

## 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-a-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of the budget. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and whether 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 law, relevant rules and regulations and instructions.

**2.1.3** The Finance Department of the State Government is responsible for preparation of the annual budget by obtaining estimates from various Departments. The Departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of Departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees *etc.*

Deficiencies in financial management and budgetary control are discussed in the subsequent paragraphs.

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 84 grants/appropriations is as 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	6711.82	445.98	7157.80	5923.76	(-) 1234.04
	II. Capital	2068.41	136.53	2204.94	1061.13	(-) 1143.81
	III. Loans & Advances	19.21	0.70	19.91	4.25	(-)15.66
<b>Total voted</b>		<b>8799.44</b>	<b>583.21</b>	<b>9382.65</b>	<b>6989.14</b>	<b>(-) 2393.51</b>
<b>Charged</b>	I. Revenue	863.70	10.21	873.91	927.90	53.99
	II. Capital	0	1.68	1.68	1.70	0.02
	III. Public Debt	390.78	0	390.78	385.06	(-) 5.72
<b>Total Charged</b>		<b>1254.48</b>	<b>11.89</b>	<b>1266.37</b>	<b>1314.66</b>	<b>48.29</b>
<b>Grand Total</b>		<b>10053.92</b>	<b>595.10</b>	<b>10649.02</b>	<b>8303.80</b>	<b>(-) 2345.22</b>

(Source: Appropriation Accounts of the State Government)

**Note:** The expenditure includes the recoveries of revenue expenditure amounting to ₹ 48.38 crore and capital expenditure amounting to ₹ 54.61 crore adjusted as reduction of expenditure.

Supplementary provisions of ₹ 595.10 crore obtained during the year constituted 5.91 *per cent* of the original provision as against 7.65 *per cent* in the previous year.

The overall savings of ₹ 2,345.22 crore were offset by an excess of ₹ 97.50 crore in three grants and one appropriation, resulting in net savings of ₹ 2,247.72 crore in 82 grants and three appropriations under the Revenue Section, 64 grants under the Capital Section and one appropriation (Public Debt-Repayments).

As may be seen from **Table 2.1**, against the original provision of ₹ 10,053.92 crore, expenditure of only ₹ 8,303.80 crore was incurred. There was no requirement of supplementary funds. The actual savings of ₹ 2,345.22 crore, constituted 100 *per cent* of the supplementary grant of ₹ 595.10 crore and 17 *per cent* of the original grant.

## 2.3 Financial Accountability and Budget Management

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

Appropriation audit revealed that in 65 cases, savings exceeded ₹ two crore in each case and also by more than 20 *per cent* of the total provision (**Appendix 2.1**). A list of grants where savings exceeded ₹ 50 crore is given in **Table 2.2**. Out of total savings of ₹ 2,345.22 crore, savings of ₹ 872.46 crore (37 *per cent*) occurred in eight cases relating to six grants.

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

(₹ in crore)

Sl. No.	No. and Name of grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>REVENUE (VOTED)</b>						
1	55-Municipal Administration	190.52	0.50	191.02	52.11	138.91
2	76- Electricity	1183.49	150.00	1333.49	1189.26	144.23
3	81-Tribal welfare	126.68	-	126.68	53.27	73.41
4	83-Mines	149.04	-	149.04	73.41	75.63
<b>CAPITAL (VOTED)</b>						
5	32-Finance	290.00	-	290.00	150.00	140.00
6	74-Water Resources	255.18	-	255.18	149.50	105.68
7	76- Electricity	227.35	-	227.35	144.73	82.62
8	81-Tribal Welfare	143.30	-	143.30	31.32	111.98
	<b>Total</b>	<b>2565.56</b>	<b>150.50</b>	<b>2716.06</b>	<b>1843.60</b>	<b>872.46</b>

(Source: Appropriation Accounts of the State)

The reason furnished for unspent provisions under the major heads of account as reported in appropriation account are given below :

#### Grant number 55-Municipal Administration

As against the original provision of ₹ 190.52 crore, the expenditure incurred was only ₹ 52.11 crore (27 per cent). In spite of this, a supplementary grant of ₹ 0.50 crore was also provided thereby resulting in a unspent provision of ₹ 138.91 crore. The reasons attributed for savings were non receipt of proposal for sanction of grants from Municipal Councils and City Corporation of Panaji. The savings also occurred due to non receipt of ThFC grants from GoI, which was included, in the original grant at Budget preparation stage.

#### Grant number 76-Electricity

The grant closed with total savings under Revenue (Voted) of ₹ 144.23 crore. The savings occurred mainly in subhead (05) (001) (01), (05) (799) (01) due to non-filling of vacancies and less number of claims by the officials. The savings under minor head (05) (800) (01) was on account of return of bill in respect of cost of bulk supply of power from National Thermal Power Corporation, Karnataka Power Transmission Corporation Limited and Reliance Salgaonkar Power Corporation Limited.

4801-Capital outlay on Power Projects, savings under minor head (800) (01) (16,22,33,34,39,52,53,54) were on account of non-submission of bills by the contractors.

#### Grant number 81-Tribal Welfare

The grant closed with total savings under Revenue (Voted) of ₹ 73.41 crore. The savings under Major Head 2225 occurred mainly due to no response to Ashram school in Tribal Sub Plan area, Pre-Primary school for Scheduled Tribes children in remote areas and less response to ATAL ASRA Yojna for construction of new houses and repairs, Ladli Laxmi scheme and Freedom from hunger scheme.

4225-Capital outlay on welfare of SC's, STs and OBCs, savings under minor head (02)(190)(01)(02)(04)(05)(06) was due to non-implementation of various schemes for Scheduled Tribes.

**Grant number 83-Mines**

The grant closed with total savings of ₹ 75.63 crore. The savings occurred in subhead (02) (001) (06), (07) due to less number of claims received than anticipated for welfare of mining affected people.

**Grant number 32-Finance, Capital outlay on Miscellaneous General services**

The grant closed with total savings of ₹ 140 crore. MH 4075- Capital outlay on Miscellaneous General services, savings under Minor Head (800) (01) was due to slow progress of work by the Goa State Infrastructure Development Corporation.

**Grant number 74-Water Resources**

The grant closed with total savings of ₹ 105.68 crore. The savings occurred mainly in sub head (04) (001) (02), (05) under major head '4701-Capital outlay on major and medium irrigation' due to less scope of work on Hydrology project (Phase II) and Salauli irrigation project. Savings under MH '4705-Capital outlay on command area development' was mainly due to less scope of work under Goa Tillari Irrigation Development Corporation.

**2.3.2 Persistent savings**

During the last five years, there were persistent savings of more than ₹ five crore in each case in 10 grants, as shown in **Table 2.3**.

**Table 2.3: List of grants indicating persistent savings of more than five crore during 2009-14**

₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue (Voted)						
1	21-Public Works	5.23 (1.26)	9.06 (2.07)	28.03 (5.30)	77.66 (13.69)	90.81 (15.38)
2	34-School Education	15.55 (2.99)	20.09 (3.19)	98.31 (13.79)	122.30 (14.84)	42.92 (5.05)
3	43-Art & culture	6.32 (22.04)	13.68 (33.75)	50.20 (35.23)	62.65 (53.09)	46.63 (46.97)
4	47-Goa Medical College	7.39 (5.80)	6.11 (4.07)	13.08 (7.80)	6.09 (3.45)	3.22 (1.80)
5	48-Health Services	5.69 (4.32)	13.25 (7.90)	6.55 (3.37)	32.26 (14.01)	35.91 (13.85)
6	55-Municipal Administration	66.41 (51.90)	60.49 (43.85)	55.78 (43.95)	260.26 (82.82)	138.90 (72.71)
7	57-Social Welfare	11.12 (7.17)	13.73 (8.53)	61.86 (29.70)	18.24 (6.75)	6.74 (2.22)
8	78-Tourism	6.31 (19.14)	5.51 (15.35)	13.19 (25.25)	21.43 (42.89)	8.93 (16.46)
9	82-Information Technology	30.89 (42.95)	33.92 (43.41)	9.42 (16.73)	23.91 (39.85)	15.09 (26.01)
Capital (Voted)						
10	21-Public Works	27.01 (7.11)	62.82 (14.11)	65.13 (13.23)	199.00 (40.88)	243.19 (45.15)
11	74-Water Resources	6.16 (3.17)	10.14 (4.56)	75.82 (27.67)	129.39 (53.33)	105.68 (41.41)

(Source: Appropriation Accounts of the State)

Figures in parenthesis indicate as per cent to total grants



It was observed that persistent savings of more than ₹ 25 crore were observed in Grant no. 55 (Revenue- Voted) and Grant no. 21 (Capital- Voted) during the years 2009-14.

The persistent savings indicated that the controls in the Departments relating to preparing the budget estimates and allocating funds during the years were not effective.

### 2.3.3 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion on the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 81.30 crore for the years 2008-09 to 2012-13 was still to be regularised. The year-wise amount of excess expenditure pending regularisation for grant/appropriations are summarised in **Table 2.4**.

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

(Amount in ₹)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2008-09	2	--	1,78,841	Partially regularised <sup>1</sup>
2009-10	--	1	7,56,73,184	Partially regularised <sup>2</sup>
2010-11	1	1	2,74,15,571	Yet to be discussed by PAC
2011-12	--	1	18,87,72,521	Yet to be discussed by PAC
2012-13	--	1	52,09,16,923	Yet to be discussed by PAC
<b>Total</b>	<b>3</b>	<b>4</b>	<b>81,29,57,040</b>	

(Source: Appropriation Accounts of the State)

Non-regularisation of the excess over grant/appropriation over the years is a breach of legislative control over grants/appropriation.

### 2.3.4 Excess over provisions during 2013-14 requiring regularisation

During 2013-14, excess expenditure was incurred in one appropriation and three grants over the amount authorised by the legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The details are given in **Table 2.5**.

<sup>1</sup> PAC recommended (Report no.71, pertaining to Audit Report 2008-09) for regularisation of excess expenditure of ₹ 1,22,193 incurred by Art and Culture, Grant no. 43.

<sup>2</sup> PAC recommended (Report no.72, pertaining to Audit Report 2009-10) for regularisation of excess expenditure of ₹ 30,721 incurred by District and Sessions Court, South Goa, Grant no. 4.

**Table 2.5: Excess over provisions requiring regularisation during 2013-14**

(Amount in ₹)

Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	A-2 Appropriation-Debt Services (Revenue-Charged)	8,65,13,44,000	9,20,66,59,855	55,53,15,855
2	8-Treasury and Accounts Administration (North Goa) (Revenue-Voted)	5,55,21,53,000	5,93,89,80,474	38,68,27,474
3	21-Public Works (Capital-Charged)	1,46,27,000	1,48,44,700	2,17,700
4	70-Civil Supplies (Capital-Voted)	58,20,00,000	61,47,34,993	3,27,34,993
	<b>Total</b>	<b>14,80,01,24,000</b>	<b>15,77,52,20,022</b>	<b>97,50,96,022</b>

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations-Debt Services was mainly due to the increased expenditure on interest payments towards special securities issued to NSSF of Central Government by State Government, small savings, Provident fund *etc.*, aided school teachers and employees Provident fund and Defined Contribution Pension System *etc.* which needs to be regularised.

The reasons for excess expenditure incurred in respect of other three grants were not explained in Appropriation Accounts.

### 2.3.5 Substantial surrenders

While preparing the budget estimates utmost care should be taken to ensure that the budget estimates are neither inflated nor under pitched. Out of the total provision of ₹ 1,045.72 crore, substantial surrenders amounting to ₹ 716.73 crore were made from 35 grants on account of either non-implementation or slow implementation of Schemes/Programmes. The details of the cases where the surrenders were more than 50 *per cent* of the provisions are given in **Appendix 2.2**.

Substantial savings indicated that expenditure could not be incurred as estimated and there was lack of control over budget estimates.

### 2.3.6 Surrenders in excess of actual savings/unnecessary surrenders

In three cases, it was seen that a total amount of ₹ 10.07 crore was surrendered though excess expenditure of ₹ 97.48 crore was incurred under these grants. Instead of surrendering, the amounts should have been re-appropriated to the heads where excess expenditure was incurred. This indicated lack of proper budgetary control. Details are given in **Table 2.6**.

**Table 2.6: Surrender of grants/appropriation in cases of excess expenditure**

(₹ in crore)

Number and Name of the grant/appropriation	Total grant	Excess	Amount surrendered
A-2 Appropriation-Debt Services (Revenue-Charged)	865.13	55.53	8.73
8-Treasury and Accounts Administration (North Goa) (Revenue-Voted)	555.22	38.68	0.65
70-Civil Supplies (Capital-Voted)	58.20	3.27	0.69
<b>Total</b>	<b>1478.55</b>	<b>97.48</b>	<b>10.07</b>

(Source: Appropriation Accounts of the State)

### 2.3.7 Anticipated savings not surrendered

Rule 56 of the General Financial Rules, 2005 provides that the spending Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the Finance Department to utilise the funds on other schemes.

At the close of the year 2013-14, no part of the savings, which occurred in five cases (₹ 70.72 crore), had been surrendered by the concerned Departments as detailed in **Table 2.7**.

**Table 2.7: Grants/Appropriations in which saving occurred but no part of which had been surrendered**

(₹ in crore)

Sl. No.	Number and name of grant	Saving
1	29-Public Grievances (Revenue Voted)	0.92
2	30-Small Savings and Lotteries (Revenue Charged)	0.14
3	60-Employment (Revenue Voted)	18.34
4	84-Mopa Airport (Revenue Voted)	1.32
5	84-Mopa Airport (Capital Voted)	50.00
	<b>Total</b>	<b>70.72</b>

(Source: Appropriation Accounts of the State)

Similarly, out of total savings of ₹ 1,008.93 crore under 23 other grants/appropriations, with savings of ₹ 20 lakh and above in each grant/appropriation, ₹ 841.49 crore was only surrendered, leaving balance of ₹ 167.44 crore (17 per cent of the total savings) which were not surrendered. The details are given in **Appendix 2.3**.

Besides in 33 grants, savings in excess of ₹ 10 crore, aggregating ₹ 1,904.66 crore (**Appendix 2.4**) was surrendered in the last month of the financial year, indicating inadequate financial control as well as non utilisation of these funds for other development purposes.

### 2.3.8 Rush of expenditure

Rule 56 (3) of the General Financial Rules, 2005 provides that rush of expenditure, particularly in the closing months of the financial year shall be regarded as a breach of financial propriety and is to be avoided. **Table 2.8** presents seven major heads where 56 to 100 per cent of expenditure was incurred in the last quarter of 2014. In all these major heads, expenditure incurred in March 2014 was also 56 to 97 per cent.

**Table 2.8: Rush of expenditure during the last quarter and last month of 2013-14***(₹ in crore)*

Sl. No.	Major head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2014	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2015	8.21	6.44	78.44	5.03	61.27
2	4055	4.30	3.76	87.44	3.27	76.04
3	4210	17.26	15.48	89.69	11.68	67.67
4	4235	0.64	0.45	70.31	0.37	57.81
5	4402	9.55	5.34	55.91	5.34	55.91
6	4515	4.02	4.02	100.00	3.90	97.01
7	5056	6.33	5.02	79.30	4.63	73.14
<b>Total</b>		<b>50.31</b>	<b>40.51</b>	<b>80.52</b>	<b>34.22</b>	<b>68.01</b>

*(Source: Directorate of Accounts)*

## 2.4 Advances from Contingency fund

The Contingency fund of the State has been established under the Goa Contingency fund Act, 1988, in terms of Articles 267(2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 30 crore. The un-recouped balance in the beginning of the year was 'Nil'. During 2013-14, 30 sanctions issued for ₹ 2.69 crore were drawn from the contingency fund. However, ₹ 2.68 crore withdrawn from the contingency fund have been recouped and the balance of ₹ 0.01 crore was left for recoupment as at the end of March 2014.

## 2.5 Un-reconciled expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, Departmental officers are required to reconcile periodically and before the close of the accounts of a year, the Departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). Even though non-reconciliation of Departmental figures is pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2013-14. During 2013-14, 36 out of 86 BCAs, had not carried out any reconciliations for the entire year in respect of 2,919 units under their control, involving ₹ 2,775.75 crore and 16 BCAs had carried out such reconciliations only for part of the year in respect of 826 units under their control, involving ₹ 1,038.99 crore. The un-reconciled periods in case of the partially reconciled units ranged from one to eight months. The details of 27 major BCAs (out of 51) amounting to ₹ 3,745.16 crore who did not reconcile their expenditure are indicated in **Table 2.9**.

**Table 2.9: Major Budget Controlling Authorities who did not reconcile their figures***(₹ in crore)*

Sl. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Under Secretary, General Administration Department	24.24
2	Director of Technical Education	11.55
3	Principal, Goa Engineering College	21.29
4	Dean, Goa Medical College	21.42
5	Director of Municipal Administration	50.22
6	Director of Social Welfare	20.28
7	Chief Electrical Engineer	882.03
8	Secretary, Legislature	20.81
9	Director of Transport	74.23
10	Collector, North Goa	17.27
11	Inspector General of Prisons	26.06
12	Director of Industries, Trade and Commerce	21.17
13	Principal Chief Engineer, Public Works Department	795.70
14	Director of Panchayats	96.70
15	Director of Education	826.96
16	Director of Art and Culture	52.83
17	Director of Institute of Psychiatry & Human Behaviour	14.76
18	Dean, Goa Dental College & Hospital	13.18
19	Commissioner of Labour	24.30
20	Director of Information & Publicity	16.72
21	Director of Animal Husbandry & Veterinary Services	52.20
22	Director of Ports and Administration	17.82
23	Registrar of Co-operation	18.54
24	Chief Engineer, Water Resources	245.21
25	Director of Tourism	116.65
26	Director of Information and Technology	47.91
27	Director of Health Services	215.11
	<b>Total</b>	<b>3745.16</b>

*(Source: Directorate of Accounts)*



## 2.6 Outcome of review of selected grant

A review on the budgetary procedure and control over expenditure in respect of Grant No. 76–Electricity was conducted. Important points noticed during the review are detailed below:

As against the budget provision of ₹ 1,560.84 crore (₹ 1,333.49 crore under revenue head and ₹ 227.35 crore under capital head) there was an actual expenditure of ₹ 1,333.99 crore (₹ 1,189.26 crore under revenue head and ₹ 144.73 crore under capital head) resulting in the total saving of ₹ 226.85 crore (₹ 144.23 crore under revenue head and ₹ 82.62 crore under capital head). An amount of ₹ 182.72 crore (₹ 129.87 crore under revenue head and ₹ 52.85 crore under capital head) was surrendered (March 2014) against the savings of ₹ 226.85 crore. The balance of ₹ 44.13 crore was not surrendered.

As per rule 56(2) of the General Financial rules, 2005 savings as well as provisions that cannot be profitably utilised should be surrendered to the Government immediately when they are foreseen without waiting till the end of the year.

## 2.7 Conclusion and Recommendations

During 2013-14, expenditure of ₹ 8,303.80 crore was incurred against the total provision of ₹ 10,649.02 crore, resulting in savings of ₹ 2,345.22 crore. The overall savings were the net result of savings of ₹ 2,247.72 crore; offset by an excess of ₹ 97.50 crore. This excess requires regularisation under Article 205 of the Constitution of India. Further, the budget provision for revenue expenditure was ₹ 7,092 crore against budgeted revenue receipts of ₹ 6,746 crore, thereby providing for revenue deficit of ₹ 3.46 crore. There was actual revenue deficit of ₹ 353 crore.

*The preparation of budget estimates of revenue expenditure should be in tune with revenue projections so as to avoid/minimise revenue deficit and to ensure efficient prioritisation of resource utilisation.*

*The Departments should closely monitor the expenditure against the allocations and should avoid incurring expenditure in excess of the grants.*

*Surrender of funds should be done much before the closing of the financial year so as to enable the Government to utilise the funds on other Schemes.*

*Action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure during the last quarter of the financial year.*

*The reconciliation of expenditure figure by the BCAs must be strictly enforced.*