# Chapter 2 Financial Management and Budgetary Control

## 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of expenditure, voted and charged, of the Government for each financial year as compared with amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list 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. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions 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 the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-13 against 63 grants/appropriations is given in **Table 2.1**:

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

**(₹ in crore)**

| | Nature of expenditure | Original grant/ appropriation | Supplementary grant/ appropriation | Total | Actual expenditure | Saving (-)/ Excess (+) |
|---|---|---|---|---|---|---|
| **Voted** | I Revenue | 68177.39 | 6568.42 | 74745.81 | 66004.26 | (-) 8741.55 |
| | II Capital | 8528.72 | 811.24 | 9339.96 | 4907.48 | (-) 4432.48 |
| | III Loans and Advances | 716.01 | 771.87 | 1487.88 | 1064.03 | (-) 423.85 |
| **Total Voted** | | **77422.12** | **8151.53** | **85573.65** | **71975.77** | **(-) 13597.88** |
| **Charged** | IV Revenue | 18306.62 | 12.63 | 18319.25 | 17737.43 | (-) 581.82 |
| | V Capital | - | 3.28 | 3.28 | 0.89 | (-) 2.39 |
| | VI Public Debt-Repayment | 22452.25 | 4938.25 | 27390.50 | 25834.55 | (-) 1555.95 |
| **Total Charged** | | **40758.87** | **4954.16** | **45713.03** | **43572.87** | **(-) 2140.16** |
| **Grand Total** | | **118180.99** | **13105.69** | **131286.68** | **115548.64** | **(-) 15738.04** |

*Source: Appropriation Accounts*

*Note: The expenditure excludes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 1630.82 crore and capital expenditure ₹ 361.06 crore.*

The overall saving of ₹ 15738.04 crore was the result of saving of ₹ 16203.00 crore in 58 grants and 19 appropriations under revenue section and 51 grants and 17 appropriations under capital section, offset by excess of ₹ 464.96 crore in four grants and six appropriations under revenue section and three grants and three appropriations under capital section.

The savings/excesses (Detailed Appropriation Accounts) were intimated to the Departmental Controlling Officers (DCOs) requesting them to explain the significant variations. Explanations for variations in respect of the sub-heads mentioned in Appropriation Accounts 2012-13 were not received from any department. Substantial savings occurred in Irrigation and Waterways, Finance, School Education, Municipal Affairs, Public Works and Home departments. Substantial excess occurred in Power and Non-conventional Energy Sources, Food and Supplies, Public Health Engineering and Backward Classes Welfare departments.

## 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 106 cases[1], savings exceeded by more than 20 *per cent* of the total provision **(*Appendix 2.1*).** Savings exceeding ₹ 500 crore occurred in each of the seven cases relating to six grants indicated in **Table 2.2.**

**Table 2.2: List of Grants with major savings**

**(₹ in crore)**

| Sl. No | Number and name of the Grant | Original | Supplementary | Total | Actual expenditure | Savings |
|---|---|---|---|---|---|---|
| | **Revenue-Voted** | | | | | |
| 1 | 15-Education (School) | 14785.08 | 882.98 | 15668.06 | 14503.89 | 1164.17 |
| 2 | 18-Finance | 10406.91 | 2000.00 | 12406.91 | 11700.14 | 706.77 |
| 3 | 25-Public Works | 2042.04 | - | 2042.04 | 1341.78 | 700.26 |
| 4 | 27-Home | 4252.43 | - | 4252.43 | 3590.51 | 661.92 |
| 5 | 39-Municipal Affairs | 3558.25 | - | 3558.25 | 2790.65 | 767.60 |
| | **Total** | | | | | **4000.72** |
| | **Capital-Voted** | | | | | |
| 1 | 32-Irrigation and Waterways | 2157.80 | - | 2157.80 | 550.81 | 1606.99 |
| | **Total** | | | | | **1606.99** |
| | **Capital-Charged** | | | | | |
| 1 | 18-Finance | 22366.38 | 4933.35 | 27299.73 | 25745.79 | 1553.94 |
| | **Total** | | | | | **1553.94** |

*Source: Appropriation Accounts*

### *2.3.2 Persistent Savings*

There were persistent savings during the last five years[2] in 25 sub heads under 17 grants. Details are given in ***Appendix 2.2.*** Persistently high savings were noticed under Teesta Barrage Project Works of Accelerated Irrigation Benefit Programme, development of Aliah University, development and expansion of library services, construction and upgradation of fire stations, etc. in capital-voted section and under development of State roads under PW department,

[1] *Comprising 38 cases in Revenue-voted section, 48 cases in Capital-voted section, 14 cases in Revenue-charged section and 6 cases in Capital-charged section.*

[2] *Except in respect of 4202-01-201- Plan- SP 004-Development of Aliah University (Capital-Voted) where savings of 100 per cent were persistently noticed for four years ending 2012-13.*

development of Sunderban, grants to HRBC for maintenance of Vidyasagar Setu, development of State owned shallow tubewells, deep tubewells irrigation, etc. in revenue-voted section.

### *2.3.3 Excess over provisions during 2012-13 requiring regularisation*

**Table 2.3** contains the summary of total excess expenditure under seven grants and seven appropriations amounting to ₹ 464.96 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2012-13 which requires regularisation under Article 205 of the Constitution.

**Table 2.3: Excess over provisions during 2012-13 requiring regularisation**

| Sl. No. | Number and title of grant/appropriation | | Total grant/ appropriation | Expenditure | Excess |
|---|---|---|---|---|---|
| | | | (₹ in crore) | | |
| | Voted Grants | | | | |
| 1 | 7-Capital | Backward Classes Welfare | 46.61 | 85.41 | 38.80 |
| 2 | 11-Capital | Micro and Small Scale Enterprises and Textiles | 116.33 | 119.63 | 3.30 |
| 3 | 13-Capital | Higher Education | 48.10 | 52.56 | 4.46 |
| 4 | 21-Revenue | Food and Supplies | 2889.61 | 2973.62 | 84.01 |
| 5 | 43-Revenue | Power and Non-conventional Energy Sources | 1611.89 | 1870.41 | 258.52 |
| 6 | 45-Revenue | Public Health Engineering | 729.53 | 768.47 | 38.94 |
| 7 | 60-Revenue | Civil Defence | 305.79 | 321.62 | 15.83 |
| Total | | Voted | | | 443.86 |
| | Charged Appropriations | | | | |
| 1 | 19-Capital | Fire and Emergency Services | 0.37 | 0.88 | 0.51 |
| 2 | 20-Revenue | Fisheries | 6.00 | 7.47 | 1.47 |
| 3 | 23-Revenue | Forest | - | 0.07 | 0.07 |
| | 23-Capital | | - | 0.11 | 0.11 |
| 4 | 27-Revenue | Home | 2.53 | 9.19 | 6.66 |
| | 27-Capital | | - | 3.88 | 3.88 |
| 5 | 36-Revenue | Land and Land Reforms | 1.00 | 1.31 | 0.31 |
| 6 | 39-Revenue | Municipal Affairs | - | 0.88 | 0.88 |
| 7 | 40-Revenue | Panchayats and Rural Development | 2.76 | 9.97 | 7.21 |
| Total | | Charged | | | 21.10 |
| Grand total | | | | | 464.96 |

*Source: Appropriation Accounts*

### *2.3.4 Excess expenditure of 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. The time limit for regularisation of expenditure has, however, not been prescribed under the Article. Regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 29968.81 crore for the years 2006-2012 was yet to be regularised as of September 2013 as detailed in **Table 2.4.**

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

| Year | Number of | | Amount of excess over provision (₹ in crore) |
|---|---|---|---|
| | Grants | Appropriations | |
| **2006-07** | 12 (Grant Nos. 8,9,11,13,20,26,28,30, 31,43,45,54) | 8 (Grant Nos. 5, 6, 20, 23, 27, 42, 47, 53) | 293.31 |
| **2007-08** | 14 (Grant Nos. 3, 4, 5, 9, 18, 20, 21, 26, 32, 43, 44, 46, 50, 56) | 8 (Grant Nos. 6, 9, 18, 23, 34, 42, 53, 55) | 12145.54 |
| **2008-09** | 13 (Grant Nos. 4, 9, 18, 20, 21, 25, 27, 35, 50, 52, 53, 54, 59) | 4 (Grant Nos. 12, 18, 39, 53) | 705.89 |
| **2009-10** | 16 (Grant Nos. 4, 5, 19, 20, 21, 23, 24, 25, 27, 28, 33, 35, 40, 43, 53, 56) | 6 (Grant Nos. 5, 18, 20, 29, 32, 43) | 3492.90 |
| **2010-11** | 13 (Grant Nos. 4, 5, 15, 18, 20, 22, 23, 25, 27, 33, 35, 46, 60) | 10 (Grant Nos. 11, 18, 23, 27, 35, 42, 43, 45, 47, 53) | 8330.72 |
| **2011-12** | 6 (Grant Nos. 4,5,18,25,47,60) | 13 (Grant Nos. 5, 12, 18, 20, 23, 25, 27, 32, 39, 42, 43, 46, 53) | 5000.45 |
| **Total** | **74** | **49** | **29968.81** |

*Source: Appropriation Accounts*

Thus, excess expenditure for the years 2006-07 to 2012-13 worth ₹ 30433.77crore[3] needs regularisation. In case of most of the grants, inadequate supplementary provision led to excess expenditure, which indicates lack of control over financial management by the controlling officers.

### *2.3.5 Significant excess expenditure*

In 16 cases, expenditure aggregating ₹ 6225.48 crore exceeded the approved provisions by more than ₹ one crore in each case or by more than 20 *per cent* of the total provisions. Details are given in ***Appendix 2.3***.

### *2.3.6 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 ₹ 5846.88 crore was incurred in 77 cases as detailed in ***Appendix 2.4*** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Reasons for incurring expenditure without any budget provision were not intimated by the departments (July 2013).

### *2.3.7 Unnecessary/Excessive/Inadequate supplementary provision*

Supplementary provision aggregating ₹ 1422.76 crore obtained in 36 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 2.5.*** On the other hand, in seven cases, supplementary provision of ₹ 1510.01 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 437.44 crore **(*Appendix 2.6*).** Four illustrative cases are described below:

[3] *₹ 29968.81 crore pertaining to 2006-12 plus ₹ 464.96 crore pertaining to 2012-13*

Under **Revenue-Voted Section of Grant Number 15- School Education**, savings out of original provision stood at ₹ 281.19 crore, further supplementary provision of ₹ 882.98 crore proved to be unnecessary.

Under **Revenue-Voted Section of Grant Number 56- Women and Child Development and Social Welfare**, savings out of original provision was ₹ 108.40 crore, further supplementary provision of ₹ 250.45 crore proved to be unnecessary.

Under **Capital-Voted Section of Grant Number 5- Agriculture**, savings out of original provision was ₹ 89.89 crore, further supplementary provision of ₹ 79.00 crore proved to be unnecessary.

Under **Revenue-Voted Section of Grant Number 43- Power and Non-conventional Energy Sources**, supplementary provision of ₹ 959.65 crore proved insufficient leaving an uncovered excess expenditure of ₹ 258.52 crore.

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

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Cases were noticed where injudicious re-appropriation proved excessive or insufficient leading to savings of ₹ 418.77 crore (in 21 sub-heads under 12 grants) and excess expenditure of ₹ 83.71 crore (in 10 sub-heads under five grants) as detailed in ***Appendix 2.7.***

### *2.3.9 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 savings are anticipated. At the close of the year 2012-13, under 60 grants and 18 appropriations, no part of the aggregate savings of ₹ 13957.20 crore was surrendered by the concerned departments, as detailed in ***Appendix 2.8.*** Such un-surrendered savings accounted for 86 *per cent* of the total savings of ₹ 16203.00 crore during 2012-13.

Similarly, out of total savings of ₹ 2156.84 crore under four grants/ appropriations, only ₹ 906.52 crore was surrendered (short surrender by ₹ one crore and above in each case) leaving un-surrendered balances aggregating ₹ 1250.32 crore (58 *per cent* of savings under those grants), details of which are given in ***Appendix 2.9.***

Besides, in six cases under five grants (surrender of funds in excess of ₹ one crore), ₹ 995.91 crore were (***Appendix 2.10***) surrendered on the last working day of March 2013 or thereafter indicating inadequate financial control and the fact that these funds could not be gainfully utilised for other development purposes.

Under Grant number **12-Development and Planning (Capital Voted)**, out of total grant/appropriation of ₹ 135.00 crore, there were savings of ₹ 58.74 crore.

The department, however, surrendered ₹ 60.00 crore indicating excess surrender of ₹ 1.26 crore.

### *2.3.10 Rush of expenditure*

According to Rule 389 A of West Bengal Financial Rules (WBFR), rush of expenditure in the closing month of the financial year should be avoided.

However, out of total expenditure of ₹ 44740.37 crore[4] during 2012-13, expenditure of ₹ 9668.15 crore (21.61 *per cent*) was incurred during March 2013. Further, expenditure on the last working day of March 2013 amounted to ₹ 2684.35 crore. High percentage of expenditure in March, especially on the last working day of March indicates that uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained.

### *2.3.11 New Service/New Instrument of Service*

Article 205 of the Constitution provides that expenditure on a "New Service" not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature.

In 16 cases, expenditure totaling ₹ 73.17 crore which should have been treated as "New Service"/"New Instrument of Service" was met without obtaining the requisite approval of the Legislature. Details of these cases are given in ***Appendix 2.11.***

### *2.3.12 Drawal of funds to avoid lapse of budgetary provision*

The 13$^{th}$ FC recommended that Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund avoiding transfer from Consolidated Fund to the Public Accounts. West Bengal Treasury Rules *inter alia* stipulates that no money should be drawn from the Consolidated Fund unless it is required for immediate disbursement and the money should be spent for the purpose for which it was provided for in the Appropriation Act passed by the Legislature.

Test-check of records (April and May 2013) of five Drawing and Disbursing Officers (DDOs)[5] and sample service heads of account revealed that in violation of the aforesaid statutory provision, an amount of ₹ 77.66 crore meant for various purposes were drawn (between April 2012 and March 2013) by the concerned DDOs from the Consolidated Fund, by drawing Nil bills, under different service heads of account by contra credit to 8443-Civil Deposit, as per orders of the department/DDO. Out of the same, credit of ₹ 49.60 crore (64 *per cent)* of the total transfer took place in the month of March 2013, indicating rush of expenditure at the fag end of the year. Moreover, it was noticed that out

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[4] *Without pay vouchers*

[5] *District Magistrates of Murshidabad, Nadia, North 24 Parganas, South 24 Parganas and Hooghly*

of the total transferred fund, ₹ 62.98 crore[6] (81 *per cent*) remained unutilised and was parked (31 March 2013) with the District Magistrates in their Personal Ledger (PL) Accounts as detailed in ***Appendix 2.12*.**

Thus, transferring of funds to Deposit Accounts and its parking in the PL Account in anticipation of expenditure, was irregular.

## 2.4 Advances from Contingency Fund

The Contingency Fund of the State has been established under the Act in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are permissible only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. Advances from West Bengal Contingency Fund may be given for meeting expenditure in the circumstances where (i) provision could not be made in annual/supplementary budget, (ii) expenditure could not be foreseen and (iii) the expenditure cannot be postponed till vote of Legislature is obtained. The Fund is in the nature of an imprest and has a corpus of ₹ 20 crore.

As on 1 April 2012, the balance in the fund was ₹ 19.47 crore. An amount of ₹ 0.53 crore remaining unrecouped under the Contingency Fund was recouped during 2012-13. Further an amount of ₹ 10.28 crore drawn during the year 2012-13 out of Contingency Fund, has been fully recouped to the Fund. Hence no amount remains to be recouped to this fund at the end of 2012-13.

Out of ₹ 10.28 crore sanctioned for withdrawal from Contingency Fund during 2012-13, the character of expenditure for which departments obtained advances from the Fund amounting to ₹ 9.44 crore was foreseeable and not of emergent nature in 12 cases listed in ***Appendix 2.13***. Therefore, drawal of such funds from the Contingency Fund was not appropriate. On scrutiny of records following points emerged.

- Under nine sanctions, the Home (Police), Public Health Engineering, Irrigation & Waterways and Agricultural Marketing departments withdrew ₹ 2.77 crore from Contingency Fund during 2012-13 for payments of land compensation, decretal dues to contractors, etc. in pursuance of court orders passed between January 2006 and August 2010 instead of routing the payments through necessary budget provision in respective financial year. In respect of seven[7] sanctions there was no budgetary provision for the years 2010-11 and 2011-12 though there was scope to incorporate these payments in the budgetary provisions so as to avoid withdrawals from Contingency Fund. In case of one sanction (Sl. no. 5 of ***Appendix 2.13***) despite having budgetary provision in 2011-12 no expenditure was incurred.
- Paschim Banga Agri Marketing Corporation Limited was incorporated as wholly owned Government company in November 2011. No budget

[6] *Includes an amount of ₹ 3.93 crore transferred to deposit heads in respect of DM, Nadia for which utilisation was not on record*
[7] *Sl. nos. 4, 6, 7, 8, 9, 10, 11 of Appendix 2.13*

provision was made for 2012-13 though the Government sanction (April 2012) cited immediate necessity for smooth functioning of the Company during 2012-13 as the reason for withdrawal from Contingency Fund towards investment in paid up share capital of the company. Thus, this transaction could have been routed through normal budgetary procedures instead of resorting to withdrawal from Contingency Fund.

## 2.5 Misclassification of Expenditure

***Misclassification of Grants-in-Aid***

In terms of Standard Detailed Code of Expenditure of the GoWB, grants-in aid is to be classified under 31-Grants-in-Aid-General and Other Charges under 50-Other Charges. However, review of the Sub-head Accounts with the VLC System, indicated that ₹ 44.04 crore[8] actually spent as "Grants-in-Aid" was booked under "Other Charges" leading to understatement of the grants-in aid.

***Misclassification of capital expenditure as revenue expenditure***

Transactions from Consolidated Fund are divided into two main divisions – Revenue and Capital in Government accounts. Revenue expenditure is recurring in nature and is supposed to be made from revenue receipt whereas capital expenditure is defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character to be met from borrowed funds and capital receipts.

Object heads like 51- Motor vehicles, 52- Machinery & Equipments, 53- Major works, 54-Investments, 55- Loans & Advances, 56- Repayment of Borrowing, 77- Computerisation, 87-Regeneration of plantation and 91- Renewals & Replacements are capital class in nature. It was observed in audit that during 2012-13 the State Government incurred gross expenditure of ₹ 309.02 crore on these object heads under revenue account.

## 2.6 Outcome of Inspection of Treasuries

Review of treasuries during the year 2012-13 revealed the following:

***Overpayment of Pension***

- An amount of ₹ 39.50 lakh was credited to the bank account of the pensioners even after death of the pensioners in 419 cases spread across 25 treasuries. The said amount was not recovered from the concerned banks and deposited to Government accounts.
- An amount of ₹ 77.05 lakh was paid in excess in respect of family pension due to non-reduction of basic pension from enhanced rate to normal rate. Such overpayments were made in 96 cases spread across 17 treasuries.
- An amount of ₹ 20.36 lakh in 20 cases was paid in excess due to irregular grant of dearness relief on the basis of revised pension in four treasuries.

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[8] *Grants towards Marketing Facilities Marketing Promotion [FT]: ₹40.00 crore and West Bengal State Minor Irrigation Corporation Grants-in-Aid for meeting administrative expenses (WI): ₹4.04 crore*

### *Abstract Contingent Bills*

- On scrutiny of the records of Advance Check Register of different treasuries, it was noticed that pending adjustment of earlier DC bills, treasury officers of 40 treasuries entertained further claims through AC bills, in contravention of the provisions of WBTR. Further, bills relating to advances on TA, LTC, GPF, Salary, etc. were included as AC Bills in six treasuries[9].
- The purpose of drawal of advances was not mentioned in the Advance Check Register of 11 treasuries.
- Register of AC Bills was not closed at the end of each financial year and the details of un-adjusted advances were not brought forward to the next financial year as required under Rule 4.138(5) of WBTR in five treasuries.

### *Allotment of Funds*

- On scrutiny of the Allotment Register, it was observed that excess drawals over allotment made during 2011-12 were not regularised during the financial year 2011-12 in 25 treasuries, despite clear instructions of Finance department in this regard.

## 2.7 Review of budgetary process and financial management

One basic tenet of efficient financial management is realistic preparation of budget. Under Article 202 (1) of the Constitution of India, the overall responsibility of preparation of budget lies with the Finance department. The materials based on which budget estimates are to be prepared should be obtained from the local budgeting officers. The responsibility for preparation of annual budget estimate for a department by collecting necessary inputs from the lower level functionaries (DDOs) lies with the Departmental Controlling Officer (DCO) of that department. The detailed procedure for the same and time schedule for submission of the same to the Finance department have been stipulated in the West Bengal Financial Rules (WBFR) as well as the West Bengal Budget Manual (WBBM).

The systems of preparation of budget as well as expenditure control followed by four departments namely, Mass Education Extension & Library Services (ME), Housing, Public Health Engineering (PHE) and Micro and Small Scale Enterprises and Textiles (MSSET) during 2008-09 to 2012-13 were reviewed in Audit. Various deficiencies in budget preparation process, control over expenditure as well as lack of prudence in financial management, as discussed in the succeeding paragraphs were observed.

### *2.7.1 Budget preparation process*

Under the provisions of WBFR and WBBM, the departmental budget estimates are required to be prepared by the respective department after obtaining budget proposals from the subordinate offices.

[9] *Burdwan-I, Ranaghat, Bolpur, Mal, Jalpaiguri-I and Gangarampur*

### *A) Non-obtaining of input from field level*

Substantial deviation from the laid down procedures in respect of preparation of budget was noticed in the departments under review as detailed below.

In case of PHE department normally a meeting is convened by State Planning Board (SPB) for finalization of budget allocation in the month of February preceding the financial year for which budget was to be prepared. The size of allocation is then intimated to the department by the SPB with a direction to prepare plan budget and submit the same within stipulated time. Accordingly, PHE department allocated the amount fixed by SPB to different Heads of account as per requirement instead of fixing the amount based on inputs provided by the subordinate offices.

Housing department prepared a proposal for budget for the next financial year by proposing 20 *per cent* excess allocation over that year's head of account-wise budgetary provision and submitted it to the Finance department as well as SPB. Subsequently, on the basis of allocation by Finance department, Housing department prepared and submitted the Head of Account-wise budget to the Finance department.

Micro and Small Scale Enterprises and Textile department (MSSET) prepared budget estimate under revenue head on the basis of gross approximation by adding a percentage on the expenditure figure of previous financial years. In case of capital head, the directorates submitted draft proposals restricting the estimated amount within the limits fixed by the department.

PHE, Housing and MSSET department, did not obtain any input from the field level DDOs while preparing budget. Directorate of Library Service under department of Mass Education Extension & Library Services prepared budget on the basis of requirements submitted by different sub-ordinate offices including Headquarters. However, the Directorate of Library Services too did not obtain budget proposal from each field level DDO.

This may be viewed with the fact that there has been persistent savings.

### *B) Delay in submission of budget estimates*

In terms of Rule 333 of WBFR it is essential that the time schedule prescribed for submission of budget estimate should be strictly adhered to so that the realistic estimates may be prepared by the administrative department for onward transmission to Finance department and it may be laid before the Legislature on due date. The scheduled date for submission of the budget estimates for the year 2012-13 to Finance department was 15 October 2011. Test check of the four departments, however, revealed that there were enormous delays ranging from 62 days to 144 days in submission of budget estimates in respect of three departments.

### *C) Non-maintenance of Departmental Consolidated Accounts*

In terms of Rule 384 read with 385 of WBFR, the DCO or the Disbursing Officer, under whose disposal a particular grant is placed, is required to keep a constant watch over the progress of expenditure every month under different units of appropriation in order to take early steps for obtaining supplementary grants or surrendering any probable savings as may be necessary. Further, the

DCOs were required to keep up-to-date information of expenditures incurred by various DDOs and to reconcile the expenditure with those compiled by the Principal Accountant General (A&E). This would also enable the DCOs to prepare realistic budget proposals based on factual figures of receipts and expenditures.

Housing department and Micro and Small Scale Enterprises and Textile department did not maintain any Departmental Consolidated Accounts (DCA) and as such there was no scope for reconciliation of departmental figures with those compiled by the Principal Accountant General (A&E). Directorate of Library Services stated that reconciliation of DCA was being done from February 2013.

## 2.7.2 Budget Management in selected Grants

### A) Persistent Savings

A review of budgetary and expenditure control during 2008-09 to 2012-13 in respect of grant numbers 11, 14, 28 and 45 revealed substantial savings as discussed under:

**Table 2.5: Persistent savings under voted grants**

**(₹ in crore)**

| Grant No. | Section | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| | | Quantum of savings (percentage to total allocation) | | | | |
| 11- Micro and Small Scale Enterprises and Textiles | Revenue | 16.45 (9) | 51.49 (21) | 62.99 (22) | 70.27 (18) | 82.85 (21) |
| | Capital | 11.56 (20) | 19.22 (26) | 47.92 (36) | 13.86 (15) | - |
| 14-Mass Education Extension and Library Services | Revenue | 19.64 (15) | 14.42 (9) | 37.61 (18) | 123.53 (50) | 75.78 (27) |
| | Capital | 1.37 (31) | 6.33 (82) | 12.35 (92) | 11.39 (75) | 8.42 (77) |
| 28-Housing | Revenue | 1.96 (3) | - | 9.02 (10) | 23.98 (23) | 30.34 (27) |
| | Capital | 12.48 (54) | 456.80 (88) | 459.46 (80) | 481.39 (81) | 258.33 (40) |
| 45-Public Health Engineering | Revenue | 63.17 (20) | 21.43 (6) | 194.50 (29) | 415.41 (40) | - |
| | Capital | 134.27 (14) | 200.20 (31) | 180.38 (100) | 1.78 (30) | 165.75 (41) |

*Source: Appropriation Accounts*

It is evident from the table above that there were persistent savings in grant numbers 11, 14, 28 and 45 under both the revenue and capital heads.

Persistent savings in a substantial number of grants over the years is indicative of assessment of funds by the Government without proper scrutiny of expenditure requirements. Savings should be surrendered as soon as it is anticipated, so that the amount could be utilised elsewhere.

### B) Non-utilisation of budget provisions and non-surrender

As per the WBBM any unspent balances should be surrendered by the controlling officers to the administrative departments by the 14$^{th}$ February and by the administrative departments to the Finance department by the 21$^{st}$ February each year. However, during 2008-13, savings amounting to ₹ 2715.18 crore[10] remained un-surrendered even at the end of the financial years.

[10] *₹224.45 crore in respect of Grant 11: Micro and Small Scale Enterprises and Textiles; ₹310.84 crore in respect of Grant 14: Mass Education Extension and Library Services; ₹801.11 crore in respect of Grant 28: Housing; and ₹1378.78 crore in respect of Grant 45: Public Health Engineering*

In reply to an audit query, Housing department stated (May 2013) that Finance department allowed them to incur only 75 *per cent* to 80 *per cent* of budget provision thus resulting in forced savings. It also attributed the non-utilisation of funds to receipt of proposal for sanction of funds from different executing agencies at the fag end of the financial years 2008-12. Review of records of MSSET department revealed that the department had made budget provisions of ₹ 98.74 crore in 107 cases but no expenditure was incurred at all under those heads during the years 2008-13, indicating that the budget provision of ₹ 98.74 crore was made without proper assessment. In reply, the department admitted the fact and assured that steps were being taken to prepare the estimates as accurately as possible.

Thus, the CCOs and the Heads of the departments did not fully comply with the budgetary controls laid down in the WBBM and thereby frustrated the basic objectives of preparation of State budget.

### *C) Expenditure without provision*

WBBM lays down that expenditure, for which no provision has been made in the Budget Estimate of the current year, should rarely, if ever, be incurred.

However, contrary to the aforesaid provision, expenditure amounting to ₹ 54.55 crore, ₹ 1.47 crore and ₹ 45.32 crore were incurred under grant numbers 11, 14 and 45 under 62, 7 and 20 sub-heads respectively during 2008-13 even though no provisions for the same existed in the original estimates/supplementary demand. In reply, MSSET department admitted (July 2013) the fact and stated that the audit observation had been noted as guidance for preparation of RE and BE in future so that such unauthorised expenditure do not occur.

### *D) Provision made for vacant posts*

As per relevant provisions of WBBM, provision should be made in the budget only for men on duty and not for vacant posts. In contravention of these provisions, ₹ 10.56 crore and ₹ 23.44 crore remained unutilised in ME department due to provisions being made against vacant posts during 2011-12 and 2012-13 respectively. This indicated that the CCOs prepared the budget without assessing requirements on a realistic basis which ultimately resulted in allotments remaining unutilised and thereby frustrates budget management policies.

The observations made above indicated that there were numerous occasions of violation of the provisions of both WBFR and WBBM by the selected departments which ultimately contributed to unnecessary occurrence of excess and savings under different major heads/ minor heads, deficient control over progress of expenditure, unnecessary re-appropriations, etc. The Government needs to adopt stringent measures so as to ensure that the relevant provisions of WBFR and WBBM are strictly adhered to by the departments so as to ensure that the deviations from budget estimates may be restricted within reasonable extent and thereby prudent financial management may be established and enforced.

## 2.8 Conclusion and Recommendations

- Deficient budgetary control in Government departments was apparent from the instances of injudicious supplementary provisions, unnecessary/excessive re-appropriations, inadequate provision of funds, etc.
- Procedure of preparation of budget as prescribed in the budget manual was not properly followed.
- Excess expenditure for the years 2006-07 to 2012-13 worth ₹ 30433.77 crore needs regularisation.
- During 2012-13, expenditure of ₹ 5846.88 crore was incurred in 77 cases without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect. Besides, anticipated savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes. The Controlling Officers of four test-checked departments did not monitor the progress of expenditure.

**Recommendations**:

➢ ***Efforts should be made by the departments to submit realistic budget estimates keeping in view the trend of expenditure and actual requirement of funds, in order to avoid large scale savings or excess.***

➢ ***The Controlling Officers should keep constant watch over progress of expenditure as required under Rules 384 and 385 of West Bengal Financial Rules, so that possibility of savings/excess is anticipated well in advance.***

➢ ***Proper utilisation of surplus funds needs to be ensured through timely surrender of anticipated savings.***

➢ ***Expenditure against allocations should be spaced out and rush of expenditure in the closing months of the year should be avoided.***