from one month to three months in submission of departmental budget estimates to the Finance Department. Consequently, there was either no scope or little scope for scrutiny of these estimates by the Finance Department.

2.6.5 Actual receipts in Consolidated Fund vis-à-vis budget provision

The position of Revenue and Capital receipts under Consolidated Fund during 2008-11 is presented in **Table 2.13** below:

² Budget Manual of the Government of Assam (Volume I) as adopted by Government of Meghalaya

Table 2.13 : Revenue and Capital Receipts

(₹ in crore)

Year	Revenue Account				Capital Account			
	Budget provision	Actual Receipt	Shortfall in receipt	Percentage of shortfall	Budget provision	Actual Receipt	Shortfall in receipt	Percentage of shortfall
2008-09	3702.86	2810.64	892.22	24.10	402.07	340.81	61.26	15.24
2009-10	3806.31	3447.35	358.96	9.43	500.18	419.70	80.48	16.09
2010-11	4393.81	4260.48	133.33	3.03	543.72	383.64	160.08	29.44

Source: Annual Financial Statement up to 2009-10 & Actuals for 2010-11 from FA

As can be seen from the table above, the shortfall of revenue receipts ranged between 3.03 per cent and 24.10 per cent, and that of capital receipts ranged between 15.24 per cent and 29.44 per cent during 2008-11. The basis on which the provision of receipts in both revenue account and capital accounts were worked out/estimated was not available on record. A more reliable and scientific method of forecasting revenues should be adopted so that there is better planning of expenditure and recourse to need based borrowings.

2.6.6 Estimates of expenditure under Consolidated Fund

The estimates of expenditure should be prepared for the charges that will be needed for actual payment during the year. It is of great importance that the expenditure estimates should be accurately framed. The Finance Department could not furnish to Audit the departmental estimates and revised estimates, if any, received from the various departments. Thus, it could not be verified whether proposals of the departments were duly considered in framing the budget.

Budget provisions for expenditure (gross) and actuals thereagainst under revenue and capital accounts during 2008-11 are shown in **Table 2.14** below:

Table 2.14

(₹ in crore)

Year	Revenue Account (Voted and Charged)				Capital Account (including Loans and Advances and Public Debt)			
	Budget provision	Actual expenditure	Savings	Percentage of savings	Budget provision	Actual expenditure	Savings	Percentage of savings
2008-09	3300.40	2692.09	608.31	18.43	928.58	749.94	178.64	19.24
2009-10	3822.80	3192.19	630.61	16.50	1076.77	650.97	425.80	39.54
2010-11	4705.01	4019.10	685.91	14.58	1053.80	856.46	197.34	18.72

In all the three years there was overestimation of expenditure which resulted in savings ranging from around 15 per cent to 18 per cent under Revenue Account and 19 per cent to 40 per cent under and Capital Account. This was indicative of the fact that contrary to the prescribed budgetary regulations estimation was made without proper analysis of actual needs. The reasons for such huge savings, was neither on record nor stated.

2.6.7 Inaccuracy in preparation of revised estimates

According to the Budget Manual, the actuals of previous years and the revised estimates ordinarily form the best guide in framing the budget estimate. The revised

estimate should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of requirement.

Significant cases of variations between the revised estimate and the actuals during 2010-11 under both receipts and expenditure heads of accounts are given below.

Table 2.15 : Variations between revised estimates and actuals

(₹ in crore)				
Sl. No.	Number and name of head of accounts	Revised estimated provision	Actuals	Variation Excess (+)/ Shortfall (-) (per cent)
RECEIPTS				
1.	0029- Land Revenue	2.99	17.11	+ 14.12 (472)
2.	0043- Taxes and Duties on Electricity	1.26	0.26	- 1.00 (79)
3.	0049-Interest Receipts	12.24	24.72	+ 12.48 (102)
4.	0055-Police	6.12	2.44	- 3.68 (60)
5.	0059-Public Works	7.59	12.71	+ 5.12 (67)
6.	0070-Other Administrative Services	5.45	8.01	+ 2.56 (47)
7.	0075-Misc. General Services	10.80	0.17	- 10.63 (98)
8.	0215- Water Supply and Sanitation	12.00	3.04	- 8.96 (75)
9.	0230- Labour and Employment	1.24	0.67	- 0.57 (46)
10.	0404- Dairy Development	1.30	0.03	- 1.27 (98)
EXPENDITURE				
1.	2039- State Excise	13.26	10.12	- 3.14 (24)
2.	2055- Police	226.61	304.78	+ 78.17(34)
3.	2071- Pension and Other Retirement Benefits	201.65	299.62	+ 97.97 (49)
4.	2203- Technical Education	13.43	6.58	+ 6.85 (51)
5.	2205- Arts and Culture	19.31	9.79	- 9.52 (49)
6.	2210- Medical and Public Health	173.43	249.78	+ 76.35 (44)
7.	2217-Urban Development	53.68	29.30	- 24.38 (45)

Wide variations between the budget provisions and actuals particularly with reference to revised estimates indicated absence of proper care in estimating the revised estimates by the concerned controlling officers as envisaged in the Budget Manual and failure of the Finance (Budget) Department in exercising adequate check over the rough preliminary revised estimates.

2.6.8 Budgetary control monitoring

As per Paragraph 152 (2) of Budget Manual, for the purpose of facilitating the watch over progress of expenditure and the provision of additional funds when necessary a statement in duplicate was to be submitted to the Finance Department twice a year (by 25th November and 1st January). Statements/returns received, if any, from the different Controlling Officers/Heads of Departments were not furnished to Audit. However, shortcomings in the budget formulation as noticed and discussed in the succeeding paragraphs indicated that the prescribed budgetary control/monitoring system to watch over the progress of expenditure remained ineffective and the Finance Department could not take any step to contain the trend of shortcomings like excess expenditure, persistent savings, etc.

2.6.9 Anticipated savings not surrendered

According to Budget Manual (Paragraph 10), the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department latest by 15 March as an when the savings are anticipated. There were, however, over estimation in respect of 35 to 44 Grants/Appropriations under revenue section and 10 to 12 Grants under capital section during 2008-11. The percentage of savings during the period from 2008-11 *vis-a-vis* budget provisions and actual expenditure is depicted in **Table 2.16**.

Table 2.16

(₹ in crore)							
Section	Year	No. of Grants/ Appropriation	Total Budget provision	Total expendi- ture	Savings (per cent)	Amount surrendered (per cent)	Unsurren- dered savings (per cent)
Revenue	2008-09	35	1610.71	1267.55	343.16 (21)	268.45 (78)	74.71 (22)
	2009-10	38	2986.72	2347.86	638.86 (21)	485.95 (76)	152.91 (24)
	2010-11	44	3957.01	3142.94	814.07 (21)	498.65 (61)	315.42 (39)
Capital	2008-09	10	188.30	180.78	7.52 (40)	7.84 (104)	...
	2009-10	15	597.17	347.98	249.19 (42)	179.97 (72)	69.22 (28)
	2010-11	12	416.78	217.63	199.15 (48)	156.59 (79)	42.56 (21)

Source – Appropriation Accounts

Huge savings against budget provisions, which was 21 *per cent* under revenue section and 40 *per cent* to 48 *per cent* under capital section during 2008-11, indicated that the provisions were made without assessing the actual requirement. 21 *per cent* to 39 *per cent* of these savings were also not surrendered to the Finance Department as required under Budget Manual. The reasons for such huge savings and non-surrendering of the same were not furnished despite repeated requests.

2.6.10 Excess expenditure over budget provisions

Paragraph 7 of the Budget Manual envisages that no expenditure which has not been provided for in the budget estimate as passed by the Legislature, can be incurred without prior consultation and approval of the Finance Department provided that such expenditure does not lead to an excess over the appropriation authorised for the particular grant under which the charge will fall and that the expenditure is not a new expenditure. Contrary to this, huge excess expenditure was incurred against three to six Grants/Appropriations under Revenue Account and three to five Grants/Appropriations under Capital Account during 2008-09 to 2010-11. Instances of such cases involving excess expenditure exceeding ₹ 1 crore in each case are given in **Table 2.17**.

Table 2.17

(₹ in crore)

Name of Account	Year	Grant No./ Appropriations	Total Grant/ Appropriation	Total expenditure	Excess expenditure
Revenue Account	2008-09	1, 4, 20 & 24	167.23	232.15	64.92
	2009-10	1, 20, 24 & 26	425.35	474.02	48.67
	2010-11	1, 4, 14, 24 & 26	501.61	635.82	134.21
Capital Account	2008-09	44 & Loans & Advances from Central Government	22.36	42.54	20.18
	2009-10	...	...	...	...
	2010-11	...	...	...	...

It is, thus, evident that due to failure/non-implementation of the existing control mechanism not only led to huge excess expenditure over budget provisions but also violated the codal provisions.

2.6.11 Technical and qualitative application of resources

Budget provisions (revised), actual expenditure and shortfall (savings) under Plan and Non-Plan heads of both revenue and capital sections in respect of Social Services and Economic Services for the years 2008-11 are presented in **Table 2.18**.

Table 2.18 : Social Services and Economic Services

(₹ in crore)

Year	Budget Estimate (net) (percentage to total provisions)			Actual expenditure (percentage to total provisions)			Shortfall (-)/ Excess (-)	
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan
							Amount (per cent)	Amount (per cent)
Social Services								
2008-09	808.68 (62.97)	475.47 (37.03)	1284.15	547.95 (67.76)	478.48 (100.63)	1026.43	- 260.73 (32.24)	+ 3.01 (0.63)
2009-10	970.76 (60.88)	623.90 (39.12)	1594.66	603.33 (62.15)	630.50 (101.06)	1233.83	- 367.43 (37.85)	+ 6.60 (1.06)
2010-11	1085.17 (61.62)	676.02 (38.38)	1761.19	676.53 (62.34)	832.24 (123.11)	1508.77	- 408.64 (37.66)	+ 156.22 (23.11)
Total	2864.61 (61.74)	1775.39 (38.26)	4640.00	1827.81 (63.81)	1941.22 (109.34)	3769.03	- 1036.80 (36.19)	+ 165.83 (9.34)
Economic Services								
2008-09	1281.19 (81.42)	292.34 (18.58)	1573.53	906.08 (70.72)	296.19 (101.32)	1202.27	- 375.11 (29.28)	+ 3.85 (1.320)
2009-10	1286.54 (76.54)	394.40 (23.46)	1680.94	827.33 (64.31)	453.12 (114.89)	1280.45	- 459.21 (35.69)	+ 58.72 (14.89)
2010-11	1333.46 (75.43)	434.40 (24.57)	1767.86	1269.17 (95.18)	456.09 (104.99)	1725.26	- 64.29 (4.82)	+ 21.69 (4.99)
Total	3901.19 (77.68)	1121.14 (22.32)	5022.33	3002.58 (76.97)	1205.40 (107.52)	4207.98	- 898.61 (23.03)	+ 84.26 (7.52)

Source: Memorandum of Budget Estimates and Finance Accounts

- **Social Services**

During 2008-11, provisions for Plan and Non-Plan expenditure under social services were made as ₹ 2864.61 crore and ₹ 1775.39 crore respectively which constituted 61.74 per cent and 38.26 per cent of the total provisions. However, the actual

expenditure under Plan and Non-Plan was for ₹ 1827.81 crore and ₹ 1941.22 crore, which constituted 63.81 *per cent* and 109.34 *per cent* of the total provisions under Plan and Non-Plan respectively during the period. Further, while there was shortfall in Plan expenditure against the budget provisions during all the three years (2008-11), the Non-Plan expenditure exceeded the budget provisions.

This revealed that while the achievement against Plan provisions declined significantly from 67.76 *per cent* in 2008-09 to 62.34 *per cent* in 2010-11, the achievement under Non-Plan grew correspondingly with reference to provisions from 100.63 *per cent* in 2008-09 to 123.11 *per cent* in 2010-11.

- **Economic Services**

There was improvement in consumption of budget provisions for Plan expenditure, which increased to 95.18 *per cent* in 2010-11 from 70.72 *per cent* in 2008-09. But the achievement under Non-Plan expenditure far surpassed the budget provisions during all the three years (2008-11). While the overall shortfall over the expectation (provisions) under Plan expenditure was 23.03 *per cent*, the Non-Plan expenditure exceeded the budget provisions by 7.52 *per cent* during the period.

The above positions indicated that the expenditure under Plan schemes of Social Services and Economic Services was inadequate in comparison to the Non-Plan schemes, basically meant for payment of salary and office expenses.

2.6.12 Budget commitment

During Budget Speech of 2008-09, the Finance Minister stated that the construction of 600 unit housing complex for urban poor at Nongmynsong, Shillong under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) were underway. Even after three years, i.e. 2010-11, only 50 *per cent* work of the housing complex was completed.

In his Budget Speech for the year 2010-11, the Deputy Chief Minister in-charge Finance, Government of Meghalaya stated that from September 2009, the rate of royalty on coal was revised from ₹ 220 to ₹ 290 per metric tonne inclusive of cess and with this revision, the State was expected to mobilise additional revenue of ₹ 20 crore by the end of fiscal year 2009-10 and ₹ 42 crore from the next financial year. Realisation of ₹ 198.64 crore as royalty on coal during 2010-11 against ₹ 165.75 crore during 2009-10 indicated that the commitment was partially materialised in 2010-11.

2.7 Outcome of review of selected Grant

A review of budgetary procedure and control over expenditure was conducted (September 2011) in respect of “Grant Number-16 Police, Other Administrative Services *etc.* Housing, Capital Outlay on Public Works, Capital Outlay on Housing”. The **Director General of Police** was the CO of this Grant. Under this Grant, expenditure during 2010-11 was booked under the major head of account “2055

Police and 4055 Capital Outlay on Police, 2070-Other Administrative Services-108-Fire Protection Control and 2216 Housing – 06 Police Housing”.

Significant cases of savings and excess expenditure over budget provisions noticed during review are detailed below:

2.7.1 Excessive supplementary provision/non surrender of savings

Against budget provision of ₹ 347.10 crore (including supplementary provision of ₹ 97.47 crore), under revenue head, the actual expenditure incurred was ₹ 330.94 crore resulting in savings of ₹ 16.16 crore. In view of final saving of ₹ 16.16 crore, the supplementary provision of ₹ 97.47 crore obtained during the year was in excess of requirement. Out of the saving of ₹ 16.16 crore, the CO surrendered ₹ 14.45 crore on 31 March 2011. The balance saving of ₹ 1.71 crore was not surrendered during the year contrary to the provisions contained in Paragraphs 152 (iii) of the Budget Manual which provides for surrender of all anticipated savings to the Finance Department latest by 15th March so that the same could be utilised for other purposes.

Under Capital account, against the budget provision of ₹ 12.50 crore, the actual expenditure was ₹ 6.86 crore, resulting in a saving of ₹ 5.64 crore. Against this, the CO surrendered ₹ 5.67 crore resulting in excess surrender of ₹ 0.03 crore.

2.7.2 Savings

Hundred *per cent* savings were occurred under eight schemes, in respect of major head of accounts 2055-Police and 2070-Other Administrative Services-108 Fire Protection Control. Major cases are shown in **Table 2.19**.

Table 2.19 : Cases where no part of budget provisions was utilised

Name of the scheme	₹ in lakh)	
	Original provisions	Savings
2055 - Police		
Amenities for all police personnel	3.50	3.50
Contribution to Meghalaya Police Relief and Welfare Fund	4.50	4.50
Central Workshop, Bishnupur, Shillong	9.87	9.87
Range Workshop, Tura	3.97	3.97
Hospital charges(2 nd IR Bn.)	2.62	2.62
Hospital charges(3 rd IR Bn.)	7.68	7.68
Establishment of Traffic Volunteer Schemes	9.72	9.72
2070 – Other Administrative Services - 108 Fire Protection and Control		
Acquisition of Land	200.00	200.00

Failure to utilise the entire budget provisions indicated that the budget provisions were unrealistic.

2.7.3 Excess over provision

As per the detailed Appropriation Accounts for the year 2010-11 prepared by the Accountant General (A&E), under 21 schemes, expenditure of ₹ 195.55 crore exceeded the budget provision by ₹ 5.95 crore. Significant cases are given below:

Table 2.20 : Significant cases of excess expenditure over budget provisions under 2055 - Police during 2010-11

Major Head & Group Head	Final grant or appropriation	Actual expenditure	(₹ in lakh)
			Excess (per cent)
101-Criminal Investigation and Vigilance - 0001(01) State CID Organisation	343.06	412.89	69.83
104-Special Police - 0004(04) 2 nd MLP Battn.	2311.64	2451.11	139.47
109 –District Police - 0001 (01) District Executive Police	11391.08	11661.13	270.05
0013(13) Establishment of Watch Post Scheme	79.44	94.79	15.35
0019(19)- Cost of Police Guards supplied to Monitoring Station, Tura	15.06	27.32	12.26
0020(20) – Establishment of Special Guards for checking/ detecting infiltration from Bangladesh	99.29	112.41	13.12

There were, however, discrepancies between the above figures and those furnished by the CO, the details of which are given below:

Table 2.21 : Details of discrepancies

Major Head & Group Head	Final Grant		Actual expenditure		Difference	
	Detailed Appropriation Accounts	Department's figures	Detailed Appropriation Accounts	Department's figures	Final Grant	Actual expenditure
	(₹ in lakh)					
2055 Police - 101-Criminal Investigation & Vigilance - 0001(01) State CID Organisation	343.06	368.25	412.89	339.72	25.19	73.17
104-Special Police - 0004(04) 2 nd MLP Battn.	2311.64	2342.20	2451.11	2413.48	30.56	37.63
109 –District Police - 0001 (01) District Executive Police	11391.08	11474.19	11661.13	11462.23	83.11	198.90
109-0013(13) Establishment of Watch Post Scheme	79.44	81.42	94.79	77.01	1.98	17.78
109-0019(19)- Cost of Police Guards supplied to Monitoring station, Tura	15.06	15.06	27.32	12.96	...	14.36
109-(20) – Establishment of special Guards for checking/ Detecting infiltration from Bangladesh	99.29	102.59	112.41	107.42	3.30	4.99

According to the Budget Manual, reconciliation of CO's figures of expenditure with those booked in the accounts of the Accountant General (A&E) should be done periodically. But no such reconciliation was done by the CO during 2010-11 which resulted in the discrepancies as indicated above.

2.8 Conclusion and Recommendations

The financial management and budgetary control of the Government was not satisfactory. Government presented ambitious budget of ₹ 5,758.81 crore³ for the year 2010-11, of which it could incur an expenditure of ₹ 4,875.56 crore resulting in an

³ Original plus Supplementary.

overall shortfall in disbursements of ₹ 883.25 crore (15.34 *per cent* of total provision). Supplementary provision of ₹ 197.43 crore obtained in 17 cases proved unnecessary as the expenditure did not come up to the level of original provision. During the current year, Government incurred ₹ 235.38 crore in excess of the provisions under 11 Grants and one Appropriation, which requires regularisation by the State Legislature. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. In many cases, the anticipated savings were not surrendered or surrendered on the last day of the year leaving no scope for utilising these for other development purposes.

There were deficiencies in budgetary procedure and expenditure control. The estimates for receipts and expenditure were prepared without adequate due diligence in observing prescribed budgetary regulations. Delayed submission of departmental estimates, poor verification of departmental figures, *etc.* indicate absence of financial control.

Recommendations

- **Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends in receipts and expenditure in order to avoid large scale savings/excess, re-appropriations and surrenders at the fag end of the year. Savings should be surrendered as and when they were noticed, but not later than the prescribed date of 15 March.**
- **Re-appropriation should be judicious supported by justified reasons to avoid excessive and insufficient funds.**
- **Timely reconciliation should be ensured to avoid misclassifications and distortions in financial reporting.**
- **Finance Department should ensure strict compliance of codal provisions as well as its own instructions of budgetary procedure.**