

## **CHAPTER-II**

# **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**

## 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 2011-12 against 58 Grants and five 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 (+)
<b>Voted</b>	I. Revenue	4652.86	553.11	5205.97	4532.28	(-)673.69
	II. Capital	972.66	48.84	1021.50	855.24	(-)166.26
	III. Loans and Advances	96.50	3.00	99.50	52.38	(-) 47.12
	<b>Total Voted</b>	<b>5722.02</b>	<b>604.95</b>	<b>6326.97</b>	<b>5439.90</b>	<b>(-)887.07</b>
<b>Charged</b>	IV. Revenue	320.95	0.73	321.68	312.09	(-) 9.59
	V. Capital	...	1.30	1.30	...	(-) 1.30
	VI. Public Debt-Repayment	221.32	...	221.32	202.64	(-) 18.68
	<b>Total Charged</b>	<b>542.27</b>	<b>2.03</b>	<b>544.30</b>	<b>514.73</b>	<b>(-) 29.57</b>
<b>Appropriation to Contingency Fund (if any)</b>		...	...	...	...	
<b>Grand Total</b>		<b>6264.29</b>	<b>606.98</b>	<b>6871.27</b>	<b>5954.63</b>	<b>(-)916.64</b>

The overall saving of ₹ 916.64 crore was the result of saving of ₹ 1094.12 crore in 54 Grants and one Appropriation under Revenue Section, 21 Grants and one Appropriation under Capital Section, offset by excess of ₹ 177.48 crore in nine Grants and one Appropriation under Revenue Section and two Grants and one Appropriation under Capital Section.

The savings/excesses were intimated (August 2012) to the Controlling Officers requesting them to explain the significant variations. Department-wise position involving substantial amount of savings/excess (exceeding ₹ 10 crore) 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 26 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 ₹ 1094.12 crore, savings of ₹ 445.08 crore (40.68 per cent)<sup>1</sup> occurred in four cases relating to four Grants as indicated in **Table 2.2**.

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

(₹ in crore)					
Number and name of the Grant	Original	Supple- mentary	Total	Actual expenditure	Savings
<b>I. Revenue-Voted</b>					
11- Other Taxes and Duties on Commodities and Services, etc.	395.45	0.14	395.59	169.38	226.21
34- Welfare of Scheduled Castes/Scheduled Tribes, etc.	214.17	21.38	235.55	177.71	57.84
43- Housing, Crop Husbandry, Agricultural Research and Education etc.	306.85	22.72	329.57	228.07	101.50
<b>Total Revenue -Voted</b>	<b>916.47</b>	<b>44.24</b>	<b>960.71</b>	<b>575.16</b>	<b>385.55</b>
<b>II. Capital-Voted</b>					
19 – Secretariat General Services, Public Works, etc.	89.64	2.19	91.83	32.30	59.53
<b>Total Capital -Voted</b>	<b>89.64</b>	<b>2.19</b>	<b>91.83</b>	<b>32.30</b>	<b>59.53</b>
<b>Grand Total</b>	<b>1006.11</b>	<b>46.43</b>	<b>1052.54</b>	<b>607.46</b>	<b>445.08</b>

Reasons for excessive savings in the above cases had not been furnished (August 2012).

### 2.3.2 Persistent Savings

In eight 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**).

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

**Table 2.3: List of Grants indicating Persistent Savings during 2007-12**

(₹ in crore)

Sl. No.	Number and Name of the grant	Amount of savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
<b>Revenue-Voted</b>						
1.	11- Other Taxes and Duties on Commodities and Services, etc	96.33 (41)	105.04 (27)	155.52 (56)	169.29 (59)	226.21 (57)
2.	29- Urban Development, Capital Outlay on Housing, etc	14.29 (38)	13.09 (38)	16.14 (31)	24.37 (45)	19.74 (31)
3.	34-Welfare of Scheduled Castes, etc.	82.90 (59)	45.33 (39)	73.06 (39)	69.05 (34)	57.84 (25)
4.	39 – Cooperation	7.34 (50)	7.90 (48)	6.15 (36)	5.87 (31)	13.99 (47)
5.	40-North Eastern Areas	43.00 (66)	65.59 (72)	14.96 (39)	44.08 (74)	12.80 (34)
<b>Revenue-Charged</b>						
6.	4-Administration of Justice	1.41 (100)	1.73 (99)	2.65 (100)	2.70 (100)	2.90 (100)
<b>Capital-Voted</b>						
7.	39-Cooperation	4.16 (47)	3.81 (48)	4.08 (53)	3.01 (40)	6.20 (36)
<b>Capital Charged</b>						
8.	Appropriation – Internal Debt of the State Government	41.59 (34)	41.49 (28)	40.60 (25)	37.27 (24)	43.35 (22)

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

Three grants and one Appropriation, viz. ‘Other Taxes and Duties on Commodities and Services, etc.’, Welfare of Scheduled Castes, etc., ‘North Eastern Areas’ and ‘Appropriation – Internal Debt of the State Government’ posted large savings persistently for the last five years.

### 2.3.3 Expenditure without Provision

As per the Budget Manual<sup>2</sup>, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 48.63 crore was incurred in 41 cases as detailed in **Appendix 2.3** 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 2.4**.

**Table 2.4: Expenditure incurred without provision during 2011-12**

(₹ in crore)

Sl. No.	Grant/Appropriation Number. – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
1.	19 – 2059 – 80 – 001 – (07) Divisional and Subordinate Offices (Roads) General	1.02
2.	21 – 2202 – 02 – 800 – 19 Payment of Decretal – General	1.26
3.	21 – Centrally Sponsored Scheme – 2203 – 103 – (03) Setting up of Technical University – General	5.00
4.	21 – 2204 – 800 – (01) Urban Infrastructure – General	4.30
5.	26 – 2211 – 101 – (02) Rural Family Welfare Sub-Centres - Sixth Schedule (Part II) Areas	3.61

<sup>2</sup> Budget Manual of the Government of Assam (Volume I) as adopted by the Government of Meghalaya

Sl. No.	Grant/Appropriation Number. – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
6.	26 – Centrally Sponsored Schemes – 2211- 003 – (02) Schemes for Auxiliary Nurses and Mid-Wives Training Programme (Female Health Workers) – Sixth Schedule (Part II) Areas	1.04
7.	26 – Centrally Sponsored Schemes - 2211 – 101 – (02) Rural Family Welfare Sub-Centres - Sixth Schedule (Part II) Areas	6.67
8.	26 – Centrally Sponsored Schemes - 2211 – 101 – (02) Rural Family Welfare Sub-Centres - General	3.64
9.	26 – 4210 – 01 – 110 – (23) Upgradation of State T.B. Cum Demonstration and Training Centre Shillong – Sixth Schedule (Part II) Areas	2.43
10.	27 – 4215 – 01 – 102 – (02) Rural Water Supply Maintenance - Sixth Schedule (Part II) Areas	5.77
11.	30 – 2220 – 60 – 001 – (01) Directorate of Information and Public Relations - Sixth Schedule (Part II) Areas	1.62
12.	42 – 3475 – 106 – (06) Strengthening of Weights and Measures Infrastructures – General	1.00
13.	56 – 5054 – 04 – 800 - (08) HUDCO Loan – Sixth Schedule (Part-II) Areas	2.49

### 2.3.4 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 2.4** an amount of ₹ 438.15 crore were drawn at the fag end of the year and deposited into the head of Account 8443-Civil Deposit to avoid lapse of budget grant.

### 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 regularisation of excess 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 ₹ 1210.96 crore for the years from 1971-72 to 2010-11 was yet to be regularised, details of which are given in **Appendix 2.5**.

Out of the total excess expenditure of ₹ 1210.96 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 (October 2012) from the Law Department, Government of Meghalaya. Department-wise position of such excess expenditure is given in **Appendix 2.6**.

### 2.3.6 Excess over provisions during 2011-12 requiring regularisation

**Table 2.5** contains the summary of total excess in 11 Grants and two Appropriations amounting to ₹ 177.48 crore over authorisation from the Consolidated Fund during 2011-12 and requires regularisation under Article 205 of the Constitution.

**Table 2.5 : Excess over provisions requiring regularisation during 2011-12**

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (per cent)
<b>Revenue – Voted</b>				
1.	7 – Stamps and Registration	1.78	1.82	0.04 (2)
2.	14 – District Administration	20.22	22.04	1.82 (9)
3.	23 – Other Administrative Services	3.39	4.57	1.18 (35)
4.	24 – Pensions and Other Retirement Benefits	236.62	375.79	139.17 (35)
5.	25 – Miscellaneous General Services	0.87	0.87	<sup>3</sup>
6.	32 – Civil Supplies, Capital Outlay on Food Storage and Warehousing	10.85	10.86	0.01 (0.09)
7.	35 – Social Security and Welfare	0.85	0.86	0.01 (1)
8.	44 – Medium Irrigation, Flood Control and Drainage, Capital Outlay on Medium Irrigation, Capital Outlay on Flood Control Projects	0.81	0.91	0.10 (12)
9.	56 – Roads and Bridges, Capital Outlay on Roads and Bridges	112.91	118.45	5.54 (5)
10.	Appropriation – Public Service Commission	2.60	2.60	<sup>4</sup>
<b>Capital – Voted</b>				
1.	52 – Industries, Capital Outlay on Cement, Capital Outlay on Industries and Minerals, Other Loans to Industries and Minerals	14.60	14.83	0.23 (2)
2.	56 – Roads and Bridges, Capital Outlay on Roads and Bridges	310.76	315.48	4.72 (2)
3.	Appropriation – Loans and Advances from the Central Government	20.62	45.29	24.67 (120)
<b>Total</b>		<b>736.88</b>	<b>914.37</b>	<b>177.48</b>

In six of the above cases, expenditure aggregating ₹ 177.10 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. Of these, in one grant viz. Grant No.24 – Pension & other retirement benefits (Table 2.6), 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 2.6 : List of Grants indicating persistent excess expenditure during 2007-12**

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Excess Expenditure				
		2007-08	2008-09	2009-10	2010-11	2011-12
1.	24- Pension and other Retirement benefits (Revenue - Voted)	21.32	46.19	31.89	97.97	139.17

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 245.72 crore obtained in 24 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 2.7. In four cases,

<sup>3</sup> ₹14,000 only.

<sup>4</sup> ₹5,000 only.

supplementary provision of ₹ 5.94 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 142.40 crore (Table 2.7).

**Table 2.7: Insufficient Supplementary Provisions**

(₹ in crore)

Number and Name of Grant	Original Provision	Supplementary provision	Total	Expenditure	Excess
14 – District Administration Revenue – Voted	19.00	1.22	20.22	22.04	1.82
23 – Other Administrative Services Revenue – Voted	2.39	1.00	3.39	4.57	1.18
24 – Pensions and Other Retirements Benefits Revenue – Voted	235.90	0.72	236.62	375.79	139.17
52 – Industries, Capital Outlay on Cement, Capital Outlay on Industries and Minerals, Other Loans to Industries and Minerals Capital – Voted	11.60	3.00	14.60	14.83	0.23
<b>Total</b>	<b>268.89</b>	<b>5.94</b>	<b>274.83</b>	<b>417.23</b>	<b>142.40</b>

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

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. As per the Appropriation Accounts, re-appropriation made under 202 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 2.8**.

### 2.3.9 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 2011-12 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”, “less expenditure than anticipated”, “non-receipt of sanction”, “non-implementation of the scheme” etc.

### 2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 169 sub-heads on account of either non-implementation or non receipt of sanction of schemes/programmes. Out of the total provision of ₹ 758.19 crore in these 169 schemes, ₹ 583.99 crore were surrendered, which included cent per cent surrender in 56 schemes. The details of 27 such cases involving surrender of entire provisions of ₹ 208.82 crore are given in **Appendix 2.9**.

### 2.3.11 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 13 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 137.84 crore, the amount surrendered was ₹ 148.58 crore resulting in excess surrender of ₹ 10.74 crore (**Appendix 2.10**). 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
4 – Administration of Justice Revenue – Voted	10.27	0.91	1.26	0.35
9 – Sales Tax, Other Taxes and Duties on Commodities and Services Revenue – Voted	20.21	4.03	7.04	3.01
30 – Information and Publicity Revenue – Voted	17.31	1.32	1.97	0.65
34 – Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes, etc Revenue – Voted	235.55	57.84	62.52	4.68
36 – Miscellaneous General Services, Social Security and Welfare Revenue – Voted	2.36	0.12	0.50	0.38
38 – Secretariat Economic Services Revenue – Voted	198.24	2.72	3.33	0.61
54 – Housing, Village and Small Scale Industries, Capital Outlay on Housing, etc. Revenue – Voted	24.60	4.67	5.07	0.40
<b>Total</b>	<b>508.54</b>	<b>71.61</b>	<b>81.69</b>	<b>10.08</b>

### 2.3.12 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 15<sup>th</sup> March at the latest. At the close of the year 2011-12, 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 ₹ 39.88 crore (4.35 per cent of the overall savings of ₹ 916.64 crore) (**Appendix 2.11**).

Similarly, out of total savings of ₹ 480.93 crore under 20 other Grants/Appropriation (savings of ₹ 1 crore and above were indicated in each Grant/Appropriation), amount aggregating ₹ 271.74 crore (57 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.12**. Besides, in 41 cases, (surrender of funds in



excess of ₹ 1 crore), ₹ 801.01 crore were (**Appendix 2.13**) surrendered on the last working day of March 2012, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

### 2.3.13 Rush of expenditure

Rush of expenditure at the close of the year can lead to infructuous, 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 2011-12, the expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 24.92 per cent and 79.90 per cent and 17.69 per cent and 78.97 per cent respectively in respect of nine 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 2011-12**

(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2055	341.40	85.07	24.92	60.40	17.69
2.	2202	943.89	342.49	36.28	298.13	31.59
3.	2210	256.62	92.11	35.89	48.67	18.97
4.	2235	68.87	38.37	55.71	35.63	51.74
5.	2401	146.56	100.01	68.24	88.29	60.24
6.	2406	76.45	30.23	39.54	23.23	30.39
7.	2501	51.69	31.57	61.08	31.31	60.57
8.	2852	7.98	3.15	39.47	1.66	20.80
9.	3451	214.44	171.34	79.90	169.35	78.97

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 departmental 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 2011-12 (Volume I), the total amount of DCC bills received during the period 2008-12 was only ₹ 11.16 crore against the amount of AC bill of ₹ 13.99 crore leading to an outstanding balance of AC bills of ₹ 2.83 crore as on March 2012. Year wise details are given in the table below:

**Table 2.10 : Outstanding DCC Bills**

(₹ in crore)				
Year	Amount drawn on AC bills	Amount of DCC bills	Outstanding AC bills	Percentage of outstanding AC bills
Up to 2008-09	11.00	8.98	2.02	18.36
2009-10	0.28	0.14	0.14	50.00
2010-11	2.45	1.88	0.57	23.27
2011-12	0.26	0.16	0.10	38.46
<b>Total</b>	<b>13.99</b>	<b>11.16</b>	<b>2.83</b>	<b>20.23</b>

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 2011-12, 10 out of 47 COs did not reconcile expenditure amounting to ₹ 2529.91 crore as of March 2012.

## **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 2011, there were 13 PD accounts with a balance of ₹ 1.82 crore. One PD account involving ₹ 0.17 crore was opened and no PD account was closed during the year. As of 31 March 2012, 14 PD accounts involving ₹ 1.63 crore were in existence.

## **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 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 budgetary system***

An attempt has been made to examine and evaluate the budget documents of the Government of Meghalaya for the year 2011-12. The findings of Audit are given in the succeeding paragraphs.

### ***2.6.4 Budget Process***

As contemplated in Paragraphs 1 and 78 of Budget Manual, 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 (29 October) fixed by the Finance (Budget) Department in September 2010. Instances of such delays are given in **Table 2.11**.

**Table 2.11: Statement showing the date of submission of Budget Estimates**

Sl. No.	Name of the Department	Grant Number (Head of Accounts)	Date of submission of Departmental Budget Estimates	Period of delay
1.	Election	05 (2015)	10-01-2011	Two Months
2.	Secretariat Administration Department.	13 (2052,2251,3451 )	02-12-2010	One Month
3.	Police	16 (2055,2070)	21-01-2011	Two Months
4.	Printing and Stationery	18 (2058)	01-12-2010	One Month
5.	Education, Sports, Art & Culture	21 (2202)	18-01-2011	Two Months
6.	Finance (Pension Cell)	24 (2071)	10-01-2011	Two Months
7.	Health & Family Welfare	26 (2210)	06-12-2010	One Month
8.	Public Health Engineering	27 (2215)	20-01-2011	Two Months
9.	Directorate of Information and Public Relation	30 (2220)	08-12-2010	One Month
10.	Labour	31 (2230)	10-01-2011	Two Months
11.	Agriculture	43 (2401)	17-12-2010	One Month
12.	Agriculture	45 (2402)	09-12-2010	One Month
13.	Agriculture	49 (2405)	09-12-2010	Two Months
14.	Agriculture	51 (2401)	09-12-2010	One Month
15.	Forest	50 ( 2406)	11-01-2011	Two Months

As can be seen from the above table, there were delays ranging from one month to two 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 provision

The position of Revenue and Capital receipts under Consolidated Fund during 2011-12 is presented in **Table 2.12** below:

**Table 2.12: 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
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
2011-12	5602.16	4654.47	947.69	16.92	648.11	490.62	157.49	24.30

Source: Annual Financial Statement and Finance Accounts

As can be seen from the table above, the shortfall of revenue receipts ranged between 3.03 per cent and 16.92 per cent, and that of capital receipts ranged between 16.09 per cent and 29.44 per cent during 2009-12. 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, though called for in August 2012. 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 2011-12 are shown in the **Table 2.13** below:

**Table 2.13**

(₹ in crore)

Year	Revenue Account				Capital Account (including Loans and Advances and Public Debt)			
	Budget Provision	Actual Expenditure	Shortfall in expenditure	Percentage of shortfall	Budget Provision	Actual Expenditure	Shortfall in expenditure	Percentage of shortfall
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	18.73
2011-12	5527.65	4844.37	683.28	12.36	1343.62	1110.26	233.36	17.37

In all the three years there was overestimation of expenditure which resulted in savings ranging from around 12 per cent to 17 per cent under Revenue Account and 17 per cent to 40 per cent under Capital Account. This was indicative of the fact that contrary to the prescribed budgetary regulations estimation was made without proper analysis of actual needs.

#### 2.6.7 Inaccuracy in preparation of revised estimates

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

Cases where in the revised estimates were mere repetition of the budget estimates leading to excess/shortfall in actual expenditure during 2011-12 under both receipts and expenditure heads of accounts are given below:

**Table 2.14: Variation between revised estimated and actuals**

(₹ in crore)

Sl.No	Number and name of head of accounts	Budget estimates	Revised estimated provision	Actuals	Variation Excess(+)/ Shortfall (-) (per cent)
<b>RECEIPTS</b>					
1.	0029- Land Revenue	3.23	3.23	2.40	(-) 0.83 (26)
2.	0030- Stamps & Registration	12.29	12.29	9.08	(-) 3.21 (26)
3.	0032- Taxes on Wealth	0.82	0.82	1.59	(+) 0.77 (94)
4.	0038- Union Excise Duties	139.01	139.01	117.13	(-)21.88 (16)
5.	0040- Sales Tax	418.20	418.20	512.50	(+) 94.30 (23)
6.	0041- Taxes on Vehicles	18.59	18.59	31.12	(+) 12.53 (67)
7.	0043- Taxes & Duties on Electricity	1.36	1.36	0.87	(-) 0.49 (36)
8.	0044- Service Tax	105.72	105.72	124.78	(+) 19.06 (18)
9.	0049- Interest Receipts	23.65	23.65	27.13	(+) 3.48 (15)
10.	0202- Education, Sports, Art & Culture	1.44	1.44	0.79	(-) 0.65 (45)
11.	0215- Water supply and Sanitation	13.32	13.32	3.74	(-) 9.58 (72)
12.	0220- Information and Publicity	0.17	0.17	0.05	(-) 0.12 (70)
13.	0235- Social Services & Welfare	0.54	0.54	0.01	(-) 0.53 (98)

Sl.No	Number and name of head of accounts	Budget estimates	Revised estimated provision	Actuals	Variation Excess(+)/ Shortfall (-) (per cent)
14.	0404- Dairy Development	1.43	1.43	0.02	(-) 1.41 (99)
15.	0515- Other Rural Development Programme	0.43	0.43	0.01	(-) 0.42 (98)
16.	0853- Non-Ferrous Mining and Metallurgical Industries	276.42	276.42	262.58	(-) 13.84 (5)
<b>EXPENDITURE</b>					
1.	2039- State Excise	14.11	14.11	11.23	(-) 2.88 (20)
2.	2041- Taxes on Vehicles	10.98	10.98	13.42	(+) 2.44 (22)
3.	2053- District Agriculture	19.00	19.00	22.04	(+) 3.04 (16)
4.	2055- Police	315.90	315.90	341.41	(+) 25.51 (8)
5.	2059- Public Works	176.85	176.85	138.64	(-) 36.85 (21)
6.	2205- Art & Culture	22.99	22.99	32.55	(+) 9.56 (42)
7.	2210- Medical & Public Health	290.07	290.07	256.62	(-) 33.45 (12)
8.	2211- Family Welfare	11.16	11.16	29.19	(+) 18.03 (162)
9.	2217- Urban Development	60.83	60.83	44.55	(-) 16.28 (27)

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 (i) 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 25<sup>th</sup> November and 1<sup>st</sup> 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 and surrender

According to Budget Manual (Paragraph 152-iii), the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department latest by 15 March as and when the savings are anticipated. There were, however, over estimation in respect of 38 to 43 Grants/Appropriations under revenue section and 12 to 15 Grants under Capital Section during 2011-12. The percentage of significant savings during the period from 2009-12 vis-à-vis budget provisions and actual expenditure is depicted in **Table 2.15**.

**Table 2.15**

(₹ in crore)

Section	Year	Number of Grants/ Appropriation	Total Budget Provision	Total expenditure	Savings (per cent)	Amount surrendered (per cent)	Unsurrendered saving (per cent)
Revenue	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)
	2011-12	43	4675.38	3851.44	823.94 (17)	566.46 (69)	257.48 (45)
Capital	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)
	2011-12	12	720.55	492.01	228.54 (32)	222.92 (98)	5.62 (3)

Source: Appropriation Accounts.

Huge savings against budget provisions, which was 17 to 21 per cent under revenue section and 32 per cent to 48 per cent under capital section during 2009-12, indicated that the provisions were made without assessing the actual requirement. 3 per cent to 45 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 not surrendering of the same were not furnished despite repeated requests.

#### 2.6.10 Excess expenditure over budget provision

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. Instances of such cases involving excess expenditure exceeding ₹ 1 crore in each case are given in **Table 2.16**

**Table 2.16**

(₹ in crore)

Name of Account	Year	Grant Number/ Appropriation	Total Grant/ Appropriation	Total expenditure	Excess expenditure
Revenue Account	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
	2011-12	14,23,24, & 56	373.14	520.85	147.71
Capital Account	2009-10	-	-	-	-
	2010-11	-	-	-	-
	2011-12	56	310.76	315.48	4.72

It is, thus evident that due to failure to follow 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 year 2011-12 are presented in **Table 2.17**.

**Table 2.17 : 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)
<b>Social Services</b>								
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)
2011-12	1404.85 (63.79)	797.29 (36.21)	2202.14	1098.94 (78.22)	931.93 (116.89)	2030.87	- 305.91 (21.78)	(+) 134.64 (16.89)
<b>Total</b>	<b>3460.78</b> <b>(62.27)</b>	<b>2097.21</b> <b>(37.73)</b>	<b>5557.99</b>	<b>2378.80</b> <b>(68.74)</b>	<b>2394.67</b> <b>(114.18)</b>	<b>4773.47</b>	<b>-1081.98</b> <b>(31.26)</b>	<b>+297.46</b> <b>(14.18)</b>
<b>Economic Services</b>								
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)
2011-12	1770.94 (77.59)	511.49 (22.41)	2282.43	1598.52 (90.26)	521.02 (101.87)	2119.55	-172.42 (9.74)	(+) 9.53 (1.86)
<b>Total</b>	<b>4390.94</b> <b>(76.61)</b>	<b>1340.29</b> <b>(23.39)</b>	<b>5731.23</b>	<b>3695.02</b> <b>(84.15)</b>	<b>1430.25</b> <b>(106.71)</b>	<b>5125.27</b>	<b>-695.92</b> <b>(15.85)</b>	<b>+89.94</b> <b>(6.71)</b>

Source : Memorandum of Budget Estimates and Finance Accounts

#### ● Social services

During 2009-12, provision for Plan and Non-Plan expenditure under Social services were made as ₹ 3460.78 crore and ₹ 2097.21 crore respectively which constituted 62.27 per cent and 37.73 per cent of the total provisions. However, the actual expenditure under Plan and Non-Plan was for ₹ 2378.80 crore and ₹ 2394.67 crore which constituted 68.74 per cent and 114.18 per cent of the total provisions. While, there was a shortfall in Plan expenditure against the budget provision during all the three years, the Non-Plan expenditure exceeded the budget provisions.

#### ● Economic Services

There was deterioration in the consumption of budget provisions for Plan expenditure, which decreased to 90.26 per cent from 95.18 per cent during the previous year. Non-Plan expenditure far surpassed the budget provisions during all the three years (2009-12). While the overall shortfall during 2009-12 over the expectation (provisions) under Plan expenditure was 15.85 per cent, the Non-Plan expenditure exceeded the budget provision by 6.71 per cent during the period.



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

## 2.7 Outcome of review of selected Grant

A review of budgetary procedure and control over expenditure was conducted (September 2012) in respect of 'Grant Number -51 Housing, Nutrition, Crop Husbandry, Special Programme for Rural Development, Rural Employment, Other Rural Development Programmes, Capital outlay on Housing, Capital outlay on Rural Development, Loans for other Rural Development Programmes'. The Director of Community and Rural Development is the Controlling officer of this grant.

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

Under revenue head there was a Budget provision of ₹ 291.24 crore (including supplementary provision of ₹ 91.19 crore), out of which the actual expenditure incurred was ₹ 272.59 crore resulting in final savings of ₹ 18.65 crore. Out of the saving of ₹ 18.65 crore the Controlling Officer surrendered ₹ 45,000 only on 31 March 2012. The balance savings of which was around ₹ 18.65 crore, was not surrendered during the year contrary to the provisions in Paragraph 152 (iii) of the Budget Manual which provides for surrender of all anticipated savings to the Finance Department latest by 15 March so that the same could be utilised for other purpose.

### 2.7.2 Savings

Savings ranged between 69 *per cent* and 100 *per cent* were occurred under seven schemes, in respect of major Head of accounts 2216-Housing, 2501- Special Programme for Rural Development and 2515 – Other Rural Development Programmes. Major cases are shown in the table below:

**Table 2.18 : Cases where no part of budget provisions was utilised**

(₹ in lakh)			
Name of the Scheme	Original Provision	Savings	Percentage
<b>2216 – Housing</b>			
Maintenance and Repair	59.00	43.64	74
<b>2501 – Special Programme for Rural Development</b>			
Self Employment Programme	374.90	346.66	92
State Institute for Research and Training of Rural Development (SIRD)	76.66	66.82	87
Extension of Training Centre (ETC)	32.50	22.50	69
Tribal Area Development Programme under Article 275 (1)	1100.00	1100.00	100
<b>2515 – Other Rural Development Programmes</b>			
Non-lapsable Central Pool of Resources for Development of North East	100.00	100.00	100
Construction and Maintenance of Departmental Building/Non-residential Building	4.00	4.00	100

### 2.7.3 Excess over provision

As per detailed Appropriation Accounts for the year 2011-12 prepared by the Accountant General (A&E), under three schemes, expenditure of ₹ 25.35 crore exceeded the budget provision by ₹ 1.43 crore. The details are given below :

**Table 2.19: Excess expenditure over budget provisions**

Name of the Scheme	(₹ in lakh)		
	Original provision	Actual expenditure	Excess
<b>2515 – Other Rural Development Programmes</b>			
0002 (02) District Office under Community Development	118.69	125.78	7.09
0005 (05) Stage II Block Offices	2243.89	2378.43	134.54
<b>4515 – Capital Outlay on Other Rural Development Programmes</b>			
(01) Construction, Repair and Maintenance of Govt. Residential/ Non-residential Buildings for the existing Blocks and New Block	30.00	30.98	0.98

## 2.8 Conclusion and Recommendations

### 2.8.1 Conclusion

The financial management and budgetary control of the Government was not satisfactory. Government presented ambitious budget of ₹ 6871.27 crore<sup>5</sup> for the year 2011-12, of which it could incur an expenditure of ₹ 5954.63 crore resulting in an overall shortfall in disbursements of ₹ 916.64 crore (13.34 per cent of total provision). Supplementary provision of ₹ 245.72 crore obtained in 24 cases proved unnecessary as the expenditure did not come up to the level of original provision. During the current year, Government incurred ₹ 177.48 crore in excess of the provisions under 11 Grants and two 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.

### 2.8.2 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.**

<sup>5</sup> Original plus Supplementary.