

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 2012-13 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 (+)
Voted	I. Revenue	5596.63	792.30	6388.93	4665.25	-1723.68
	II. Capital	1398.70	267.33	1666.03	925.81	-740.22
	III. Loans and Advances	18.35	13.63	31.98	27.02	-4.96
Total Voted		7013.68	1073.26	8086.94	5618.08	-2468.86
Charged	IV. Revenue	367.81	1.82	369.63	343.57	-26.06
	V. Capital	...	2.53	2.53	2.53	...
	VI. Public Debt- Repayment	219.59	...	219.59	168.51	-51.08
Total Charged		587.40	4.35	591.75	514.61	-77.14
Appropriation to Contingency Fund (if any)	
Grand Total		7601.08	1077.61	8678.69	6132.69	-2546.00

The overall saving of ₹ 2546 crore was the result of saving of ₹ 2660.45 crore in 49 Grants (including seven cases of Appropriation) under Revenue Section, 23 Grants

(including six cases of Appropriation) and two Appropriations under Capital Section, offset by excess of ₹ 114.45 crore in seven Grants and three cases of Appropriations under Revenue Section and one Grant under Capital Section.

The savings/excesses were intimated (07 August 2013) 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 (August 2013) by the departments concerned 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 38 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 ₹ 2546 crore, savings of ₹ 1987.06 crore (78.05 per cent)¹ occurred in 12 cases relating to 11 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
I. Revenue-Voted					
11 – Other Taxes and Duties on Commodities and Services, etc.	280.58	3.86	284.44	178.44	106.00
21 – Miscellaneous General Services	1237.96	126.04	1364.00	962.05	401.95
34 – Welfare of Scheduled Caste/ Scheduled Tribe and Other Backward Classes, etc.	269.52	3.22	272.74	167.54	105.20
38 – Secretariat Economic Services	446.76	1.96	448.72	96.04	352.68
40 – North Eastern Areas, Capital Outlay on North Eastern Areas	113.37	4.11	117.48	27.35	90.13
43- Housing, Crop Husbandry, Agricultural, Research and Education etc.	392.66	65.59	458.25	244.13	214.12
45 – Housing, Soil and Water Conservation, etc.	173.86	32.70	206.56	81.53	125.03
50 – Forestry and Wildlife, Agricultural Research and Education, etc.	138.39	...	138.39	79.44	58.95
Total Revenue -Voted	3053.10	237.48	3290.58	1836.52	1454.06
II. Capital-Voted					
19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, etc.	75.33	42.90	118.23	50.23	68.00
27 – Water Supply and Sanitation, Housing, etc.	294.58	...	294.58	128.06	166.52
29 – Urban Development, etc	250.38	1.85	252.23	20.48	231.75
43- Housing, Crop Husbandry, Agricultural, Research and Education etc.	150.07	...	150.07	83.34	66.73
Total Capital -Voted	770.36	44.75	815.11	282.11	533.00
Grand Total	3823.46	282.23	4105.69	2118.63	1987.06

¹ Exceeding ₹ 50 crore in each case.

Reasons for excessive savings in the above cases had not been furnished (August 2013).

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).

Table 2.3: List of Grants indicating Persistent Savings during 2008-13

Sl. No.	No. and Name of the grant	Amount of savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
(₹ in crore)						
Revenue-Voted						
1.	11- Other Taxes and Duties on Commodities and Services, <i>etc</i>	105.04 (27)	155.52 (56)	169.29 (59)	226.21 (57)	106.00 (37)
2.	29- Urban Development, Capital Outlay on Housing, <i>etc</i>	13.09 (38)	16.14 (31)	24.37 (45)	19.74 (31)	47.65 (54)
3.	34-Welfare of Scheduled Castes, <i>etc.</i>	45.33 (39)	73.06 (39)	69.05 (34)	57.84 (25)	105.20 (39)
4.	39 – Cooperation	7.90 (48)	6.15 (36)	5.87 (31)	13.99 (47)	14.96 (51)
5.	40-North Eastern Areas	65.59 (72)	14.96 (39)	44.08 (74)	12.80 (34)	90.13 (77)
Revenue-Charged						
6.	4-Administration of Justice	1.73 (99)	2.65 (100)	2.70 (100)	2.90 (100)	2.48 (100)
Capital-Voted						
7.	39-Cooperation	3.81 (48)	4.08 (53)	3.01 (40)	6.20 (36)	8.33 (54)
Capital Charged						
8.	Appropriation – Internal Debt of the State Government	41.49 (28)	40.60 (25)	37.27 (24)	43.35 (22)	50.50 (25)

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

Four Grants and one Appropriation, *viz.* ‘Other Taxes and Duties on Commodities and Services, *etc.*’, ‘Urban Development’, ‘Welfare of Scheduled Caste, *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, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 120.28 crore was incurred in 42 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 2012-13

		(₹ in crore)
Sl. No.	Grant/Appropriation No. – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
1.	19 – 4216 – 01 – 700 – (01) Each Scheme - General	1.06
2.	26 – 2210 – 01 – 104 – (01) Establishment of District Medical Store in the District – General	3.88
3.	26 – CSS – 2211 – 101 – (02) Rural Family Welfare Centres - General	3.27
4.	26 – CSS – 2211 – 101 – (02) Rural Family Welfare Sub Centres – Sixth Scheduled (Part II) Areas	2.60
5.	27 - 4215 – 01 – 102 –(02) Rural Water Supply Maintenance – Sixth Schedule (Part II) Areas	12.92
6.	29 – 4217 – 60 -051 – (01) Lumpsum Fund for Development of North Eastern States - General	1.85
7.	40 – 2552 -01 – 110 – (02) Upgradation of Equipment Infrastructure and Development of District Hospital - Sixth Schedule (Part II) Areas	3.00
8.	40 – 4552 -14 – 800 – (07) Improvement including widening of Agia – Medhipara – Phulbari – Tura Road (73 rd – 133 rd KM) - Sixth Schedule (Part II) Areas	23.50
9.	40 – 4552 -14 – 800 – (09) Conversion of Bridge No. 22/2 on Mankachar – Mahendraganj Road (0-63 Kms) - Sixth Schedule (Part II) Areas	3.22
10.	40 – 4552 -14 – 800 – (16) Improvement including Metalling and Black-topping of Rymbai – Bataw – Borghat – Jalalpur Road(63 rd – 96 th Km) and construction of Road (from 96 th – 120 th Km)- Sixth Schedule (Part II) Areas	7.27
11.	43 – 2401 – 800 – (07) - Macro Management of Agriculture – New Innovations – General	1.07
12.	43 – 4702 – 101 –(05) NABARD Loan for Construction of MIPs - Sixth Schedule (Part-II) Areas	2.00
13.	44 -4711 – 01 – 103 – (01) Works – General	1.27
14.	46 – 2501 – 04 – 105 – (101) Administrative Expenses – General	1.75
15.	48 – 2404 – 102 - (14) Community for Dairy Farming with ACA under NADP/ RKVY - Sixth Schedule (Part-II) Areas	7.74
16.	51 – 2515 – 102 – (01)) Stage -1 Block - Sixth Schedule (Part-II) Areas	1.40
17.	54 – 2851 – 200 – (8) National Mission on Food Programme – General	1.89
18.	56 – 5054 - 04 – 800 – (04) Roads Financed from Central Road Fund – Sixth Schedule (Part-II) Areas	22.61
19.	56 – 5054 - 04 – 800 – (21) Project undertaken under Special Plan Assistance– General	6.94
20.	56 – 5054 - 04 – 800 – (22) Grant under Article 275(1)– General	4.22

2.3.4 Drawal of funds to avoid lapse of budgetary provision

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 18 cases mentioned in **Appendix 2.4** an amount of ₹ 33.14 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 ₹ 1388.44 crore for the years from 1971-72 to 2011-12 was yet to be regularised, details of which are given in **Appendix 2.5**.

2.3.6 Excess over provisions during 2012-13 requiring regularisation

Table 2.5 contains the summary of total excess in seven Grants and three cases of Appropriations under Revenue Section and one Grant under Capital Section amounting to ₹ 114.45 crore over authorisation from the Consolidated Fund during 2012-13 and requires regularisation under Article 205 of the Constitution.

Table 2.5 : Excess over provisions requiring regularisation during 2012-13

(₹ in crore)				
Sl. No.	Number and title of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (+) (per cent)
Revenue – Voted				
1.	2 – Governor, Capital Outlay on Housing	6.00	6.04	0.04(0.67)
2.	7 – Stamps and Registration	1.36	1.60	0.24(17.65)
3.	24 – Pensions and Other Retirement Benefits	314.77	388.26	73.49(23.35)
4.	44 – Medium Irrigation, Flood Control and Drainage, Capital Outlay on Medium Irrigation, Capital Outlay on Flood Control Projects	0.83	0.91	0.08(9.64)
5.	46 – Special Programme for Rural Development	85.49	85.76	0.27(0.32)
6.	48 – Housing, Dairy Development, Agricultural Research and Education	10.90	16.18	5.28 (48.44)
7.	56 – Roads and Bridges, Capital Outlay on Roads and Bridges	140.30	174.15	33.85 (24.13)
Revenue - Charged				
1.	12 – Other Fiscal Services, Appropriation for Reduction or Avoidance of Debt, Interest Payments, Public Service Commission	2.83	2.83	0.0024 (0.08)
2.	16 – Police, Other Administrative Services, Housing, Capital Outlay on Police	0.10	0.12	0.02 (20)
3.	19 – Secretariat General Services, Public Works, Housing, etc.	...	1.00	1.00 (100)
Capital – Voted				
1.	44 - Medium Irrigation, Flood Control and Drainage, Capital Outlay on Medium Irrigation, Capital Outlay on Flood Control Projects	2.68	2.86	0.18 (6.72)
Total		565.26	679.71	114.45

In four of the above cases, expenditure aggregating ₹ 113.62 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 2008-13

Sl. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2008-09	2009-10	2010-11	2011-12	2012-13
1.	24- Pension and other Retirement benefits (Revenue - Voted)	46.19	31.89	97.97	139.17	73.49

(₹ in crore)

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 368.60 crore obtained in 26 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 2.6**. In two cases, supplementary provision of ₹ 89.37 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 78.78 crore (**Table 2.7**). Again, in one case, no supplementary provision was obtained resulting in an excess expenditure of ₹ 33.85 crore (**Table 2.7**).

Table 2.7: Insufficient Supplementary Provisions

Number and Name of Grant	Original Provision	Supplementary provision	Total	Expenditure	Excess
24 – Pensions and Other Retirements Benefits Revenue - Voted	225.63	89.14	314.77	388.27	73.50
48 – Housing, Dairy Development, Agricultural Research and Education Revenue – Voted	10.67	0.23	10.90	16.18	5.28
56 – Roads and Bridges, Capital Outlay on Roads and Bridges Revenue – Voted	140.30	0.00	140.30	174.15	33.85
Total	376.60	89.37	465.97	578.60	112.63

(₹ in crore)

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 239 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 2.7**.

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 2012-13 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 143 sub-heads on account of either non-implementation or non receipt of sanction of schemes/programmes. Out of the total provision of ₹ 1052.42 crore in these 143 schemes, ₹ 942.34 crore were surrendered, which included cent per cent surrender in 55 schemes. The details of 55 such cases involving surrender of entire provisions of ₹ 427.25 crore are given in **Appendix 2.8**.

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 10 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 266.61 crore, the amount surrendered was ₹ 307.40 crore resulting in excess surrender of ₹ 40.79 crore (**Appendix 2.9**). 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
9 – Taxes on Sales, Trade etc., Other Taxes and Duties on Commodities and Services Revenue – Voted	19.17	4.77	9.74	4.97
34 – Welfare of Scheduled Castes/ Scheduled Tribes and Other Backward Classes, etc Revenue – Voted	272.74	105.20	106.50	1.30
40- North Eastern Areas, Capital Outlay on North Eastern Areas Capital – Voted	94.13	17.48	50.00	32.52
53 – Village & Small Industries, Capital Outlay on Village & Small Industries, etc Revenue - Voted	61.02	4.42	5.18	0.76

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 15th March at the latest. At the close of the year 2012-13, there were, however, 17 Grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 345.60 crore (13.57 per cent of the overall savings of ₹ 2546 crore) (**Appendix 2.10**).

Similarly, out of total savings of ₹ 1449.12 crore under 17 other Grants (savings of ₹ 1 crore and above in each Grant), amount aggregating ₹ 917.87 crore (63.34 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.11**. Besides, in 38 cases, (surrender of funds in excess of ₹ 1 crore), ₹ 1424.35 crore were (**Appendix 2.12**) surrendered on the last working day of March 2013, 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 2012-13, the expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 24.88 per cent and 79.82 per cent and 13.89 per cent and 76.19 per cent respectively in respect of 10 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 2012-13

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2013	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2055	349.54	86.96	24.88	48.55	13.89
2.	2202	856.26	254.04	29.67	185.83	21.70
3.	2210	304.75	130.62	42.86	103.90	34.09
4.	2215	160.08	60.83	38.00	22.70	14.18
5.	2235	76.29	39.74	52.09	32.13	42.12
6.	2401	161.04	116.23	72.17	87.13	54.10
7.	2406	77.39	35.86	46.34	32.91	42.52
8.	2501	96.90	53.16	54.86	24.02	24.79
9.	2852	7.01	1.82	25.96	1.19	16.98
10.	3451	139.93	111.69	79.82	106.61	76.19

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 2012-13 (Volume I), the total amount of DCC bills received upto 2010-11 and during 2011-13 was only ₹ 11.19 crore against the amount of AC bills of ₹ 29.94 crore leading to an

outstanding balance of DCC bills of ₹ 18.75 crore as on March 2013. 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	Outstanding AC bills	Percentage of Outstanding AC bills
Up to 2010-11	13.73	11.00	2.73	19.88
2011-12	0.26	0.17	0.09	34.62
2012-13	15.95	0.02	15.93	99.87
Total	29.94	11.19	18.75	62.63

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 2012-13, 18 out of 68 COs did not reconcile expenditure amounting to ₹ 2079.36 crore (33.91 per cent of total expenditure (₹ 6132.69 crore)) as of March 2013. Out of the unreconciled expenditure of ₹ 2079.36 crore, ₹ 349.54 crore related to the Director General of Police followed by ₹ 170.38 crore in respect of the Director of Agriculture and ₹ 85.63 crore in respect of Director of Technical Education.

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 2012, there were 14 PD accounts with a balance of ₹ 1.63 crore. No PD account was opened during the year. As of 31 March 2013, 14 PD accounts involving ₹ 3.22 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 2012-13. The findings of Audit are given in the succeeding paragraphs.

2.6.4 Budget Process

As contemplated in Paragraphs 1 and 78 of Budget Manual², 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

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

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 2011) fixed by the Finance (Budget) Department in August 2011. 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)	21.02.2012	Three months
2.	Land revenue	06 (2029,2245)	12.11.2012	Twelve months
3.	Power	11 (2801)	01.11.2012	Twelve months
4	Police	16 (2055, 2070)	24.01.2013	Fourteen months
5	Education, Sports, Art & Culture	21 (2202, 2203, 2204, 2205)	12.12.2011	One month
6	Finance Pension Cell	24 (2071)	08.12.2011	One month
7	Health & Family Welfare	26 (2210)	14.02.2012	Three months
8	Public Health Engineering	27 (2215)	05.01.2012	Two months
9	Urban Development	29 (2217)	07.11.2012	Twelve months
10	Labour	31 (2230)	20.12.2011	One month
11	Social Welfare	34 (2235, 2236)	27.01.2012	Two months
12	Agriculture	43 (2401)	06.12.2011	One month
13	Irrigation	43 (2702)	21.12.2011	One month
14	Animal Husbandry & Veterinary	47 (2403)	21.03.2013	Seventeen months
15	Forest	50 (2406)	08.11.2012	Twelve months

It can be seen from the above table, the date of submission of departmental budget estimates for the year 2012-13 by six departments was after the commencement of the financial year. The glaring aspect is that the proposal for the year 2012-13 was submitted to the Finance Department by which time proposal for the next financial year (i.e. 2013-14) was already due for submission. Animal Husbandry and Veterinary Department was the worst case as it submitted the budget proposal of the department when just 10 days was remaining in the financial year. Therefore, the provisions made in the State budget were done based on trends of expenditure of previous year and evidently does of aptly reflect the requirement of the concerned departments.

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

The position of Revenue and Capital receipts under Consolidated Fund during 2012-13 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
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
2012-13	6975.42	5536.35	1439.07	20.63	708.57	546.48	162.09	22.88

Source: Annual Financial Statement & Finance Accounts

It can be seen from the table above, the shortfall of revenue receipts ranged between 3.03 per cent and 20.63 per cent, and that of capital receipts ranged between 22.88 per cent and 29.44 per cent during 2010-13. In view of that, it is necessary that a more reliable and scientific method of forecasting revenues needs to be adopted to achieve better planning of expenditure and taking 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 2013. 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 2012-13 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 (O + S)	Actual expenditure	Saving	Percentage of savings	Budget provision (O + S)	Actual expenditure	Saving	Percentage of savings
2010-11	4705.01	4019.10	685.91	14.58	1053.80	856.46	197.34	18.72
2011-12	5527.65	4844.37	683.28	12.36	1343.62	1110.26	233.36	17.37
2012-13	6758.58	5008.82	1749.74	25.89	1920.13	1123.87	796.26	41.47

O: Original; S: Supplementary

In all the three years there was overestimation of expenditure which resulted in savings ranging from 12 per cent to 26 per cent under Revenue Account and 17 per cent to 41 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 Paragraphs 29 and 50 of the Budget Manual, the revised estimate of receipts should be the best forecast that the estimating officer can make and the revised estimates for expenditure should not merely be a repetition of the budget figures of the year, but a genuine re-estimation of requirements.

Significant cases of variation between the revised estimates and the actuals during 2012-13 under both receipts and expenditure heads of accounts are given below:

Table 2.14: Variation between revised estimates and actuals**(₹ in crore)**

Sl. No.	Number and name of head of accounts	Budget Estimates	Revised estimates	Actuals	Variation Excess(+)/ Shortfall (-) (per cent)
RECEIPTS					
1.	0029 - Land Revenue	3.59	3.59	6.27	+ 2.68 (74.65)
2.	0040 – Sales Tax	517.17	517.17	631.12	+ 113.95 (22.03)
3.	0050 – Dividends and Profits	6.00	6.00	7.58	+ 1.58 (26.33)
4.	0051 – Public Service Commission	0.39	0.39	1.77	+ 1.38 (353.85)
5.	0055 – Police	7.14	6.88	2.90	- 3.98 (57.85)
6.	0059 – Public Works	9.02	9.02	43.43	+ 34.41 (381.49)
7.	0070 – Other Administrative Services	6.31	6.31	3.36	- 2.95 (46.75)
8.	0075 – Miscellaneous Services	12.44	12.44	0.37	- 12.07 (97.03)
9.	0215 – Water Supply and Sanitation	15.18	15.18	3.02	- 12.16 (80.11)
EXPENDITURE					
1.	2056 – Jails	14.35	14.35	8.98	- 5.37 (37.42)
2.	2071 – Pension and other Retirement Benefits	225.63	225.63	388.26	+ 162.63 (72.08)
3.	2203 – Technical Education	21.58	21.58	10.78	- 10.80 (50.05)
4.	2204 – Sports and Youth Services	68.85	68.85	77.36	+ 8.51 (12.36)
5.	2205 – Arts and Culture	60.55	60.55	16.74	- 43.81 (72.35)
6.	2217 – Urban Development	85.99	85.99	41.34	- 44.65 (51.92)
7.	2225 – Welfare of Scheduled Tribe and Other backward classes	87.62	87.62	24.34	- 63.28 (72.22)
8.	2401 – Crop Husbandry	242.45	242.45	161.04	- 81.41 (33.58)
9.	2702 – Minor Irrigation	134.44	134.44	72.48	- 61.96 (46.09)
10.	2801 – Power	279.69	279.69	173.21	- 106.48 (38.07)
11.	3451 – Secretariat Economics Services	473.44	473.44	139.93	- 333.51 (70.44)

Wide variations ranging from 22.03 per cent to 381.49 per cent under Receipt heads and 12.36 per cent to 72.35 per cent under Expenditure heads 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 Errors in Budgetary Process

2.6.8.1 Paragraph 98 of the Budget Manual requires that when the expenditure requiring provision is obligatory, a supplementary grant or appropriation may be taken towards the end of the year provided that the total provision made by law under the grant concerned, is not exceeded before the Supplementary Demand is obtained.

We observed that implementation of the Budget in the State was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) the original grants and supplementary grants were ₹ 5596.63 crore and ₹ 792.30 crore respectively aggregating to ₹ 6388.93

crore, against which the actual expenditure was ₹ 4665.25 crore resulting in savings of ₹ 1723.68 crore. This was more than the supplementary provision.

- Similarly under Capital (voted) including Loans and Advances, the original and supplementary grants were ₹ 1417.05 crore and ₹ 280.96 crore respectively aggregating to ₹ 1698.01 crore against which the actual expenditure was ₹ 952.83 crore, resulting in savings of ₹ 745.18 crore. This was more than the supplementary grants.

In the above cases, the supplementary provision of ₹ 792.30 crore under Revenue (voted) and ₹ 280.96 crore under Capital (voted) obtained during the year, proved unnecessary as the actual expenditure did not come up to the level of original provisions as indicated in **Table 2.15:**

Table 2.15: Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)						
Sl. No.	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
1.	Revenue (voted)	5596.63	792.30	6388.93	4665.25	(-) 1723.67
2.	Capital (voted)	1417.05	280.96	1698.01	952.83	(-) 745.18
Total		7013.68	1073.26	8086.94	5618.08	(-) 2468.86

2.6.8.2 Expenditure relating to minor works, repairs and grants-in-aid is to be classified as revenue expenditure. The State Government, however, made budget provision and classified ₹ 31.45 crore on such expenditure under Capital major heads, as detailed below:

Table 2.16

(₹ in crore)					
Sl. No.	Major Head	Sub Major Head	Minor Head	Sub Head	Amount
1	4210	01	200	Other Health Services	0.94
2	4210	01	110	Hospital and Dispensaries	10.32
3	4210	02	800	Other Expenditure	0.78
4	4210	02	101	Health Sub-Centres	12.88
5	4210	04	106	Manufacture of Sera/Vaccine other woks each costing ₹ 5 crore or less	0.70
6	4216	01	700	Other Housing	1.01
7	4216	80	800	Other Expenditure	1.12
8	4401	0	800	Other Expenditure	0.32
9	4406	01	70	Communication and building	0.14
10	4435	0	800	Other Expenditure	0.75
11	4702	0	101	Surface Water	1.89
12	5505	01	102	Acquisition of fleet	0.02
13	5452	01	190	Investment in Public Sector Undertakings	0.10
14	4435	01	800	Other Expenditure	0.45
15	5055	-	800	Other Expenditure	0.03
Total					31.45

Due to such misclassification, the revenue surplus of the State Government for the year 2012-13 was overstated to this extent. The misclassification, though reported (December 2012) by the Accountant General (A&E) to the State Government, remained un-rectified.

2.6.9 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 2012-13 are presented in **Table 2.17**.

Table 2.17: Social Services and Economic Services

Year	Budget Estimate (net)			Actual expenditure			Shortfall (-)/Excess (+)	
	(percentage to total provisions)			(percentage to total provisions)			Non-Plan	Plan
	Non-Plan	Plan	Total	Non-Plan	Plan	Total		
							Amount (per cent)	Amount (per cent)
Social Services								
2010-11	676.02	1085.17	1761.19	832.24	676.53	1508.77	156.22	-408.64
	(38.38)	(61.62)		(123.11)	(62.34)		(23.11)	(-37.66)
2011-12	796.37	1404.85	2201.22	931.93	1098.94	2030.87	135.56	-305.91
	(36.18)	(63.82)		(117.02)	(78.22)		(17.02)	(-21.78)
2012-13	985.58	1826.02	2811.60	1087.43	884.79	1972.22	101.85	-941.23
	(35.05)	(64.95)		(110.33)	(48.45)		(10.33)	(-51.55)
Total	2457.97	4316.04	6774.01	2851.6	2660.26	5511.86	393.63	-1655.78
	(36.29)	(63.71)		(116.01)	(61.64)		(16.01)	(-38.36)
Economic Services								
2010-11	434.39	1333.47	1767.86	456.09	1269.17	1725.26	21.70	-64.30
	(24.57)	(75.43)		(105.00)	(95.18)		(5.00)	(-4.82)
2011-12	511.30	1770.94	2282.24	521.04	1598.52	2119.56	9.74	-172.42
	(22.40)	(77.60)		(101.90)	(90.26)		(1.90)	(-9.74)
2012-13	570.15	2465.73	3035.88	681.23	1640.04	2321.27	111.08	-825.69
	(18.78)	(81.22)		(119.48)	(66.51)		(19.48)	(-33.49)
Total	1515.84	5570.14	7085.98	1658.36	4507.73	6166.09	142.52	-1062.41
	(21.39)	(78.61)		(109.40)	(80.93)		(9.40)	(-19.07)

Source : Memorandum of Budget Estimates and Finance Accounts

- **Social services**

During 2010-13, provision for Non-Plan and Plan expenditure under Social services were made as ₹ 2457.97 crore and ₹ 4316.04 crore respectively which constituted 36.29 per cent and 63.71 per cent of the total provisions. However, the actual expenditure under Non-Plan and Plan was ₹ 2851.60 crore and ₹ 2660.26 crore respectively which constituted 116.01 per cent and 61.64 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 66.51 *per cent* during 2012-13 against 90.26 *per cent* during the previous years. Non-Plan expenditure far surpassed the budget provisions during all the three years (2010-13). While the overall shortfall during 2010-13 over the expectation (provisions) under Plan expenditure was 19.07 *per cent*, the Non-Plan expenditure exceeded the budget provisions by 9.40 *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.

2.6.10 Budgetary control/monitoring system

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 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 discussed in the foregoing 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 initiative to contain the trend of shortcomings like excess expenditure, persistent savings, *etc.*

2.7 Outcome of review of selected Grant

A review of budgetary procedure and control over expenditure was conducted (September 2013) in respect of 'Grant Number - 43 Housing, Crop Husbandry, Agricultural Research and Education, Other Agricultural Programmes, Minor Irrigation, Capital Outlay on Housing, Capital Outlay on Crop Husbandry, Investments in Agricultural Financial Institutions, Capital Outlay on Minor Irrigation. The Director of Agriculture is the Controlling Officer (CO) for Agriculture Department (under the Major Head of account '2401'), Director of Horticulture is the CO of Horticulture Department (under the Major Head of account '2401 & 2435') and Chief Engineer is the CO of Water Resources Department (under the Major Head of account '2702'). The irregularities noticed during the review are discussed below.

2.7.1 Excessive supplementary provision/non surrender of savings

Under the revenue head there was a Budget provision of ₹ 458.25 crore (including supplementary provision of ₹ 65.59 crore), out of which the actual expenditure incurred was ₹ 244.13 crore resulting in final savings of ₹ 214.12 crore. Out of the saving of ₹ 214.12 crore, the Controlling Officer surrendered ₹ 29.79 crore on 31 March 2013. The balance savings of ₹ 184.33 crore, were 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

Hundred *per cent* savings occurred under 58 schemes, in respect of major Head of accounts 2401 - Crop Husbandry, 2702 - Minor Irrigation, 4401 - Capital Outlay on Crop Husbandry and 4711 - Capital Outlay on Flood Control Project. Instances of such major cases involving savings of ₹ 1 crore and above in each case 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
2401 – Crop Husbandry			
Post Harvesting Market	100.00	100.00	100
Centrally Sponsored Schemes – Macro Management of Agriculture Seed Production Programme	550.00	550.00	100
Macro Management of Agriculture Integrated Nutrient Management	550.00 R (-) 13.60 536.40	536.40	100
Setting up of compost Plants for Urban Solid Waste	130.00	130.00	100
Support to State extension programmes for extension reforms	391.00	391.00	100
Integrated cereals Development Programmes-Rice and Wheat	657.00	657.00	100
Strengthening/Setting up of State Pesticides Testing Laboratory	154.00	154.00	100
Training of Women in Agriculture	170.00	170.00	100
Promotion. Strengthening of IT in Agriculture (Agrinet)	365.00	365.00	100
Macro Management of Agriculture Research Programmes	130.00	130.00	100
2702 – Minor Irrigation			
NABARD Loan for Construction of MIP	650.00	650.00	100
Repair, Renovation and Restoration of Water bodies	560.00	560.00	100
Command Areas Development Activities	235.00	235.00	100
Command Areas Development	100.00	100.00	100
4401 – Capital Outlay on crop Husbandry			
Construction of Administrative Buildings(Hort)	100.00	100.00	100
Accelerated Irrigation Benefit Programme	7000.00	7000.00	100
NABARD Loan for Construction of MIPs	200.00	200.00	100
Construction of Departmental Buildings	350.00	350.00	100
Minor Irrigation Scheme to be Funded by NEC under Irrigation Flood Control & Watershed Management Sector	500.00	500.00	100
4711 – Capital Outlay on Flood Control Project			
Critical Flood control and Anti-Erosion Scheme	127.00	127.00	100
Works	5000.00	5000.00	100
Critical Flood Control and Anti-Erosion Scheme	800.00	800.00	100

R: Re-appropriation

2.7.3 Excess over provision

As per detailed Appropriation Accounts for the year 2012-13 prepared by the Accountant General (A&E), under two schemes, expenditure of ₹ 2.32 crore exceeded the budget provision by ₹ 0.48 crore. The details are given below:

Table 2.19: Excess expenditure over budget provisions

Major Head & Group Head	(₹ in lakh)		
	Final grant or appropriation	Actual expenditure	Excess
2401-Crop Husbandry			
105 – Manure & Fertilizers – (4) Soil Testing Laboratory	35.30	66.58	31.28
(5) State Soil Survey Organisation	148.50	165.71	17.21

However, as per the information furnished (November 2013) by the Controlling Officer (Director of Agriculture), there was excess expenditure of ₹ 14.04 lakh and ₹ 17.41 lakh under (4) Soil Testing Laboratory and (5) State Soil Survey Organisation respectively. The discrepancy was due to non-reconciliation of expenditure figures by the concerned Controlling Officer with the figures recorded in the books of the Accountant General (A&E).

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 ₹ 8678.69 crore³ for the year 2012-13, of which it could incur an expenditure of ₹ 6132.69 crore resulting in an overall shortfall in disbursements of ₹ 2546 crore (29.33 *per cent* of total provision). Supplementary provision of ₹ 368.60 crore obtained in 26 cases proved unnecessary as the expenditure did not come up to the level of original provision. During the current year, Government incurred ₹ 114.45 crore in excess of the provisions, 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.**

³ Original plus Supplementary.