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**Chapter-2**

**FINANCIAL MANAGEMENT  
AND BUDGETARY CONTROL**

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**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. 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 seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whenever 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 and regulations and instructions.

**2.2 Mechanism for Budget Management**

As per Rule 52 of Bihar Budget Manual (as adopted by Jharkhand State), the Budget Estimates of the State are to be prepared in the form prescribed by the Finance Department. According to Rule 78 of the Manual, the estimates under each Major Head prepared by the Controlling Officers of the different departments are to be examined by the Finance Department and compiled for presentation of the first edition budget to the Government. Rules regarding control over expenditure are embodied in the Bihar Financial Rules (as adopted by Jharkhand). As per Rule 112 of the Budget Manual of the State, all anticipated savings should be surrendered to the Government immediately when they are foreseen unless they are required to meet excesses over grant under some other units. No savings should be held in reserve for possible future excesses. Further, in order to meet new specific items of expenditure or to cover probable excesses in the voted grant, supplementary grants should be obtained in consultation with the Finance Department. We observed large savings and excesses over the grants during 2012-13, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

**2.3 Summary of Appropriation Accounts**

The summarised position of actual expenditure during 2012-13 against 60 grants/appropriations is as given in **Table 2.1**:

**Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Provisions during 2012-13**

(₹ in crore)

	Nature of expenditure	Original/grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
<i>Voted</i>	I Revenue	25310.32	1074.89	26385.21	20965.76	(-)5419.45
	II Capital	6856.83	149.20	7006.03	4245.12	(-)2760.91
	III Loans and Advances and Inter State Settlement	829.37	141.00	970.37	700.81	(-)269.56
<b>Total Voted</b>		<b>32996.52</b>	<b>1365.09</b>	<b>34361.61</b>	<b>25911.69</b>	<b>(-)8449.92</b>
<i>Charged</i>	IV Revenue	2490.23	15.15	2505.38	2437.34	(-)68.04
	V Capital	0	0	0	0	0
	VI Public Debt-Repayment*	1627.05	0	1627.05	2183.06	(+)556.01
<b>Total Charged</b>		<b>4117.28</b>	<b>15.15</b>	<b>4132.43</b>	<b>4620.40</b>	<b>(+)487.97</b>
<b>Grand Total</b>		<b>37113.80</b>	<b>1380.24</b>	<b>38494.04</b>	<b>30532.09</b>	<b>(-)7961.95</b>

(Source: Appropriation Accounts of Government of Jharkhand 2012-13)

\* The expenditure figures are gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 3.23 crore) and capital voted expenditure (₹ 26.70 crore).

**Note:** Expenditure was overstated to the extent of ₹ 584 crore drawn on AC bills during 2012-13 against which DC bills were not submitted as on 30 June 2013.

During 2012-13, the overall savings of ₹ 7961.95 crore was the result of savings of ₹ 9225.13 crore (₹ 6191.00 crore in 53 grants and four appropriations under the Revenue Section and ₹ 3034.13 crore in 22 grants under the Capital Section), offset by excess of ₹ 1263.18 crore in three Grants and one Appropriation. The supplementary provision of ₹ 1380.24 crore was obtained though the actual expenditure was less (by 18 per cent) than the original grant.

The head-wise expenditure status was provided by the Accountant General (A&E), Jharkhand monthly to the State Government through Monthly Civil Accounts Statement and Monthly Appropriation Accounts. In spite of this, appropriate steps were not taken by the Government Departments to avoid large savings and excess expenditure over the grants. Out of 1260 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2012-13, reasons for savings in 796 sub-heads and reasons for excesses in 195 sub-heads were not furnished by the departments.

## 2.4 Financial Accountability and Budget Management

### 2.4.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 38 cases (30 grants), savings aggregating ₹ 7969.92 crore exceeded by ₹ 10 crore or more in each case and also by 20 per cent or more of the total provision as detailed in **Appendix 2.1**. Against the total savings of ₹ 9225.13 crore, savings of ₹ 7866.77 crore (85 per cent)<sup>1</sup> occurred in 22 cases relating to 20 Grants as indicated in **Table 2.2**.

<sup>1</sup> Exceeding ₹ 100 crore in each case.

**Table 2.2: List of Grants with savings of ₹ 100 crore and above**

(₹ in crore)

Sl. No.	No. and name of the Grant/Appropriation	Original	Supplementary	Total	Actual expenditure	Savings
<b>Revenue-Voted</b>						
1	1-Agriculture and Sugarcane Development Department	604.29	106.44	710.73	446.48	264.25
2	18-Food, Public Distribution and Consumer Affairs Department	890.65	210.45	1101.10	793.20	307.90
3	20- Health, Medical Education and Family Welfare Department	1105.87	19.66	1125.53	799.40	326.13
4	22-Home Department	2487.24	19.82	2507.06	2374.90	132.16
5	26-Labour, Employment and Training Department	860.53	52.62	913.15	680.72	232.43
6	35-Planning and Development Department	679.05	0.19	679.24	84.86	594.38
7	39-Disaster Management Department	444.29	0.07	444.36	285.29	159.07
8	42-Rural Development Department	770.96	61.88	832.84	515.52	317.32
9	47-Transport Department	449.92	0.07	449.99	333.44	116.55
10	48-Urban Development Department	575.15	6.75	581.90	404.81	177.09
11	51-Welfare Department	765.94	50.55	816.49	566.23	250.26
12	56-Panchayati Raj and National Rural Employment Programme (Special Division) Department	1505.89	4.21	1510.10	1248.05	262.05
13	58-Secondary Education	702.94	22.54	725.48	487.10	238.38
14	59-Primary and Public Education	4592.65	63.39	4656.04	3162.76	1493.28
15	60-Social Welfare, Women and Child Development Department	1112.28	2.01	1114.29	812.22	302.07
<b>Capital-Voted</b>						
16	3-Building Construction Department	181.08	0.00	181.08	66.11	114.97
17	10- Energy Department	653.00	141.00	794.00	541.70	252.30
18	20- Health, Medical Education and Family Welfare Department	352.55	54.80	407.35	146.84	260.51
19	41- Road Construction Department	1639.45	34.00	1673.45	1498.90	174.55
20	48- Urban Development Department	689.92	0.00	689.92	198.93	490.99
21	49- Water Resources Department	1632.71	23.00	1655.71	422.86	1232.85
22	50-Minor Irrigation Department	356.09	6.10	362.19	194.91	167.28
<b>Total</b>		<b>23052.45</b>	<b>879.55</b>	<b>23932.00</b>	<b>16065.23</b>	<b>7866.77</b>

Source: Appropriation Accounts of Government of Jharkhand

Further, in 68 sub-head/schemes under the above Grants savings occurred (exceeding ₹ 20 crore and above in each case) aggregating ₹ 5386.36 crore (58 per cent of total savings). Details of savings along with reasons for savings exhibited in the Appropriation Accounts 2012-13 are given in *Appendix 2.2*.

Large savings may adversely affect implementation of the development programmes in the State.

### 2.4.2 Persistent savings

In 16 cases (15 departments), there were persistent savings of 10 *per cent* or more of the total grants in each case, during the last five years (**Table 2.3**).

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

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
<b>Revenue-Voted</b>						
1	1- Agriculture and Sugarcane Development Department	499.65(70)	178.10(44)	181.21(39)	228.82(35)	264.25(37)
2	2-Animal Husbandry Department	58.61(29)	54.21(27)	46.11(22)	31.52(23)	35.50(22)
3	17- Finance (Commercial Tax) Department	6.11 (20)	3.79 (11)	8.27 (17)	11.24 (18)	27.17 (38)
4	18- Food, Public Distribution and Consumer Affairs Department	34.17 (18)	98.68 (28)	84.27 (13)	168.00 (15)	307.90 (28)
5	19- Forest and Environment Department	40.34 (16)	61.60 (23)	68.35 (23)	52.20 (19)	48.17 (15)
6	20-Health, Medical Education & Family Welfare Department	184.31(23)	480.56(45)	178.41(21)	277.93(25)	326.13(53)
7	23- Industry Department	83.42(42)	73.27(32)	31.89(18)	157.41(45)	82.94(29)
8	26- Labour, Employment and Training Department	187.81 (25)	162.39 (23)	148.44 (19)	193.07 (23)	232.43 (25)
9	35- Planning and Development Department	129.49 (87)	72.02 (82)	14.00 (46)	291.78 (58)	594.38 (88)
10	40-Revenue and Land Reforms Department	32.11 (13)	47.00 (17)	27.94 (11)	79.15 (24)	77.17 (23)
11	43- Science & Technology Department	76.74(50)	66.06(59)	51.83(41)	40.29(42)	37.03(40)
12	49- Water Resources Department	17.52(09)	57.85(22)	30.98(13)	83.77(27)	92.55(29)
13	51- Welfare Department	219.46(23)	304.76(28)	208.83(16)	309.14(33)	250.26(31)
<b>Capital-Voted</b>						
14	10- Energy Department	68.92 (17)	383.67 (61)	132.56 (32)	1130.05 (87)	252.30 (32)
15	41- Road Construction Department	88.05(14)	230.19(31)	146.70(18)	899.94(53)	174.55(10)
16	49- Water Resources Department	254.29(48)	277.49(56)	153.71(40)	714.70(78)	1232.85(74)

Source: Appropriation Accounts

(Figures in bracket indicate percentage of savings with respect to total grant)

It may be seen from the above table that large savings continued over the years indicating improper estimation under the Grants. Further, details of savings in some major schemes under five Departments performing Social and Economic Services recorded in the above table are discussed below:

#### Grant No. 1- Agriculture and Sugarcane Department

Large savings occurred under National Horticulture Mission Programme and Seeds Rural Programme undertaken for development of agriculture in the State as shown in the table below:

(₹ in crore)

Detail	2010-11		2011-12		2012-13	
	Budget	Savings	Budget	Savings	Budget	Savings
National Horticulture Mission Programme 2401-00-109-28- (P)	4.14	4.14 (100)	6.90	4.82 (70)	4.52	1.28 (28)
National Horticulture Mission Programme 2401-00-796-28- (P)	0.00	0.00	8.10	1.60 (20)	6.01	1.53 (26)
Detail	2010-11		2011-12		2012-13	
	Budget	Savings	Budget	Savings	Budget	Savings
National Horticulture Mission Programme 2401-00-109-28- (CSS)	23.46	22.06 (94)	39.10	39.10 (100)	20.63	20.63 (100)
National Horticulture Mission Programme 2401-00-796-28- (CSS)	27.54	27.29 (99)	45.90	45.90 (100)	27.54	27.54 (100)
Seeds Rural Programme 2401-00-796-49- (CPS)	11.00	5.38 (49)	2.97	2.93 (99)	7.70	6.55 (85)
Seeds Rural Programme 2401-00-800-49- (P)	9.00	4.68 (52)	2.53	2.34 (93)	7.15	5.90 (82)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2010-11, 2011-12, 2012-13.

In 16 out of 18 cases in last three years, reasons for saving were not intimated by the Department. However, in 2011-12 saving occurred under '2401-00-796-28-National Horticulture Mission Programme' due to non-release of funds by the Government of India (GOI).

### Grant No. 10- Energy Department

Significant savings occurred in Rural Electrification Programme under Rajiv Gandhi Gramin Vidyutikaran Yojna, Credit to Jharkhand State Electricity Board under Re-structured APDRP and Loans to JSEB for Production. Details are given in the table below:

(₹ in crore)

Details	2010-11		2011-12		2012-13	
	Budget	Savings	Budget	Savings	Budget	Savings
Rajiv Gandhi Gramin Vidyutikaran Yojna 2801-01-789-02 (P)	13.35	7.29 (55)	9.90	9.90 (100)	6.00	4.85 (81)
Rajiv Gandhi Gramin Vidyutikaran Yojna 2801-01-796-02 (P)	43.47	23.73 (55)	38.50	38.50 (100)	13.00	10.51 (81)
Rajiv Gandhi Gramin Vidyutikaran Yojna 2801-01-800-02 (P)	51.18	27.95 (55)	61.60	61.60 (100)	31.00	25.08 (81)
Credit to Jharkhand State Electricity Board under Re-structured APDRP 6801-00-789-01 (CSS)	4.20	4.20 (100)	5.85	2.50 (43)	18.60	15.26 (82)
Credit to Jharkhand State Electricity Board under Re-structured A.P.D.R.P. 6801-00-796-01 (P)	13.68	13.68 (100)	22.75	9.70 (43)	40.30	33.06 (82)
Credit to Jharkhand State Electricity Board under Re-structured A.P.D.R.P. 6801-00-800-01 (CSS)	16.11	16.11 (100)	36.40	15.54 (43)	96.10	78.83 (82)
Loans to JSEB for Production 6801-00-800-05 (P)	90.00	40.00 (44)	150.00	150.00 (100)	108.00	108.00 (100)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2010-11, 2011-12, 2012-13.

In six cases (out of 21), reasons for saving were not intimated. However, reasons for savings under head '6801-00-800-05-Loans to Jharkhand State Electricity Board for production' during 2011-12 and 2012-13 was reported as non-receipt of proposal from JSEB and non-receipt of investigation report of Subernarekha Hydro Electric Project respectively.

## Grant No. 20- Health, Medical Education and Family Welfare

Significant savings occurred in Health Sub-Centres scheme, as shown below:

*(₹ in crore)*

Detail	2010-11		2011-12		2012-13	
	Budget	Savings	Budget	Savings	Budget	Savings
Health Sub-Centres 2211-00-101-01- (CPS)	149.98	102.26 (68)	170.80	125.56 (74)	193.64	141.55 (73)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2010-11, 2011-12, 2012-13.

The reasons for savings in the above cases were reported as less sanction of funds by the Government of India.

## Grant No. 49 Water Resources Department

Significant savings were noticed in Subernarekha Project (under AIBP) during 2011-12 and 2012-13. Details are given in the table below:

*(₹ in crore)*

Detail	2011-12		2012-13	
	Budget	Savings	Budget	Savings
Subernarekha Project (AIBP) 4700-80-789-09	30.00	7.81 (26)	48.78	26.07 (53)
Subernarekha Project (AIBP) 4700-80-796-09	30.00	16.35 (54)	70.00	19.06 (27)
Subernarekha Project (AIBP) 4700-80-796-10	300.00	241.07 (80)	600.00	424.95 (71)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2011-12, 2012-13.

No reason was furnished for the above savings.

## Grant No. 51 Welfare Department

Significant savings occurred in Development Programmes for Primitive Tribes and Administration of Micro Economic Social Organisation (MESO) Project. Details are given in the table below:

*(₹ in crore)*

Detail	2010-11		2011-12		2012-13	
	Budget	Savings	Budget	Savings	Budget	Savings
2225-02-796-04- Development Programmes for Primitive Tribes (CPS)	59.76	49.92 (84)	71.32	71.32 (100)	71.32	64.42 (90)
2225-02-796-17- Administration of MESO Project	7.50	3.17 (42)	7.50	2.33 (31)	14.11	12.17 (86)

Figures in bracket represent percentage of savings to total budget under the head of accounts.

Source: Appropriation Accounts 2010-11, 2011-12, 2012-13.

During 2010-11 and 2012-13 reasons for savings under Development Programmes for Tribes were intimated as non-release of funds by the Central Government. An excess provision of fund and provision in wrong sub head were stated to be the reasons for savings under MESO project during 2010-11 and 2012-13 respectively. No reason was given for savings in the above heads during 2011-12.

### 2.4.3 Advances from Contingency Fund

The Contingency Fund of the State was established under Section 4 of Jharkhand Contingency Fund Act 2001 in terms of the provisions of Article 267(2) and 283 (2) of the Constitution of India. Advances from the Fund are to be given only for meeting expenditure of unforeseen and emergent character,

postponement of which, till authorisation by the Legislature, would be undesirable. Review of relevant records revealed that the advances from Contingency Fund were made to meet expenditure which was neither unforeseen nor of emergent nature. The corpus of the fund in the State is ₹ 150 crore. On 33 occasions ₹ 231.21 crore was withdrawn during 2012-13. However, the total withdrawal from the fund during 2012-13 was recouped during the year. Details of some cases are given in the **Table 2.4** below:

**Table 2.4: Expenditure from Contingency Fund of the State**

Sl. No.	Head of account	Detail of work	Amount of Advance (₹ in lakh)
1	2052-00-090-24	Purchase of Car for Chief Minister	26.50
2	2052-00-090-25	Leave Travel Concession	12.00
3	2013-00-105-02	Discretionary Grants to Ministers	18.00
3	2013-00-101-01	Purchase of Car	5.77
4	2049-01-200-02	Payment of interest on loans from NABARD	1400.00
5	2203-00-001-01	Purchase of Car	7.69
6	2801-80-101-12	Grants-in-aid to JSEB	10000.00
<b>Total</b>			<b>11469.96</b>

The above mentioned expenditure does not meet the criteria for drawal from Contingency Fund as these expenditure are not of an unforeseen or of an emergent character. Thus, these should have been postponed till authorisation by the Legislature of the State.

#### 2.4.4 Excess over provisions during 2012-13 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.

**Table 2.5** contains the summary of total excess in one appropriation and two grants amounting to ₹ 1263.18 crore over and above authorisation from the Consolidated Fund of the State by the State Legislature during 2012-13, which requires regularisation under Article 205 of the Constitution:

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

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
(₹ in crore)				
<b>Charged Appropriation</b>				
1	14-Repayment of Loans	1627.05	2183.06	556.01
<b>Voted Grant</b>				
1	7-Vigilance	11.48	11.55	0.07
2	15-Pension	2227.75	2931.19	703.44
3	42-Rural Development Department	478.42	482.08	3.66
<b>Total</b>		<b>4344.70</b>	<b>5607.88</b>	<b>1263.18</b>

Source: Appropriation Accounts of Government of Jharkhand 2012-13

Excess expenditure in the above grants amounting to ₹ 1263.18 crore, was incurred in excess of budget provision under different sub-heads of the grants.



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

Excess expenditure over provisions, amounting to ₹ 8540.79 crore for the years 2001-02 to 2011-12, was still to be regularised under Article 205 of the Constitution as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.6**. Non-regularisation of the excess over grants/appropriations over the years is a breach of legislative control over appropriations.

**Table 2.6: Excess relating to previous years requiring regularisation**

(₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	3, 25, 32		0.04
2002-03	10, 32	13,14	1241.49
2003-04	10, 39,46	13,14	937.25
2004-05	23,39,40	13,14	576.07
2005-06	10, 29	13	3121.47
2006-07	38	13,14	1245.87
2007-08	15	14	334.44
2008-09	12	14	228.89
2009-10		14	116.71
2010-11		13,15,32	318.40
2011-12	15,25	14	420.16
<b>Total</b>			<b>8540.79</b>

Source: Appropriation Accounts of Government of Jharkhand

### 2.4.6 Avoidable/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 1082.11 crore obtained in 47 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in *Appendix 2.4*. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and huge savings occurred under these sub-heads.

### 2.4.7 Excessive/insufficient re-appropriation of funds

Re-appropriation is the 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 under 18 sub-heads during 2012-13 as detailed in *Appendix 2.5* proved excessive or insufficient. Under eight schemes/sub-heads, additional funds of ₹ 20.30 crore were provided through re-appropriation leading to savings of ₹ 22.94 crore under the same while in six schemes/sub-heads ₹ 1.47 crore were re-appropriated to other schemes/ sub-heads resulting in excess expenditure of ₹ 2.29 crore in those schemes. It was also noticed that ₹ 16.92 crore were re-appropriated to four schemes/sub-heads which was proved insufficient considering the excess expenditure of ₹ 1.50 crore under those schemes.

### 2.4.8 Anticipated savings not surrendered

As per Rule 112 of the Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Out of total savings of ₹ 9225.13 crore during 2012-13 significant savings (₹ one crore and above in each grant/ appropriation) aggregating to ₹ 7581.47 crore occurred under 27 grants/ appropriations. Of these, a total of ₹ 1496.77 crore (20 *per cent* of the total savings) were not surrendered, details of which are given in *Appendix 2.6*.

Besides, in 123 cases, where the surrender of funds was in excess of ₹ 10 crore each, ₹ 4479.51 crore was surrendered on the last two working days of March 2013 (*Appendix 2.7*), leaving no scope for utilisation of these funds for other developmental purposes. This indicated poor financial control.

## 2.5 Rush of expenditure

According to Rule 113 of the Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. However, in respect of 18 heads of accounts listed in *Appendix 2.8*, expenditure (exceeding ₹ 20 crore in each case) incurred in the last quarter and in the last month of 2012-13 was more than 50 *per cent* of the total expenditure of the year.

It was noticed that entire expenditure during the year under the Major Heads '2810- Non-Conventional Sources of Energy' for New and Renewable Energy' and '3075- Transport' for 'Subsidy to Railways towards Dividend Relief & Other Contingencies' under 'Tribal Area Sub-Plan' was incurred in the month of March 2013.

## 2.6 Non-reconciliation of Departmental figures

Though non-reconciliation of departmental figures by Controlling Officers (COs) with the books of the Accountant General (A&E) was pointed out regularly in our Audit Reports, the irregularities continued to persist during 2012-13. It was noticed that against the total receipts of ₹ 30,011.67 crore during 2012-13, a total amount of ₹ 14,641.32 crore (48.78 *per cent*) was not reconciled by 73 COs. Similarly, out of total expenditure of ₹ 30,502.17 crore during the year 2012-13, an expenditure of ₹ 23,400.20 crore (76.71 *per cent*) was not reconciled by 73 COs with the books of the Accountant General (A&E), Jharkhand. Un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 17051.81 crore during 2012-13, is given in *Appendix 2.9*.

Due to non-reconciliation of departmental figures with the books of the Accountant General (A&E) chances of misclassification of expenditure and receipts could not be ruled out.

## 2.7 Deficiencies in Budgetary Controls in Grant No.1 Agriculture and Sugarcane Development Department

A review of Budgetary process of Grant No. I- Agriculture and Sugarcane Development Department for the year 2012-13 was conducted. This Grant contains six<sup>2</sup> Revenue Major Heads of Accounts and one<sup>3</sup> Capital Major head. Important observations are summarised as below:

<sup>2</sup> Major Head - 2401, 2402, 2415, 2435, 3451 & 3475

<sup>3</sup> Major Head - 4401

➤ **Non adherence to budgetary process**

As per Finance Department (FD) instructions (18 November 2011), the Agriculture and Sugarcane Development Department (Department) has to send a copy of the Budget Estimates (BE) and Comprehensive Outlay of Budget Transaction (COBT) for the year 2012-13 to the FD by 24 December 2011. We observed that the BE and the COBT for Plan expenditure were submitted to FD on 04 February 2012. Thus, the Department did not adhere to the submission schedule.

On being asked during audit, the Directorate did not furnish information about receipt of the required inputs from the field offices and the basis for preparation of the estimates. Further, during test check of records of District Agriculture Office (DAO), Ranchi, we observed that the Plan Budget Estimates for 2012-13 was not prepared by that office. The DAO stated (19 July 2013) that Plan budget estimate was not demanded from them. Thus, it is evident that the Plan budget estimates prepared at the Directorate did not cover inputs from all the field units.

➤ **Inflated budget provisions**

We observed that out of total budget provision of ₹ 718.73 crore<sup>4</sup> for the year 2012-13, an expenditure of ₹ 454.48 crore<sup>5</sup> (63 per cent) was incurred by the Department. Out of total savings of ₹ 264.25 crore<sup>6</sup>, ₹ 19.95 crore was lapsed and ₹ 249.76 crore was surrendered.

We also observed that the Department had persistent savings of ₹ 180.61 crore, ₹ 182.41 crore and ₹ 229.82 crore respectively during the years 2009-10, 2010-11 and 2011-12.

On this being pointed out (August 2013), the Department stated (September 2013) that Plan expenditure of ₹ 349.65 crore was reported against revised outlay of ₹ 446.47 crore during 2012-13. While the reply indicated much difference between estimates and the actual expenditure, the Department was silent about estimates of Non-Plan expenditure.

➤ **Avoidable/Irregular Budget Provision**

- Analysis of Appropriation Accounts 2012-13 revealed that entire budget provisions aggregating to ₹ 100 crore made under 20 sub heads (out of 124) remained unutilised (**Appendix 2.10**) and were entirely surrendered. Funds for Central Schemes viz. National Horticulture Mission, Extension Reforms and Scheme for Micro Irrigation are directly provided by GOI through RTGS (a system of electronic transfer of fund) to the State implementing agencies. We observed that during 2012-13 provision of ₹ 76.68 crore under these three Schemes was made in the Budget as shown below.

<sup>4</sup> Revenue: ₹ 710.73 Cr., Capital: ₹ 8.00 Cr.

<sup>5</sup> Revenue: ₹ 446.48 Cr., Capital: ₹ 8.00 Cr.

<sup>6</sup> Including excess expenditure amounting (-) ₹ 5.46 crore.

(₹ in crore)

Scheme	Major head/ Minor-Head	Budget Provision
National Horticulture Mission Programme	2401-Crop Husbandary/00/109-Extension & Farmers Training / 28- National Horticulture Mission Programme	20.63
	2401-Crop Husbandary/00/796-Tribal Area Sub-Plan/ 28- National Horticulture Mission Programme	27.54
Extension Reforms	2401-Crop Husbandary/00/796-Tribal Area Sub-Plan/ 19- Extension Reforms	22.50
Scheme for Micro Irrigation	2401-Crop Husbandary/00/109-Extension & Farmers Training /29-Scheme for Micro Irrigation	2.61
	2401-Crop Husbandary/00/796-Tribal Area Sub-Plan /29-Scheme for Micro Irrigation	3.40
<b>Total</b>		<b>76.68</b>

Since, funds were subsequently provided directly by GOI to the three<sup>7</sup> State implementing agencies, funds provided in the State Budget remained unutilized during the year leading to savings of ₹ 76.68 crore. The entire saving was surrendered on 31 March 2013.

- Test check of records of DAO, Ranchi revealed that ₹ 61.68 lakh was provided to DAO, Ranchi during 2012-13 for meeting the differential amount on account of revision of purchase rate (of previous year) of certified paddy seeds. We observed that the entire amount was surrendered on the 31 March 2013. The DAO stated that out of ₹ 448.62 lakh provided in the previous year 2011-12, a sum of ₹ 197.78 lakh only was spent on purchase of certified paddy seeds. Thus, no demand was raised for the year 2012-13.

#### ➤ Avoidable supplementary provision

Supplementary provision of ₹ 9.70 crore was made under 15 sub heads, though savings of ₹ 36.27 crore occurred under those sub heads during the year (*Appendix 2.11*). Thus, entire supplementary provision under these 15 sub heads remained unutilized.

#### ➤ Surrender on last day of the financial year

A sum of ₹ 229.01crore<sup>8</sup> was surrendered by the Department on the last day of the financial year leaving no scope to utilise the fund on other schemes by the Government.

#### ➤ Excess expenditure over budgetary provision

As per Rule 138 of Bihar Budget Manual (as adopted by Jharkhand State), excess expenditure should be strictly avoided.

We observed that excess expenditure of ₹ 5.47 crore occurred under 31 sub-heads (out 124 in Grant No. 1) under major heads 2401, 2402, 2415 and 3451 (*Appendix 2.12*) indicating defective control over expenditure.

#### ➤ Rush of expenditure

Out of total expenditure of ₹ 454.48 crore, expenditure of ₹ 244.68 crore (53.84 per cent) was incurred in the month of March 2013. In 60 sub-heads (out of 124) more than 60 per cent expenditure was incurred in the month of March 2013. Huge expenditure in the last month of the year was contrary to the provisions of Rule 113 of Budget manual.

<sup>7</sup> 1. Director, National Horticulture Mission, Ranchi, 2. Director, State Agricultural Management & Extension Training Institute, Ranchi and 3. Regional Nodal Officer, National Micro Irrigation Mission, Ranchi.

<sup>8</sup> State Plan: ₹95.20 cr., State non-plan: ₹16.89 cr. and Central Share: ₹116.92 cr.

➤ **Irregular drawal of fund**

It was observed from the records of DAO, Ranchi that ₹ 15.15 lakh provided to the DAO under head 2401-00-796-49 (Seeds Rural Programme). The amount was drawn on 31 March 2013 for purchase of Seed processing machinery and kept in the current account of the DAO. The Seed Processing Building in which the machine was to be installed was not constructed as of July 2013.

Drawal of funds without immediate requirement was against the provisions of State Financial Rules which was done to avoid the lapse of fund.

On being pointed out in July 2013, the DAO, Ranchi stated (July 2013) that the amount will be deposited in the Treasury.

➤ **Non-submission of DC bills**

We observed that ₹ 34.08 crore was drawn by 34 DDOs through 60 AC bills during 2012-13 against which DC bills amounting to ₹ 6.11 crore (18 *per cent*) was submitted leading to 57 AC bills of ₹ 27.97 crore (82 *per cent*) remaining outstanding as of June 2013 (*Appendix 2.13*).

Non-submission of DC bills on time for such a huge amount was against the rules/provisions of the State. Further, chances of misutilisation of Government money could not be ruled out. Due to outstanding AC bills the expenditure of the department for the year was overstated to that extent.

## **2.8 Conclusion**

There were large savings of ₹ 9225.13 crore during 2012-13 indicating improper budget estimation. Large savings under various schemes/ sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 15 departments performing Social Services and Economic Services.

Excess expenditure of ₹ 1263.18 crore was incurred over provisions during 2012-13, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure occurred during 2001-2012 was still to be regularised.

The Controlling Officers did not reconcile the expenditure and receipts of the departments with the books of the Accountant General (A&E), Jharkhand during 2012-13.

The Agriculture & Sugarcane Development Department was not following the provisions of the Budget Manual leading to lack of budgetary control in the Department.

## **2.9 Recommendation**

- The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised.
- Regularisation of excess expenditure in the current year and as well as that occurred in the previous years should be given priority.
- Controlling officers should reconcile their expenditure and receipts figures every month with those in the books of the Accountant General (A&E).
- The Agriculture & Sugarcane Development Department should adhere to the provisions of the Budget Manual by adopting budget monitoring system in the Department.