

Chapter II

Financial Management and Budgetary Control

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-13 against 82 grants/appropriations is given in **Table 2.1**:

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

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/Excess (+)
Voted	I Revenue	4747.04	577.79	5324.83	5142.71	(-) 182.12
	II Capital	1748.05	608.26	2356.31	1255.18	(-) 1101.13
	III Loans and Advances	2.82	0.00	2.82	2.15	(-)0.67
Total Voted		6497.91	1186.05	7683.96	6400.04	(-)1283.92
Charged	IV Revenue	537.16	2.54	539.70	496.98	(-)42.72
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	876.78	1456.50	2333.28	2343.19	(+)9.91
Total Charged		1413.94	1459.04	2872.98	2840.17	(-) 32.81
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		7911.85	2645.09	10556.94	9240.21	(-)1316.73

The overall saving of ₹ 1316.73 crore was the result of saving of ₹ 1482.89 crore in 62 grants and 2 appropriations under Revenue Section, 42 grants under Capital Section

offset by excess of ₹ 166.16 crore in 16 grants under Revenue Section and 10 grants and 1 appropriation (Public Debt-Repayment) under Capital Section.

The savings/excess (Detailed Appropriation Accounts for the year 2012-13) were intimated to all concerned Controlling Officers during July 2013 requesting them to explain the significant variations. Besides, regular reminders at the level of Deputy Accountant General (Accounts and Entitlement) were also issued to concerned Controlling Officers for submission of their replies. Around 66 per cent (54 Departments) of the replies were obtained from various Controlling Officers of the State before finalisation of the Appropriation Accounts 2012-13.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 56 cases, savings exceeded rupees one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 1469.58 crore, savings of ₹ 1021.80 crore (69.53 per cent) occurred in eight grants²⁰ as indicated in **Table 2.2**.

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

(Rupees in crore)

Sl. No	No. and Name of the Grant	Original	Suppl ement ary	Total	Actual Expendi ture	Savings
Revenue-Voted						
1	11- District Administration & Special Welfare Schemes	164.46	3.23	167.69	109.01	58.68
Capital-Voted						
2	27-Planning Machinery	469.07	0.00	469.07	76.83	392.24
3	36-Urban Development	151.92	26.34	178.26	60.55	117.71
4	55-Power	91.00	47.58	138.58	82.40	56.18
5	58-Roads and Bridges	310.02	292.89	602.91	332.24	270.67
6	68-Police Engineering Project	85.18	29.82	115.00	49.62	65.38
7	77-Development of Under Developed Areas	92.91	51.42	144.33	83.39	60.94
Total		1364.56	451.28	1815.84	794.04	1021.80

The reason for savings had not been intimated (July, 2013) by any department.

2.3.2 Persistent Savings

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

²⁰ Exceeding ₹ 50 crore in each case.

Table 2.3: List of Grants indicating Persistent Savings during 2008-2013*(Rupees in crore)*

Sl. No.	No. and Name of the grant	Amount of savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
Capital-Voted						
1	27-Planning Machinery	118.85	256.99	65.27	260.55	392.24
2	35- Medical, Public Health and Family Welfare	37.61	14.23	5.49	7.68	21.97
3	36- Urban Development	60.37	116.83	104.62	52.57	117.71
4	55- Power Projects	18.28	30.61	27.73	20.65	56.18
5	65- State Council of Education Research and Training	1.20	1.46	0.85	2.33	4.10

The reasons for persistent savings had not been intimated by any department.

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 ₹ 26.40 crore was incurred in 16 cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to that effect.

Table 2.4: Expenditure incurred without provision during 2012-13*(Rupees in crore)*

Number and Name of		Amount of Expenditure without provision	Reasons/Remarks
Grants	Head of Account		
34-Art and Culture and Gazetteers Unit	2205-00-102-05 State Archive	3.92	Not indicated
35- Medical, Public Health and Family Welfare	4552-35-800-02 NHK (NEC)	1.39	Not indicated
36- Urban Development	4217-60-051-02 Town Protection Work	2.21	Not indicated
	4217-60-051-03 Other Schemes	0.43	Not indicated
	4217-60-051-07 Initiative for strengthening of Urban Infrastructure	2.86	Not indicated
	4217-60-051-10 Construction Works	0.10	Not indicated
	4217-60-051-11 Systematic Infrastructure Development in New Secretariat Complex	0.34	Not indicated
	4217-60-051-12 Street Light at Kohima	1.17	Not indicated
	4217-60-051-13 Special Development Fund for Nagaland (State Share)	0.20	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-01-101-06 Maintenance of Forest under TFC Award	0.02	Not indicated
53 – Industries	4860-60-600-14 Others	0.69	Not indicated
58 – Roads and Bridges	3054 – 80 – 799 – 01 Stock (Dr.)	0.11	Not indicated
60 – Water Supply	2215 – 01 – 799 – 02 Stock(Dr.)	4.48	Not indicated
64-Housing	2059-80-052-12 Repairs and Carriages (Housing)	1.67	Not indicated
	2216-01-106-02 Maintenance and Repairs	6.76	Not indicated
70-Horticulture	2401-00-119-12 Dimapur Orchard	0.05	Not indicated
Total		26.40	

2.3.4 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 367.55 crore for the years 2000-01, 2005-06, 2008-09 to 2011-12 was not regularised till October 2013 (**Appendix 2.2**).

2.3.5 Excess over provision during 2012-13 requiring regularisation

Appendix 2.3 contains the summary of total excess in 23 grants amounting to ₹ 166.13 crore over authorisation from the Consolidated Fund of the State during 2012-13 requiring regularisation under Article 205 of the Constitution.

2.3.6 Appropriateness of supplementary provision

Supplementary provision aggregating ₹ 193.45 crore obtained by 14 Departments, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision were not utilised by the concerned departments as detailed in **Appendix 2.4**.

In 10 cases, supplementary provision of ₹ 1482.44 crore proved insufficient by ₹ one crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 129.43 crore (**Appendix 2.5**).

2.3.7 Excessive/unnecessary/Insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient resulting in savings of ₹ 332.95 crore in 72 sub-heads and excess of ₹ 275.26 crore in 80 sub-heads as detailed in **Appendix 2.6**.

2.3.8 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, re-appropriation was done in 55 grants (67 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision. This re-appropriation on last day of the financial year resulted in unnecessary savings in some grants on the one hand and avoidable excess in some grants on the other hand as discussed in **Para 2.3.7** above.

2.3.9 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 145 Sub Heads. Out of the total provision amounting to ₹ 1280.89 crore in those Sub Heads, ₹ 1017.17 crore (79.41 per cent) were surrendered,

which included cent *per cent* surrender under 83 Sub Heads (₹ 253.00 crore). The details of such cases are given in **Appendix 2.7**.

2.3.10 Surrender in excess of actual saving

In 9 cases, the amount surrendered (₹ 1 crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 232.54 crore, the amount surrendered was ₹ 322.76 crore resulting in excess surrender of ₹ 90.22 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.11 Anticipated savings not surrendered

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2012-13, there were 7 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in those cases was ₹ 12.96 crore (**Appendix 2.9**).

An amount of ₹ 184.35 crore being savings in 7 grants, ₹ 2 crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 20 cases (surrender of funds for ₹ 10 crore and above), ₹ 1202.62 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2013 indicating inadequate financial control. Thus, those funds could not be utilised for other developmental purposes.

2.3.12 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 67 grants listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 *per cent* of the total expenditure for the year either during the last quarter or during the last month of the financial year.

The expenditure in the month of March/last quarter of the financial year was upto 100 *per cent* of the total expenditure in 45 cases which indicates lack of effective financial control and violation of financial rules.

2.4 Non-reconciliation of Departmental figures

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

As per rule 309 of Central Treasury Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). The total amount of DCC bills received during the period 2009-13 was only ₹ 42.09 crore (20.80 *per cent*) against ₹ 202.35 crore drawn on AC bills leading to pendency of DCC bills of ₹ 160.26 crore as on 31 March 2013. Year wise details are given in **Table 2.5**.

Table 2.5: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(Rupees in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding AC bills
Up to 2009-10	27.37	13.25	48.41	14.12
2010-11	14.43	9.38	65.00	5.05
2011-12	65.69	11.54	17.57	54.15
2012-13	94.86	7.92	8.35	86.94
Total	202.35	42.09	20.80	160.26

As on 31 March 2013, there were 155 unadjusted AC bills involving ₹ 160.26 crore drawn by various Departments. Details are given in **Appendix 2.13**.

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

2.4.2 Reconciliation of Receipts and Expenditure

As per General Financial Rules, all the Controlling Officers are required to reconcile the receipts and expenditure booked by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). During the year 2012-13, all 82 CCOs had reconciled their figures (both receipt & expenditure) in full. Thus, there was cent *per cent* reconciliation in respect of all 82 CCOs.

2.5 Outcome of the Review of Selected Grant

A review of Grant No 35-Medical, Public Health and Family Welfare was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and Capital heads during the year 2012-13.

The summarised position of budget provision and actual expenditure there against during 2012-13 in respect of Grant No. 35 is given in **Table 2.6**.

Table 2.6: Summarised Position of budget provision and actual expenditure

(Rupees in crore)

Nature of Expenditure	Budget Provision				Total	Actual Expenditure			Saving(-)/ Excess(+)
	Original		Supplementary			Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	231.08	28.83	1.03	4.29	265.23	241.11	31.66	272.77	(+)7.54
Capital	0.00	24.64	0.00	19.39	44.03	0.00	22.06	22.06	(-)21.97
Total	231.08	53.47	1.03	23.68	309.26	241.11	53.72	294.83	(-)14.43

The above table shows that during the year 2012-13 there was overall savings of ₹ 14.43 crore representing 4.67 *per cent* of the total budget provision as a result of savings under capital expenditure (₹ 21.97 crore) offset by excess under revenue expenditure (₹ 7.54 crore). As per Financial Rules, the spending departments are required to surrender the anticipated savings to the Finance Department as and when occurred. The Department

however, surrendered ₹ 31.19 crore (₹ 1.41 crore under revenue section and ₹ 29.78 crore under capital section) during the year 2012-13 against the overall saving of ₹ 14.43 crore.

An analysis of the expenditure vis-à-vis the budget provision revealed that there was an excess of ₹ 7.54 crore under revenue section. This was mainly due to the fact that the Department expended ₹ 9.08 crore in excess of provision in subordinate establishment. However, this was counter balanced by saving of ₹ 0.13 crore in CSS expenditure. Audit Review also disclosed persistent savings ranging between ₹ 3.30 crore and ₹ 38.15 crore during 2008-13 as detailed in **Table 2.7**.

Table 2.7: Persistent savings during 2008-13

(Rupees in crore)

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2008-09	136.29	58.94	195.23	135.75	21.33	157.08	(-)38.15
2009-10	154.94	33.68	188.62	158.33	19.45	177.78	(-)10.84
2010-11	202.04	46.45	248.49	204.23	40.96	245.19	(-)3.30
2011-12	235.15	49.6	284.75	239.41	41.92	281.33	(-)3.42
2012-13	265.23	44.03	309.26	272.77	22.06	294.83	(-)14.43

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

2.6 Advances from contingency fund

The advances taken from the contingency fund are to be made only for meeting expenditure of an unforeseen and emergent character pending authorisation of such expenditure by the State Legislature. The fund is to be recouped by debiting the expenditure to the concerned functional major head in the Consolidated Fund of the State.

During the year no expenditure was incurred under this fund. An amount of ₹ 0.35 crore pertaining to expenditure from the contingency fund a number of years back had not been recouped till the end of the year 2012-13.

2.7 Misclassification of expenditure relating to grants-in-aid in Capital Section

Revenue expenditure is recurring in nature and is expected to be met from revenue receipts. Capital expenditure is defined as expenditure incurred with the objective of increasing concrete assets of a material and permanent character or of reducing permanent liabilities. Further, as per the Indian Government Accounting Standards (IGAS)-2 (Accounting and classification of Grants-in-aid), expenditure under Grants-in-Aid are classified and accounted under Revenue Expenditure regardless of end utilisation. However, it was noticed that during the year an amount of ₹ 10.43 crore being grants-in-aid had been booked under Capital Expenditure instead of Revenue Expenditure which was not in compliance with IGAS-2.

2.8 Conclusion

There was saving of ₹ 1482.86 crore and excess expenditure of ₹ 166.13 crore under 82 grants during 2012-13. This excess expenditure together with an excess expenditure of ₹ 367.55 crore pertaining to 2000-01, 2005-06 and 2008-09 to 2011-12 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was noticed in 67 grants in which expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter of 2012-13 and in some cases in the month of March 2013. There were 155 AC Bills involving ₹ 160.26 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore, was fraught with the risk of misappropriation.