

## Chapter II

### Financial Management and Budgetary Control

#### 2.1 Introduction

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

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

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-2011 against 82 grants/appropriations is given in **Table 2.1**.

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

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	3973.20	274.39	4247.59	3794.53	(-) 453.06
	II Capital	1282.79	127.50	1410.29	1122.94	(-)287.35
	III Loans and Advances	6.28	0.00	6.28	4.12	(-)2.16
<b>Total Voted</b>		<b>5262.27</b>	<b>401.89</b>	<b>5664.16</b>	<b>4921.59</b>	<b>(-)742.57</b>
<b>Charged</b>	IV Revenue	448.23	2.27	450.50	432.42	(-)18.08
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	780.55	0.00	780.55	261.16	(-)519.39
<b>Total Charged</b>		<b>1228.78</b>	<b>2.27</b>	<b>1231.05</b>	<b>693.58</b>	<b>(-)537.47</b>
<b>Appropriation to Contingency Fund (if any)</b>		0.00	0.00	0.00	0.00	0.00
<b>Grand Total</b>		<b>6491.05</b>	<b>404.16</b>	<b>6895.21</b>	<b>5615.17</b>	<b>(-)1280.04</b>

The overall saving of ₹ 1280.04 crore was the result of saving of ₹ 1370.59 crore in 61 grants and 5 appropriations under Revenue Section, 33 grants and 1 appropriation (Public Debt-Repayments) under Loan Section, offset by excess of ₹ 90.55 crore in 13 grants under Revenue Section and 8 grants under Capital Section.

The savings/excess (Detailed Appropriation Accounts) were intimated in September 2011 to the Controlling Officers requesting them to explain the significant variations. Besides regular reminders, separate meetings were also held with the Controlling Officers of each department by the Senior Deputy Accountant General (Accounts and Entitlement) in which they were again requested to furnish reasons for excess/savings. The reasons for variation were not received (December 2011) in any case except for two departments i.e. State Legislature and Public Health Engineering. The reasons stated (September 2011) by these two departments were non-payment of 'electricity bills' and 'ACP/MACP arrears due to delay in finalisation of the scheme' respectively.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 44 cases, savings exceeded ₹ one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 1280.04 crore, savings of ₹ 1054.03 crore (82.34 per cent) occurred in seven grants<sup>11</sup> as indicated in **Table 2.2**.

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

<i>(Rupees in crore)</i>						
Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1	18- Pensions and other Retirement Benefits	496.33	0.00	496.33	335.97	160.36
2	31- School Education	631.95	0.00	631.95	558.82	73.13
3	59- Irrigation and Flood Control	165.94	2.22	168.16	112.53	55.63
<b>Capital-Voted</b>						
4	27-Planning Machinery	120.82	0.00	120.82	55.55	65.27
5	36-Urban Development	152.19	5.75	157.94	53.32	104.62
6	60-Water Supply Schemes	104.26	0.00	104.26	28.63	75.63
<b>Capital-Charged</b>						
7	75-Servicing of Debt	780.55	0.00	780.55	261.16	519.39
<b>Total</b>		<b>2452.04</b>	<b>7.97</b>	<b>2460.01</b>	<b>1405.98</b>	<b>1054.03</b>

The reason for savings had not been intimated by any Department (December 2011).

### 2.3.2 Persistent Savings

There were persistent savings of more than ₹ 50 lakh in each case and also by 10 per cent or more of the total grant in seven cases during the last five years (**Table 2.3**).

<sup>11</sup> Exceeding ₹ 50 crore in each case.

**Table 2.3: List of Grants indicating Persistent Savings during 2006-2011**

*(Rupees in crore)*

Sl. No.	No. and Name of the grant	Amount of savings				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Capital-Voted</b>						
1	27-Planning Machinery	49.67	121.36	118.85	256.99	65.27
2	35- Medical, Public Health and Family Welfare	9.90	7.93	37.61	14.23	5.49
3	36- Urban Development	14.97	17.07	60.37	116.83	104.62
4	39- Tourism	3.88	1.00	0.60	22.73	2.84
5	45- Co-operation	8.76	11.94	14.71	28.34	1.26
6	55- Power Projects	52.99	66.63	18.28	30.61	27.73
7	65- State Council of Education Research and Training	1.53	4.06	1.20	1.46	0.85

The reasons for persistent savings had not been intimated (December 2011).

### 2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of ₹ 23.10 crore was incurred in 11 cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

**Table 2.4: Expenditure incurred without provision during 2010-11**

*(Rupees in crore)*

Number and Name of		Amount of Expenditure without provision	Reasons/ Remarks
Grants	Head of Account		
40-Employment and Training	4250-203-03-Strengthening of existing ITI Buildings and construction of New Buildings for ITI	1.37	Not indicated
42-Rural Development	2501-01-800-02-IREP	1.01	Not indicated
43-Social Security and Welfare	2235-02-104-03-National Family Benefit Scheme	2.90	Not indicated
50-Animal Husbandry and Diary Development	2403-101-04-Disease Investigation Unit	1.06	Not indicated
58-Roads and Bridges	3054-80-799-01-Stock(Dr)	0.08	Not indicated
58-Roads and Bridges	3054-80-799-03-Misc. Advance (Dr)	0.01	Not indicated
60-Water Supply Schemes	2215-01-799-02-Stock(Dr)	13.24	Not indicated
62-Civil Administration Works	4059-80-051-62-Construction (CAWD)	3.14	Not indicated
64-Housing	4059-80-051-Construction	0.14	Not indicated
64-Housing	4059-80-051-24-Others	0.04	Not indicated
68-Police Engineering Project	2055-800-03-Repairs and Maintenance	0.11	Not indicated
<b>Total</b>		<b>23.10</b>	

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

As per provision of Central Treasury Rules read with Rule 290 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below the amounts drawn were neither fully spent for

the specific purposes nor remitted to Government Account before closure of financial year 2010-2011.

Information in this regard, during the year 2010-11 was called for (November 2011) from 49 departments. However, only 7 departments furnished (December 2011) the information which showed that an amount of ₹ 50.14 crore remained undisbursed in respect of 6 departments as shown below:

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

*(Rupees in crore)*

Sl. No	Number and name of Grants	Amount drawn during 2010-11	Amount remaining undisbursed
1.	14-Director General of Prisons	0.53	0.53
2.	31-School Education	5.34	5.34
3.	60-Public Health Engineering Department	6.78	6.78
4.	62-Civil Administration Works Department	5.53	5.53
5.	70-Horticulture	7.00	7.00
6.	77-Development of Underdeveloped Areas	36.43	24.96
<b>Total</b>		<b>61.61</b>	<b>50.14</b>

The above funds were drawn to avoid lapse of budget grant in violation of rules and regulations.

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

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation 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 completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, except 2002-05 the excess expenditure amounting to ₹ 384.53 crore for the years 2000-01 to 2009-10 is yet to be regularised (**Appendix 2.2**).

### **2.3.6 Excess over provision during 2010-2011 requiring regularisation**

**Appendix 2.3** contains the summary of total excess in 17 grants amounting to ₹ 90.55 crore over authorisation from the Consolidated Fund of the State during 2010-2011 requiring regularisation under Article 205 of the Constitution.

### **2.3.7 Excess expenditure over approved provision by more than ₹1 crore or 20 per cent of the total provision.**

Expenditure aggregating ₹ 989.25 crore in 10 cases exceeded the approved provision by ₹ 88.89 crore which is more than one crore or 20 *per cent* of the total provision in each case. Details are given in **Table 2.6**.

**Table 2.6: Statement of various grants/appropriations where Expenditure was more than ₹ 1 crore each or more than 20 per cent over the total provision**

(Rupees in crore)					
Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Expenditure	Percentage of Excess Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
<b>Revenue (Voted)</b>					
1.	35	Medical, Public Health & FW	202.04	204.23	2
2.	43	Social Security & Welfare	123.38	126.13	2
3.	52	Forest, Ecology, Environment & Wild Life	50.92	53.33	5
4.	58	Roads and Bridges	104.94	106.58	2
<b>Capital (Voted)</b>					
5	4	Administration of Justice	30.32	38.72	28
6	22	Civil Supplies	1.23	1.93	57
7	40	Employment and Training	3.03	4.40	45
8	58	Roads and Bridges	313.74	341.89	9
9	62	Civil Administration Works	19.72	44.08	124
10	68	Police Engineering Project	51.04	67.96	33
<b>Total</b>			<b>900.36</b>	<b>989.25</b>	

Government did not furnish any reason/explanation for the excess expenditure (December 2011).

### 2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 39.35 crore obtained in 14 cases, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.4**. In 4 cases, supplementary provision of ₹ 83.47 crore proved insufficient by ₹ one crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 34.73 crore (**Appendix 2.5**).

### 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. Injudicious re-appropriation proved excessive or insufficient and resulted in savings of ₹ 265.52 crore in 87 sub-heads. The excess was ₹ 220.20 crore in 64 sub-heads as detailed in **Appendix 2.6**.

### 2.3.10 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that out of 82 cases, re-appropriation was done in 53 cases (65 per cent) without stating specific reasons for additional expenditure.

### 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 10 Major Head of Accounts. Out of the total

provision amounting to ₹ 1230.31 crore in these Major Heads, ₹ 814.52 crore (66.20 *per cent*) were surrendered, which included *cent per cent* surrender under one major head (₹ 21.50 crore). The details of such cases are given in **Appendix 2.7**.

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

In 3 cases, the amount surrendered (₹ 1 crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 10.54 crore, the amount surrendered was ₹ 14.44 crore resulting in excess surrender of ₹ 3.90 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

### **2.3.13 Anticipated savings not surrendered**

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2010-2011, there were 13 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 2.07 crore. (**Appendix 2.9**).

An amount of ₹ 114.87 crore being savings in 6 grants, ₹ 2 crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 18 cases (surrender of funds in excess of ₹ 10 crore), ₹ 665.06 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2011 indicating inadequate financial control. Thus, these funds could not be utilised for other developmental purposes.

### **2.3.14 Rush of expenditure**

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 37 grants listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 *per cent* of the total expenditure for the year either during the last quarter or during the last month of the financial year.

The expenditure in the month of March/last quarter of the financial year ranged between 50 *per cent* and 100 *per cent* of the total expenditure which indicates lack of effective financial control and violation of financial rules.

## **2.4 Non-reconciliation of Departmental figures**

### **2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills**

As per rule 309 of Central Treasury Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). The total amount of DCC bills received during the period 2008-11 was only ₹ 10.18 crore against ₹ 32.03 crore drawn on AC bills leading to pendency of DCC bills of ₹ 21.85 crore as on 31 March 2011. Year wise details are given in **Table 2.7**.

**Table 2.7: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills**

*(Rupees in crore)*

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
Up to 2008-09	17.24	5.97	34.63	11.27
2009-10	10.13	4.21	41.56	5.92
2010-11	4.66	0.00	0.00	4.66
<b>Total</b>	<b>32.03</b>	<b>10.18</b>	<b>31.78</b>	<b>21.85</b>

As on 31 March 2011, there were 97 unadjusted AC bills involving ₹ 21.85 crore drawn by various Departments. Department-wise pending DCC bills for the year up to 2010-11 are detailed in **Appendix 2.13**.

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

#### 2.4.2 Un-reconciled expenditure

As per General Financial Rules, all the Controlling Officers are required to reconcile the receipts and expenditure booked by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). During the year 2010-11, three grants out of 82 Grants involving expenditure of ₹ 26.05 crore were not reconciled by the departments with the expenditure booked in the books of the Accountant General (Accounts & Entitlement). The details are shown below:

**Table No 2.8: Grant-wise un-reconciled expenditure**

*(Rupees in crore)*

Grant No.	Name of Department	Expenditure	
		Revenue	Capital
30	Administrative Training Institute	2.17	1.00
37	Municipal Administration	3.09	-
65	SCERT	17.01	2.78
<b>Total</b>		<b>22.27</b>	<b>3.78</b>

#### 2.5 Non-utilisation of funds

The details of funds drawn, its utilisation and funds kept in civil deposit/current bank accounts is presented in the table below.

**Table 2.9 : Non-utilisation of funds during the year 2010-11**

*(Rupees in crore)*

Sl No	Name of Department	Amount drawn	Expenditure incurred	Amount kept in civil deposit	Amount kept in current bank account
1	Directorate of Youth resources and Sports	33.10	-	9.39	23.71
2	Directorate of Soil and Water Conservation	1.25	-	1.25	-
3	Executive Engineer, Urban Development	29.95	6.52	9.87	13.56
4	Directorate of Agriculture	251.00	-	251.00	-
5	Registrar of Co-operative Society	9.82	-	9.82	-
6	Directorate of Veterinary & Animal Husbandry	8.96	-	8.96	-
7	Directorate of School Education	5.34	-	5.34	-
8	Chief Engineer, PHED	6.78	-	6.78	-
9	Civil Administration Works Department	5.53	-	5.53	-
10	Directorate of DUDA	36.43	11.47	12.00	12.96
11	Directorate of Horticulture	7.00	-	7.00	-
	<b>Total</b>	<b>395.16</b>	<b>17.99</b>	<b>326.94</b>	<b>50.23</b>

The table above shows that an amount of ₹ 395.16 crore was drawn by 11 departments during the year 2010-11 for implementation of different schemes, construction of office buildings and purchase of vehicle. Out of the amount drawn the departments utilised only an amount of ₹ 17.99 crore (4.55 per cent) in the current financial year. The remaining amount was kept in Civil Deposit ₹ 326.94 crore (82.74 per cent) and Current Bank Account ₹ 50.23 crore (12.71 per cent).

## 2.6 Outcome of the Review of Selected Grant

A review of Grant No 31 – School Education was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and Capital heads during the year 2010-2011.

The Commissioner and Secretary, the Controlling Officer of the School Education Department assisted by the Director of School Education is responsible for the implementation of the Government Policies pertaining to School Education.

The summarised position of budget provision and actual expenditure there against during 2010-2011 in respect of Grant No. 31 is given below:



**Table 2.10: Summarised Position of budget provision and actual expenditure**

(Rupees in crore)

Nature of Expenditure	Budget Provision				Total	Actual Expenditure			Saving(-)/ Excess(+)
	Original		Supplementary			Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	457.70	174.25	-	-	631.95	453.55	105.27	558.82	(-)73.13
Capital	-	19.70	-	5.61	25.31	-	25.31	25.31	-
<b>Total</b>	<b>457.70</b>	<b>193.95</b>	<b>-</b>	<b>5.61</b>	<b>657.26</b>	<b>453.55</b>	<b>130.58</b>	<b>584.13</b>	<b>(-)73.13</b>

The above table shows that during the year 2010-2011 there was savings of ₹ 73.13 crore representing 12 per cent of the total budget provision under revenue expenditure. As per Financial Rules, the spending departments are required to surrender the anticipated savings to the Finance Department as and when occurred. The Department however, surrendered ₹ 44.12 crore during the year 2010-11 out of total savings of ₹ 73.13 crore.

By making unrealistic budget provision, the Department was left with a savings of ₹ 73.13 crore on one hand and by not surrendering the whole of the unspent amount in time, on the other hand, needy departments were deprived from utilising the same through re-appropriation.

An analysis of the expenditure vis-à-vis the budget provision revealed that out of total savings of ₹ 73.13 crore, ₹ 44.12 crore was surrendered. The savings in the revenue account was mainly due to the fact that the Department was unable to spend the Centrally Sponsored Scheme funds of about ₹ 29.00 crore provided for Sarva Shiksha Abhiyan viz. Mid-Day Meal, Adult Education and Language Development.

Audit Review also disclosed persistent savings showing an increasing trend from ₹ 2.10 crore in 2006-07 to ₹ 73.13 crore in 2010-11 as detailed below:

**Table 2.11: Persistent savings during 2006-2011**

(Rupees in crore)

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2006-07	272.88	11.97	284.85	275.82	6.93	282.75	(-) 2.10
2007-08	322.51	8.85	331.36	306.41	5.65	312.06	(-) 19.30
2008-09	336.45	10.61	347.06	330.81	8.53	339.34	(-) 7.72
2009-10	395.94	14.18	410.12	362.90	5.61	368.51	(-) 41.61
2010-11	631.95	25.31	657.26	558.82	25.31	584.13	(-) 73.13

The occurrence of persistent savings which had not been surrendered within the due dates indicates that budgetary control was deficient in the Department.

## **2.7 Funds for Capital Outlay spent on revenue items**

Para 7.79 of Thirteenth Finance Commission Report envisaged that the practice of diversion of plan assistance to meet non-plan needs of special category states were to be discontinued.

Further, Rule 30 of Government Accounting Rules states that expenditure should be classified under heads of Capital Section or Revenue Section of the Consolidated Fund and Expenditure of a Capital nature shall be distinguished from Revenue expenditure both in the Budget Estimates and in Government Accounts.

Rule 31 envisages the allocation between capital and revenue expenditure on a capital scheme as under:-

- (1) The allocation between capital and revenue expenditure on a Capital Scheme for which separate capital and revenue accounts are to be kept shall be determined in accordance with such general or special orders as may be prescribed by the President on the advice of the Comptroller and Auditor General.
- (2) (a) Capital account should bear all charges for the first construction and equipment of a project as well as charges for intermediate maintenance of the work while not yet opened for service. It would also bear charges for such further additions and improvements as may be sanctioned under rules made by competent authority.

Audit scrutiny (November 2010) revealed that the Development Commissioner, Planning and Co-ordination Department, Kohima obtained sanction under Major Head 4059-Capital Outlay on Public Works, Minor Head-051 (27) and drew an amount of ₹ 1.56 crore in eight bills (**Appendix 2.14**) during February 2009 to March 2010 for purchase of office stationery, computer peripherals etc. Scrutiny of the paid vouchers however revealed that out of ₹ 1.56 crore, only ₹ 0.82 crore was incurred on capital expenditure and the remaining ₹ 0.74 crore was incurred on revenue expenditure such as office stationery, repair, maintenance of office buildings etc. The Department also drew ₹ 14.47 lakh twice for procurement of the same materials in different bills by furnishing two separate cash memos.

Thus, appropriation of funds out of Capital Outlay for incurring expenditure of revenue nature was against the cannons of financial propriety and violated the principles of Government Accounting Rules.

The Government in reply (August 2011) stated that the entire expenditure was incurred on capital items of expenditure. But the fact remains that an amount of ₹ 0.74 crore was incurred on revenue expenditure such as stationery, repair, maintenance of buildings etc.

## 2.8 Conclusion

There was saving of ₹ 1370.59 crore and excess expenditure of ₹ 90.55 crore under 82 grants during 2010-11. This excess expenditure together with an excess expenditure of ₹ 384.53 crore pertaining to 2000-01, 2001-02 & 2005-06 to 2009-10 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was noticed in 37 grants in which expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter of 2010-11 and in some cases in the month of March 2011. There were 97 AC Bills involving ₹ 21.85 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore was fraught with the risk of misappropriation.