

## **CHAPTER-II**

# **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**

## CHAPTER II

### Financial Management and Budgetary Control

#### 2.1 Introduction

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

Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 57 Grants (including 10 Appropriations) and three Appropriations is given in **Table 2.1**:

**Table 2.1 : Summarised Position of Actual Expenditure *vis-à-vis* Original/Supplementary provisions**

(₹ in crore)						
	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I. Revenue	6970.57	617.11	7587.68	5146.29	(-) 2441.39
	II. Capital	1748.23	81.08	1829.31	1075.47	(-) 753.84
	III. Loans and Advances	28.37	18.49	46.86	42.33	(-) 4.53
<b>Total Voted</b>		<b>8747.17</b>	<b>716.68</b>	<b>9463.85</b>	<b>6264.09</b>	<b>(-) 3199.76</b>
<b>Charged</b>	IV. Revenue	388.74	5.60	394.34	410.09	(+) 15.75
	V. Capital	...	...	...	...	...
	VI. Public Debt- Repayment	193.54	...	193.54	298.71	(+) 105.17
<b>Total Charged</b>		<b>582.28</b>	<b>5.60</b>	<b>587.88</b>	<b>708.80</b>	<b>(+) 120.92</b>
<b>Appropriation to Contingency Fund (if any)</b>		...	...	...	...	...
<b>Grand Total</b>		<b>9329.45</b>	<b>722.28</b>	<b>10051.73</b>	<b>6972.89</b>	<b>(-) 3078.84</b>

The overall saving of ₹ 3078.84 crore was the result of saving of ₹ 3268.34 crore in 49 Grants (including eight cases of Appropriation) and one Appropriation under

Revenue Section, 23 Grants and one Appropriation under Capital Section, offset by excess of ₹ 189.50 crore in five Grants and one case of Appropriation under Revenue Section and one Grant and one case of Appropriation under Capital Section.

The savings/excesses were intimated (August 2014) 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 (September 2014) 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 31 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 ₹ 3078.84 crore, savings of ₹ 2664.10 crore (86.53 per cent)<sup>1</sup> occurred in 11 cases relating to nine Grants as indicated in **Table 2.2**.

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

(₹ in crore)					
Number and name of the Grant	Original	Supple- mentary	Total	Actual expenditure	Savings
<b>I. Revenue-Voted</b>					
21 – Miscellaneous General Services, etc.	2169.00	115.02	2284.02	1109.73	1174.29
34 – Welfare of Scheduled Caste/ Scheduled Tribe and Other Backward Classes, etc.	351.15	26.37	377.52	218.94	158.58
38 – Secretariat Economic Services	417.94	1.08	419.02	122.42	296.60
40 – North Eastern Areas, Capital Outlay on North Eastern Areas	95.87	0	95.87	19.23	76.64
43- Housing, Crop Husbandry, Agricultural, Research and Education etc.	449.13	0	449.13	215.77	233.36
45 – Housing, Soil and Water Conservation, etc.	208.74	2.35	211.09	120.41	90.68
<b>Total Revenue -Voted</b>	<b>3691.83</b>	<b>144.82</b>	<b>3836.65</b>	<b>1806.50</b>	<b>2030.15</b>
<b>II. Capital-Voted</b>					
19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, etc.	144.26	45.81	190.07	110.84	79.23
27 – Water Supply and Sanitation, Housing, etc.	214.53	0	214.53	136.70	77.83
29 – Urban Development, etc	356.38	0	356.38	111.61	244.77
40 – North Eastern Areas, Capital Outlay on North Eastern Areas	114.13	0.04	114.17	41.26	72.91
43- Housing, Crop Husbandry, Agricultural, Research and Education etc.	167.75	0	167.75	8.54	159.21
<b>Total Capital -Voted</b>	<b>997.05</b>	<b>45.85</b>	<b>1042.90</b>	<b>408.95</b>	<b>633.95</b>
<b>Grand Total</b>	<b>4688.88</b>	<b>190.67</b>	<b>4879.55</b>	<b>2215.45</b>	<b>2664.10</b>

Reasons for excessive savings in the above cases had not been furnished (September 2014).

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

### 2.3.2 Persistent Savings

In nine 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 2009-14**

(₹ in crore)						
Sl. No.	No. and Name of the grant	Amount of savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
<b>Revenue-Voted</b>						
1.	11- Other Taxes and Duties on Commodities and Services, etc	155.52 (56)	169.29 (59)	226.21 (57)	106.00 (37)	45.73 (23)
2.	29- Urban Development, Capital Outlay on Housing, etc	16.14 (31)	24.37 (45)	19.74 (31)	47.65 (54)	24.86 (41)
3.	34-Welfare of Scheduled Castes, etc.	73.06 (39)	69.05 (34)	57.84 (25)	105.20 (39)	158.58 (42)
4.	39 – Cooperation etc.	6.15 (36)	5.87 (31)	13.99 (47)	14.96 (51)	14.55 (47)
5.	40-North Eastern Areas, etc.	14.96 (39)	44.08 (74)	12.80 (34)	90.13 (77)	76.64 (80)
<b>Capital-Voted</b>						
6.	19 – Secretariat General Services, Public Works, etc.	14.33 (24)	25.69 (39)	59.53 (65)	68.00 (58)	79.23 (42)
7.	29- Urban Development, Capital Outlay on Housing, etc.	89.22 (86)	95.98 (95)	24.48 (20)	231.75 (92)	244.77 (69)
8.	34-Welfare of Scheduled Castes, etc.	14.00 (99)	8.14 (58)	15.65 (96)	19.36 (100)	15.21 (80)
9.	39-Cooperation, etc.	4.08 (53)	3.01 (40)	6.20 (36)	8.33 (54)	7.79 (48)

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

Four Grants, viz. ‘Other Taxes and Duties on Commodities and Services, etc.’, ‘Urban Development’, ‘Welfare of Scheduled Caste, etc.’, and ‘North Eastern Areas’ 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 ₹ 164.85 crore was incurred in 44 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 2013-14**

(₹ in crore)		
Sl. No.	Grant/Appropriation Number – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
1.	12 – 2049 – 01 – 101 (82) 8.54 % Meghalaya Government Stock 2023 – General	4.70
2.	12 – 2049 – 01 – 101 (83) 8.50 % Meghalaya Government Stock 2023 -General	4.25
3.	12 – 2049 – 01 – 101 (84) 9.75 % Meghalaya Government Stock 2023 -General	2.92

Sl. No.	Grant/Appropriation Number – Major Head of Accounts - Sub-Head - Detailed Head	Expenditure without provision
4.	19 – 4059 – 80 – 051 (02) – General Purposes Office and Administrative Buildings for all Services - Sixth Schedule (Part II) Areas	2.50
5.	21 – 2202 – 01– 102 (07) Mid Day Meal Incentive to Students - General	25.43
6.	26 – 2211 – 101 (02) Rural Family Welfare Sub -Centres – Sixth Schedule (Part II) Areas	2.62
7.	26 – CSS - 2211 –101 (01) Rural Family Welfare Centres - Sixth Schedule (Part II) Areas	3.00
8.	26 – CSS - 2211 –101 (02) Rural Family Welfare Sub-Centres – General	3.57
9.	34 – CSS - 2235 – 800 (03) Multi Sectional Development Programme (MSDP)- General	7.62
10.	40 – 4552 – 14 – 800 (24) Improvement including Widening, Metalling and Blacktopping of Jowai – Nartiang – Kdiap – Khanduli Road (6.00 to 61Km) - Sixth Schedule (Part II) Areas	16.67
11.	40 – 4552 – 14 – 800 (33) Improvement/up-gradation of Cherra-Mawsmai-Shella Road (0-40 Km) - Sixth Schedule (Part II) Areas	1.94
12.	40- 4552 – 80 – 800 (04) Roads and Bridges - Sixth Schedule (Part II) Areas	1.48
13.	43 – 2401 – 108 (32) Multiple Cropping through Cluster Approach – Sixth Scheduled (Part-II) Areas	1.28
14.	43 – 2401 – 800 (21) Special Central Assistances – General	13.50
15.	43 – 2702 – 800 (10) NABARD Loan for Construction of MIPs - Sixth Schedule (Part-II) Areas	6.99
16.	43 – 4702 – 101 (05) NABARD Loan for Construction of MIPs - Sixth Schedule (Part-II) Areas	1.70
17.	53 – CSS – 2851 – 107(03) Supply of rearing and Spinning for Eri Industry – General	7.72
18.	56 – 5054 – 04 – 800 (04) Road Financed from Central Road Fund - Sixth Schedule (Part-II) Areas	4.40
19.	56 – 5054 – 04 – 800 (22) Grant under Article 275 (1) - Sixth Schedule (Part-II) Areas	6.75
20.	56 – 5054 – 04 – 800 (27) Special Plan Assistance Up-gradation of Roads of New District Headquarters – Sixth Schedule (Part-II) Areas	11.69
21.	56 – CSS - 5054 – (02) Inter State Connectivity – Sixth Schedule (Part-II) Areas	7.00
22.	Appropriation – Internal Debt of the State Government - 6003 – 101 (32) 6.20 % Meghalaya State Development Loan 2013 – General	10.00
23.	Appropriation – Internal Debt of the State Government - 6003 – 109 0466-(iii) Loans from HUDCO – General	8.46

#### 2.3.4 Drawal of funds to avoid lapse of budgetary provision

As per Paragraph 152 (iii) of Budget Manual, controlling officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case by the 15<sup>th</sup> March at the latest. Further, as per Rule 211 of Meghalaya Treasury Rules, 1986, no money shall be drawn from the Treasury unless it is required for immediate disbursement. Contrary to the prescribed procedure, ₹ 1034.30 crore was transferred in March 2014 into the head of Account ‘8443 – Civil Deposits’ primarily to exhaust the unspent budgetary provisions. Instances of such transfer (over ₹ 10 crore in each case) in respect of the 22 cases involving ₹ 928.35 crore are mentioned in **Appendix 2.4**.

### 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 ₹ 1502.89 crore for the years from 1971-72 to 2012-13 was yet to be regularised, details of which are given in **Appendix 2.5**.

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

**Table 2.5** contains the summary of total excess in five Grants and one case of Appropriation under Revenue Section and one Grant and one case of Appropriation under Capital Section amounting to ₹ 189.50 crore over authorisation from the Consolidated Fund during 2013-14 and requires regularisation under Article 205 of the Constitution.

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

(₹ in lakh)				
Sl. No.	Number and title of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess (+) (per cent to Total Grant/ Appropriation)
<b>Revenue – Voted</b>				
1.	7 – Stamps and Registration	138.00	168.19	30.19 (22)
2.	9 – Taxes on Sales, Trade, etc., Other Taxes and Duties on Commodities and Services	1866.63	1950.93	84.30 (05)
3.	24 – Pensions and Other Retirement Benefits	39698.40	45087.44	5389.04 (14)
4.	26 – Medical and Public Health, Family Welfare, Capital Outlay on Medical and Public Health, Capital Outlay on Family Welfare	34278.04	35368.01	1089.97 (03)
5.	44 – Medium Irrigation, Flood Control and Drainage, Capital Outlay on Medium Irrigation, Capital Outlay on Flood Control Projects	93.91	98.72	4.81 (05)
<b>Revenue - Charged</b>				
1.	12 – Other Fiscal Services, etc., Interest Payments	35419.04	37150.22	1731.18 (05)
<b>Capital – Voted</b>				
1.	44 - Medium Irrigation, Flood Control and Drainage, Capital Outlay on Medium Irrigation, Capital Outlay on Flood Control Projects	341.00	341.07	0.07 (0.02)
<b>Capital - Charged</b>				
1.	Internal Debt of the State Government	17317.29	27937.35	10620.06 (61)
<b>Total</b>				<b>18949.62</b>

In four of the above cases, expenditure aggregating ₹ 188.30 crore exceeded the approved provisions by ₹ 1 crore or more in each case 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 of the budget provision has been observed consistently for the last five years.

**Table 2.6 : Persistent excess expenditure during 2009-14**

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2009-10	2010-11	2011-12	2012-13	2013-14
1.	24- Pension and other Retirement benefits (Revenue - Voted)	31.89	97.97	139.17	73.49	53.89

### 2.3.7 Excessive/inadequate supplementary provision

Supplementary provision aggregating ₹ 322.18 crore obtained in 21 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 ₹ 64.87 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 64.79 crore (**Table 2.7**).

**Table 2.7: Insufficient Supplementary Provisions**

(₹ in crore)

Number and Name of Grant	Original Provision	Supplementary provision	Total	Expendi- -ture	Excess
24 – Pensions and Other Retirements Benefits Revenue - Voted	335.11	61.87	396.98	450.87	53.89
26 – Medical and Public Health, Family Welfare, etc. Revenue – Voted	339.78	3.00	342.78	353.68	10.90
<b>Total</b>	<b>674.89</b>	<b>64.87</b>	<b>739.76</b>	<b>804.55</b>	<b>64.79</b>

In five cases<sup>2</sup>, no supplementary provision was obtained resulting in an excess expenditure of ₹ 123.86 crore. Details of two of these cases involving excess expenditure of over ₹ 1 crore are given in **Table 2.8**.

**Table 2.8: Excess expenditure but no Supplementary Provisions were obtained**

(₹ in crore)

Number and Name of Grant	Original Provision	Expendi- -ture	Excess
12 – Other Fiscal Services, etc. – 2049 – Interest Payments Revenue - Charged	354.19	371.50	17.31
Appropriation – Internal Debt of the State Government Capital – Charged	173.17	279.37	106.20
<b>Total</b>	<b>527.36</b>	<b>650.87</b>	<b>123.51</b>

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

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. As per the Appropriation Accounts, re-appropriation made under 200 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**.

<sup>2</sup> Grant Nos.: 7-Revenue-Voted: ₹ 30.19 lakh; 12–2049–Interest Payments–Revenue–Charged: ₹ 1731.18 lakh; 44–Revenue–Voted: ₹ 4.81 lakh; 44–Capital–Voted: ₹ 0.07 lakh; Appropriation–Internal Debt, etc.: ₹ 10620.06 lakh

### 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 2013-14 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 224 sub-heads on account of either non-implementation or non receipt of sanction of schemes/programmes. Out of the total provision of ₹ 2030.72 crore in these 224 sub-heads, ₹ 1858.01 crore were surrendered, which included cent per cent surrender in 61 schemes. The details of 61 such cases involving surrender of entire provisions (over ₹ 1 crore) of ₹ 896 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 18 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 364.07 crore, the amount surrendered was ₹ 375.52 crore resulting in excess surrender of ₹ 11.45 crore (**Appendix 2.9**). Some significant cases are shown in **Table 2.9**.

**Table 2.9 : Cases of surrender in excess of savings**

(₹ in crore)					
Sl No.	Number and Name of Grant/Appropriation	Total Grant	Saving	Amount surrendered	Amount surrendered in excess of savings
1.	8 – State Excise Revenue – Voted	13.47	0.90	1.98	1.08
2.	10 – Taxes on Vehicles, Other Administrative Services, etc. Capital – Voted	20.44	6.36	12.45	6.09
3.	22 – Other Administrative Services, Housing, Census Survey and Statistics Revenue – Voted	28.00	2.37	3.81	1.44
<b>Total</b>		<b>61.91</b>	<b>9.63</b>	<b>18.24</b>	<b>8.61</b>



### 2.3.12 Anticipated savings not surrendered

As per Paragraph 152 (iii) of Budget Manual, controlling officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case by the 15<sup>th</sup> March at the latest. At the close of the year 2013-14, there were, however, 12 Grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 295.06 crore (9.58 per cent of the overall savings of ₹ 3078.84 crore) (**Appendix 2.10**).

Similarly, out of total savings of ₹ 2537.65 crore under 17 other Grants (savings of ₹ 1 crore and above in each Grant), amount aggregating ₹ 691.11 crore (27.23 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.11**. Besides, in 40 cases, (surrender of funds in excess of ₹ 1 crore), ₹ 2283.87 crore were (**Appendix 2.12**) surrendered on the last working day of March 2014, 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 2013-14, compared to the total expenditure during the year the expenditure during the fourth quarter ranged between 25.06 per cent and 91.62 per cent and in the month of March it ranged between 16.03 per cent and 90.61 per cent in respect of nine illustrative major heads of account as indicated in **Table 2.10** below:

**Table 2.10: Cases of Rush of Expenditure towards the end of the financial year 2013-14**

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	55.21	35.01	63.41	32.78	59.37
2.	2055	405.74	101.68	25.06	65.02	16.03
3.	2202	957.82	257.18	26.85	167.20	17.46
4.	2210	321.28	121.39	37.78	94.10	29.29
5.	2235	122.26	75.94	62.11	61.30	50.14
6.	2401	164.23	117.39	71.48	81.42	49.58
7.	2402	117.90	71.26	60.44	67.51	57.26
8.	2852	25.40	20.08	79.06	17.93	70.59
9.	3451	167.26	153.25	91.62	151.56	90.61

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 2013-14 (Volume I), the total amount of DCC bills received up to 2011-12 and during 2012-14 was only ₹ 33.84 crore against the amount of AC bills of ₹ 71.20 crore leading to an outstanding balance of DCC bills of ₹ 37.36 crore as on March 2014. Year wise details are given in the table below:

**Table 2.11 : Outstanding DCC Bills**

(₹ in crore)				
Year	Amount of AC bills	Amount of DCC bills	Outstanding AC bills	Percentage of Outstanding AC bills
Up to 2011-12	13.99	13.34	0.65	4.65
2012-13	15.95	10.78	5.17	32.41
2013-14	41.26	9.72	31.54	76.44
<b>Total</b>	<b>71.20</b>	<b>33.84</b>	<b>37.36</b>	<b>52.47</b>

Non-adjustment of advances for long period is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs.

### 2.4.2 Un-reconciled Expenditure

To enable Controlling Officers (COs) of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Budget Manual stipulates that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General(A&E). Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of COs in this regard continued to persist. During 2013-14, 32 out of 58 COs did not reconcile expenditure amounting to ₹ 1983.69 crore (28.44 *per cent* of total gross expenditure (₹ 6972.89 crore)) as of March 2014. Out of the unreconciled expenditure of ₹ 1983.69 crore, ₹ 807.99 crore related to the Directors of Technical Education and Sports and Youth Affairs followed by ₹ 444.62 crore in respect of the Director of Accounts and Treasuries, ₹ 183.97 crore in respect of Director of Agriculture and ₹ 120.41 crore in respect of Director of Soil and Water Conservation.

## **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 2013, there were 14 PD accounts with a balance of ₹ 3.22 crore. No PD account was opened during the year. As of 31 March 2014, 14 PD accounts involving ₹ 4.84 crore were in existence. Out of 14 PD accounts, eight accounts remained inoperative for more than 10 to 14 years.

## **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 2013-14. The findings of Audit are given in the succeeding paragraphs.

### 2.6.4 Budget Process

As contemplated in Paragraphs 1 and 78 of Budget Manual<sup>3</sup>, the duty of preparing budget estimates (Receipts and Expenditure) and revised estimates for laying before the Legislature vests with the Finance Department. The budget estimates are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and revised estimates are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the revised and budget estimates. The estimates of receipts should show the amount expected to be actually realised within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years' receipts.

During scrutiny of records of Finance Department it was noticed that the departmental budget estimates were not submitted by the Administrative Departments within the target date (31 October 2012) fixed by the Finance (Budget) Department in September 2012. Instances of such delays are given in **Table 2.12**.

**Table 2.12: 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)	12.02.2013	Three months
2.	Home (Police)	16 (2055, 2070)	24.01.2013	Two months
3.	Stationery and Printing	18 (2058)	14.12.2012	One month
4.	Education, Sports, Art & Culture	21 (2202, 2203, 2204, 2205)	10.12.2013	One month
5.	Finance Pension Cell	24 (2071)	20.02.2012	Three months
6.	Health & Family Welfare	26 (2210)	07.12.2012	One month
7.	Public Health Engineering	27 (2215)	31.01.2013	Two months
8.	Housing	28 (2216)	19.12.2012	One month
9.	Labour	31 (2230)	16.01.2013	Two months
10.	Social Welfare	34 (2225, 2235, 2236)	24.01.2013	Two months
11.	Agriculture	43 (2401)	04.12.2012	One month
12.	Forest	50 (2406)	20.12.2012	One month

As can be seen from the above table, there were delays ranging from one month to three months in submission of departmental budget estimates to the Finance Department. Consequently, there was either no scope or little scope for scrutiny of these estimates by the Finance Department.

<sup>3</sup> Budget Manual of the Government of Assam (Volume I) as adopted by the Government of Meghalaya

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

The position of Revenue and Capital receipts under Consolidated Fund during 2013-14 is presented in **Table 2.13** below:

**Table 2.13: 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
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
2013-14	8583.40	6266.73	2316.67	26.99	694.52	495.90	198.62	28.60

Source: Annual Financial Statement & Finance Accounts

It can be seen from the table above, the shortfall of revenue receipts ranged between 16.92 per cent and 26.99 per cent and that of capital receipts ranged between 22.88 per cent and 28.60 per cent during 2011-14. 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 October 2014. 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 2013-14 are shown in the **Table 2.14** below:

**Table 2.14**

(₹ 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
2011-12	5527.65	4844.37	683.28	12.36	1343.62	1110.26	233.36	17.37
2012-13	6758.56	5008.82	1749.74	25.89	1920.13	1123.87	796.26	41.47
2013-14	7982.02	5556.38	2425.64	30.39	2069.71	1416.51	653.20	31.56

Source: Annual Financial Statement & Appropriation Accounts. (O: Original; S: Supplementary)

In all the three years there was overestimation of expenditure which resulted in savings ranging from 12.36 per cent to 30.39 per cent under Revenue Account and 17.37 per cent to 41.47 per cent under and 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 2013-14 under both receipts and expenditure heads of accounts are given below:

**Table 2.15: Variation between revised estimated and actuals**

(₹ in crore)

Sl. No	Number and name of head of accounts	Budget Estimates	Revised estimates	Actuals	Variation Excess(+)/ Shortfall (-) (per cent)
<b>RECEIPTS</b>					
1.	0030 – Stamps and Registration Fees	14.06	14.06	9.78	(-) 4.28 (30.44)
2.	0040 – Sales Tax	622.83	622.83	723.65	(+) 100.82 (16.19)
3.	0049 – Interest Receipts	27.44	27.44	33.57	(+) 6.13 (22.34)
4.	0055 – Police	7.64	7.64	5.93	(-) 1.71 (22.38)
5.	0059 – Public Works	9.41	9.41	12.23	(+) 2.82 (29.97)
6.	0070 – Other Administrative Services	4.97	4.97	7.85	(+) 2.88 (57.95)
7.	0075 – Miscellaneous General Services	14.93	14.93	1.06	(-) 13.87 (92.90)
8.	0215 – Water Supply and Sanitation	16.24	16.24	3.56	(-) 12.68 (78.08)
9.	0406 – Forestry and Wildlife	35.51	35.51	60.12	(+) 24.61 (69.30)
10.	0853 – Non Ferrous Mining and Metallurgical Industries	375.80	375.80	455.75	(+) 79.95 (21.27)
<b>EXPENDITURE</b>					
1.	2015 – Election	33.65	33.65	55.21	(+) 21.56 (64.07)
2.	2056 – Jails	13.40	13.40	9.84	(-) 3.56 (26.57)
3.	2071 – Pension and other Retirement Benefit	335.11	335.11	450.87	(+) 115.76 (34.54)
4.	2203 – Technical Education	411.17	411.17	62.51	(-) 348.66 (84.80)
5.	2204 – Sports and Youth Services	90.06	90.06	43.21	(-) 46.85 (52.02)
6.	2217 – Urban Development	61.26	61.26	36.40	(-) 24.86 (40.58)
7.	2402 – Soil and water Conservation	233.13	233.13	117.90	(-) 115.23 (49.43)
8.	2702 – Minor Irrigation	151.32	151.32	35.22	(-) 116.10 (76.72)
9.	3451 – Secretariat Economics Services	456.22	456.22	167.26	(-) 288.96 (63.34)

Wide variations ranging from 16.19 per cent to 92.90 per cent under Receipt heads and 26.57 per cent to 84.80 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.

It was 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 ₹ 6970.57 crore and ₹ 617.11 crore respectively aggregating to ₹ 7587.68 crore, against which the actual expenditure was ₹ 5146.29 crore resulting in savings of ₹ 2441.39 crore. This was more than the supplementary provision.
- Similarly under Capital (voted) including Loans and Advances, the original and supplementary grants were ₹ 1776.60 crore and ₹ 99.57 crore respectively aggregating to ₹ 1876.17 crore against which the actual expenditure was ₹ 1117.80 crore, resulting in savings of ₹ 758.37 crore. This was more than the supplementary grants.

In the above cases, the supplementary provision of ₹ 617.11 crore under Revenue (voted) and ₹ 99.57 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 2.16:**

**Table 2.16: 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)	6970.57	617.11	7587.68	5146.29	(-) 2441.39
2.	Capital (voted)	1776.60	99.57	1876.17	1117.80	(-) 758.37
<b>Total</b>		<b>8747.17</b>	<b>716.68</b>	<b>9463.85</b>	<b>6264.09</b>	<b>(-) 3199.76</b>

**2.6.8.2** Expenditure relating to minor works, repairs and grants-in-aid is to be classified as revenue expenditure. Capital expenditure is incurred with the object of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. As per the Finance Accounts for the year 2013-14 (Volume I), the State Government made budget provision and classified ₹ 176.50 crore on major works under the Revenue section and ₹ 36.86 crore on minor works under the Capital section. Instances of such cases involving ₹ 1 crore and above are given in **Appendix 2.13.**

Due to such misclassification, the revenue surplus of the State Government for the year 2013-14 was understated by ₹ 139.64 crore. The misclassification, though reported (September 2014) 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 years 2011-14 are presented in **Table 2.17**.

**Table 2.17: Social Services and Economic Services**

(₹ in crore)

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		
<b>Social Services</b>								
2011-12	796.37 (36.18)	1404.85 (63.82)	2201.22	931.93 (117.02)	1098.94 (78.22)	2030.87	+ 135.56 (17.02)	- 305.91 (21.78)
2012-13	985.58 (35.05)	1826.02 (64.95)	2811.60	1087.43 (110.33)	884.79 (48.45)	1972.22	+ 101.85 (10.33)	- 941.23 (51.55)
2013-14	1137.41 (28.69)	2827.42 (71.31)	3964.83	1171.40 (102.99)	1193.48 (42.21)	2364.88	+ 33.99 (2.99)	- 1633.94 (57.79)
<b>Total</b>	<b>2919.36</b> <b>(32.52)</b>	<b>6058.29</b> <b>(67.48)</b>	<b>8977.65</b>	<b>3190.76</b> <b>(109.30)</b>	<b>3177.21</b> <b>(52.44)</b>	<b>6367.97</b>	+ 271.40 <b>(9.30)</b>	- 2881.08 <b>(47.56)</b>
<b>Economic Services</b>								
2011-12	511.30 (22.40)	1770.94 (77.60)	2282.24	521.04 (101.90)	1598.52 (90.26)	2119.56	+ 9.74 (1.90)	- 172.42 (9.74)
2012-13	570.15 (18.78)	2465.73 (81.22)	3035.88	681.23 (119.48)	1640.04 (66.51)	2321.27	+ 111.08 (19.48)	- 825.69 (33.49)
2013-14	665.45 (20.13)	2640.04 (79.87)	3305.49	710.13 (106.71)	1628.87 (61.70)	2339.00	+ 44.68 (6.71)	- 1011.17 (38.30)
<b>Total</b>	<b>1746.90</b> <b>(20.26)</b>	<b>6876.71</b> <b>(79.74)</b>	<b>8623.61</b>	<b>1912.40</b> <b>(109.47)</b>	<b>4867.43</b> <b>(70.78)</b>	<b>6779.83</b>	+ 165.50 <b>(9.47)</b>	- 2009.28 <b>(29.22)</b>

Source : Memorandum of Budget Estimates and Finance Accounts

- **Social services**

During 2011-14, provisions for Non-Plan and Plan expenditure under Social services were ₹ 2919.36 crore and ₹ 6058.29 crore respectively which constituted 32.52 per cent and 67.48 per cent of the total provisions. However, the actual expenditure under Non-Plan and Plan was ₹ 3190.76 crore and ₹ 3177.21 crore respectively which constituted 109.30 per cent and 52.44 per cent of the total provisions made under Non-Plan and Plan expenditure. 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**

Non-Plan expenditure far surpassed the budget provisions during all the three years (2011-14). There was decline in Plan expenditure *vis-à-vis* the budget provision, which decreased to 61.70 *per cent* during 2013-14 against 66.51 *per cent* during the previous years. While the overall shortfall during 2011-14 over the expectation (provisions) under Plan expenditure was 29.22 *per cent*, the Non-Plan expenditure exceeded the budget provisions by 9.47 *per cent* during the period.

To sum up, the above position indicated that the State was not able to utilise the budget provisions made under Plan component of Social and Economic Services in comparison to the Non-Plan component, 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 25<sup>th</sup> November and 1<sup>st</sup> January). Statements/returns received, if any, from the different Controlling Officers/ Heads of Departments, though called for (October 2014) from the Finance (Budget) Department, 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 (October-November 2014) in respect of 'Grant Number – 56 - Roads and Bridges (Major Head of Accounts: 3054) and Capital Outlay on Roads and Bridges (Major Head of Accounts: 5054). The Chief Engineer, Public Works Department is the Controlling Officer (CO) for this Grant. 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 ₹ 147.53 crore, out of which the actual expenditure incurred was ₹ 146.39 crore resulting in final savings of ₹ 1.14 crore. Under the capital head, expenditure of ₹ 485.47 crore was incurred during the year against the budget provision of ₹ 528.33 crore resulting in a saving of ₹ 42.86 crore. The savings of ₹ 44 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

As per the Detailed Appropriation Accounts for the year 2013-14, 100 per cent savings occurred under six schemes in respect of major Head of Accounts 3054 – Roads and Bridges and 5054 – Capital Outlay on Roads and Bridges, as shown in the table below:

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

(₹ in lakh)

Name of the Scheme	Original provision	Savings	Percentage
<b>3054 Roads and Bridges</b>			
Work-charged Establishment – Bridges Sixth Schedule (Part II) Areas	1.87	1.87	100
Work-charged Establishment – Road Works Sixth Schedule (Part II) Areas	6.35	6.35	100
Other Maintenance Expenditure – Machinery and Equipment Sixth Schedule (Part II) Areas	16.40	16.40	100
Other Maintenance Expenditure – Bridges Sixth Schedule (Part II) Areas	6.59	6.59	100
<b>5054 – Capital outlay on Roads and Bridges</b>			
Up gradation of State Highways (SH), Major District Roads (MDR)(MIDB) Infrastructure Development Sixth Schedule (Part II) Areas	97.95	97.95	100
District and Other Roads-TFC award for Construction of Bridges - Sixth Schedule (Part II) Areas	20.00	20.00	100

Failure to utilise the entire budget provisions indicated that the provisions were made without any basis.

### 2.7.3 Excess over provision

As per detailed Appropriation Accounts for the year 2013-14, under six schemes, expenditure of ₹ 532.75 crore exceeded the budget provision by ₹ 218.94 crore. The details are given below:

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

(₹ in crore)

Major Head and Group Head	Final Grant or Appropriation	Actual expenditure	Excess
<b>3054 Roads and Bridges</b>			
04 District and Other Roads (2)-105 Maintenance and Repairs - 0001 (01) Work Charged Establishment –Road Works – Sixth Schedule (Part II) Areas	10.35	41.56	31.21
0002 (02) Other Maintenance Expenditure-Road Works – Sixth Schedule (Part II) Areas	72.10	78.51	6.41
<b>5054 Capital Outlay on Roads and Bridges</b>			
04 – District and Other Roads - 800 Other Expenditure - 0003 (03) Construction of Rural Road Sixth Schedule (Part II) Areas	11.40	72.79	61.39
0006 (06) Road Financed from NABARD Loan etc. Sixth Schedule (Part II) Areas	34.00	34.61	0.61
0022 (21) Project undertaken under Special Plan Assistance - Sixth Schedule (Part II) Areas	182.42	294.56	112.14
0034 (13) State Share for EAP-ADB Sixth Schedule (Part II) Areas	3.54	10.72	7.18
<b>Total</b>	<b>313.81</b>	<b>532.75</b>	<b>218.94</b>

## **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 ₹ 10051.73 crore<sup>4</sup> for the year 2013-14, of which it could incur an expenditure of ₹ 6972.89 crore resulting in an overall shortfall in disbursements of ₹ 3078.84 crore (30.63 *per cent* of total provision). Supplementary provision of ₹ 322.18 crore obtained in 21 cases proved unnecessary as the expenditure did not come up to the level of original provision. During the current year, Government incurred ₹ 189.50 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 end of the year. Savings should be surrendered as and when they were noticed and within the prescribed date of 15 March.**
- **Re-appropriation in any case should be judicious supported by justified reasons to avoid excessive and/or insufficient funds.**
- **Timely reconciliation should be ensured to avoid misclassifications and distortions in financial reporting.**

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<sup>4</sup> Original plus Supplementary.