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## **Chapter-2**

# **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**

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## CHAPTER 2

### 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 voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. 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 the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

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 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 2014-15 against 80 grants and appropriations is as given in **Table 2.1**.

**Table 2.1: Position of actual expenditure *vis-à-vis* Original/ Supplementary provisions for the year 2014-15**

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Savings (-) / Excess (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March (col. 7/col. 6)
	1	2	3	4	5	6	7	8	9
<b>Voted</b>	I –Revenue	93,142.38	6,085.96	99,228.34	75,846.86	(-)23,381.48	12,317.65	11,364.27	52.68
	II- Capital	14,789.24	1,744.00	16,533.24	11,843.05 <sup>1</sup>	(-)4,690.19	3,187.63	2,967.65	67.96
	III- Loans and Advances	3,894.82	10,536.28	14,431.10	12,539.35	(-)1,891.75	1,736.95	1,735.95	91.82
<b>Total Voted</b>		<b>1,11,826.44</b>	<b>18,366.24</b>	<b>1,30,192.68</b>	<b>1,00,229.26<sup>2</sup></b>	<b>(-)29,963.42</b>	<b>17,242.23</b>	<b>16,067.87</b>	<b>57.54</b>
<b>Charged</b>	IV- Revenue	7,959.82	837.46	8,797.28	7,566.10	(-)1,231.18	351.61	343.73	28.56
	V –Capital	37.75	---	37.75	35.63	(-)2.12	3.75	3.75*	176.89*
	VI- Public Debt- Repayment	9,177.00	---	9,177.00	4,920.52	(-)4,256.48	---	---	---
<b>Total Charged</b>		<b>17,174.57</b>	<b>837.46</b>	<b>18,012.03</b>	<b>12,522.25</b>	<b>(-)5,489.78</b>	<b>355.36</b>	<b>347.48</b>	<b>6.47</b>
<b>Appropriation to Contingency Fund</b>		---	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	----	---	---	---
<b>Grand Total</b>		<b>1,29,001.01</b>	<b>19,503.70</b>	<b>1,48,504.71</b>	<b>1,13,051.51<sup>3</sup></b>	<b>(-)35,453.20</b>	<b>17,597.59</b>	<b>16,415.35</b>	<b>49.64</b>

(\* Surrendered amount is more than Savings (-)/ Excess (+))

(Source: Appropriation Account)

<sup>1</sup> Includes ₹0.98 crore in respect of inter-State Settlement.

<sup>2</sup> Gross figure without taking into account the recoveries adjusted as reduction of expenditure under Revenue Expenditure: ₹1040.14 crore and Capital Expenditure: ₹4.77 crore.

<sup>3</sup> The actual expenditure was overstated to the extent for the reasons mentioned below: ₹115.45 crore (Revenue Voted section : ₹74.05 crore and Capital Voted Section: ₹41.40 crore) being the unspent amount transferred to Major Head 8443-Civil Deposit, 800-Other Deposit through NIL payment vouchers on 31 March 2015.

- Supplementary provision of ₹ 19,503.70 crore obtained during the year constituted 15.12 *per cent* of the original provision. Considering the total savings of ₹ 35,453.20 crore, entire supplementary budget of ₹ 19,503.70 crore proved unnecessary.

During the exit conference (November 2015) FD replied that provisions for supplementary grants were made only after due scrutiny of department proposals. Department further replied that at times, there are department related issues which slow down expenditure.

The fact remains that overall saving under the grants was more than the supplementary budget.

- The overall savings of ₹ 35,453.20 crore was the result of savings of ₹ 35,899.48 crore in 73 grants and 43 appropriations under the Revenue Section and 54 grants and six appropriations under the Capital Section, offset by an excess of ₹ 446.28 crore in four grants/appropriations under the Revenue Section (₹ 440.63 crore) and two grant/appropriation (₹ 5.65 crore) under the Capital Section.

The savings/excesses were intimated (July-August 2015) to the Controlling Officers asking them to explain the reasons for the significant variations. Reasons for final savings have not been intimated by the concerned Departments (November 2015).

- ***Non-recoupment of Contingency fund of ₹1.08 crore***

We noticed that State Government sanctioned an advance amounting to ₹ 1.08 crore from the Contingency Fund of State to Urban Administration and Development Department for making payment of interest against loan obtained for Chief Minister Urban Infrastructure Development Scheme.

Department was required to make provision under Grant No.22-Major Head 2217 (Non-plan), 45-Minor Head-101-Scheme Name- Chief Minister Urban Infrastructure Development in original budget/ first supplementary of financial year 2014-15 for recoupment of advance. It was to be mentioned in the original budget/first supplementary that an advance has been provisioned/obtained from Contingency Fund.

During scrutiny of appropriation details of Grant No.22, we observed that though the expenditure was incurred, provision for recoupment of advance from the Contingency Fund was made neither in the original budget nor in the supplementary grants.

Thus, the expenditure could not be authorised by the State Legislature and the advance from the Contingency Fund of State also remained unrecouped.

During the exit conference (November 2015) FD informed that due recoupment would be made.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities-significant savings

Appropriation audit conducted by us revealed that in 72 cases there were significant savings aggregating ₹ 29,542.62 crore. In each case, the savings exceeded ₹ 10 crore and were also more than 20 per cent of the respective budget provisions (**Appendix 2.1**). Out of the total savings of ₹ 35,453.20 crore, significant savings of ₹ 100 crore and above occurred in 37 cases aggregating ₹ 28,334.01 crore (79.92 per cent), as indicated in **Table 2.2**.

**Table 2.2: List of Grants/Appropriations with savings of ₹ 100 crore and above and more than 20 per cent of total provision**

(₹ in crore)							
Sl. No.	Number and Name of the Grant/Appropriation	Original provision	Supplementary provision	Total	Actual expenditure	Savings	Percentage of saving
1	2	3	4	5	6	7	8
<b>Revenue-Voted</b>							
1	01-General Administration & Lok Seva Prabandhan	544.18	58.00	602.18	409.03	193.15	32.07
2	07-Commercial Tax	2,545.19	0.08	2,545.27	1,498.87	1,046.40	41.11
3	08-Land Revenue and District Administration	1,243.45	9.79	1,253.24	901.18	352.06	28.09
4	13-Farmers Welfare and Agriculture Development	2,377.56	85.62	2,463.18	1,944.53	518.65	21.06
5	14-Animal Husbandry	682.40	29.29	711.69	557.30	154.39	21.69
6	15-Financial Assistance to Three Tier Panchayati Raj Institutions Under Scheduled Castes Sub-Plan	1,727.36	23.77	1,751.13	1,201.63	549.50	31.38
7	17-Co-operation	466.49	450.18	916.67	206.54	710.13	77.47
8	19-Public Health and Family Welfare	4,014.97	0.88	4,015.85	3,144.69	871.16	21.69
9	29-Law and Legislative Affairs	1,248.69	23.62	1,272.31	708.20	564.11	44.34
10	30-Rural Development	697.32	18.89	716.21	438.87	277.34	38.72
11	31-Planning, Economics and Statistics	260.09	7.28	267.37	72.15	195.22	73.01
12	33-Tribal Welfare	1,673.73	0.02	1,673.75	1,311.37	362.38	21.65
13	38-Ayush	460.56	Token	460.56	226.28	234.28	50.87
14	41-Tribal Areas Sub-Plan	5,534.86	114.58	5,649.44	3,736.60	1,912.84	33.86
15	50-Horticulture and Food Processing	414.53	6.85	421.38	281.36	140.02	33.23
16	52-Financial Assistance to Tribal Area Sub-Plan-Three Tier Panchayati Raj Institutions	3,116.72	114.01	3,230.73	2,436.21	794.52	24.59
17	53-Financial Assistance to Urban Bodies Under Scheduled Castes Sub-Plan	265.50	-	265.50	150.26	115.24	43.40
18	55-Women and Child Development	2,311.59	38.41	2,350.00	1,447.80	902.20	38.39
19	58-Expenditure on Relief on Account of Natural Calamities and Scarcity	3,567.05	588.15	4,155.20	3,099.44	1,055.76	25.41
20	61-Expenditure Pertaining to Bundelkhand Package	143.56	-	143.56	30.40	113.16	78.82
21	64-Scheduled Castes Sub-Plan	3,606.45	135.74	3,742.19	2,353.45	1,388.74	37.11
22	66-Welfare of Backward Classes	757.44	6.25	763.69	514.18	249.51	32.67
23	67-Public Works-Buildings	464.59	61.59	526.18	402.76	123.42	23.45
24	73-Medical Education Department	483.41	67.41	550.82	422.62	128.20	23.27

Sl. No.	Number and Name of the Grant/Appropriation	Original provision	Supplementary provision	Total	Actual expenditure	Savings	Percentage of saving
1	2	3	4	5	6	7	8
25	74- Financial Assistance to Three Tier Panchayati Raj Institutions	12,641.12	1,077.18	13,718.30	9,438.35	4,279.95	31.20
26	75- Financial Assistance to Urban Bodies	5,724.07	91.55	5,815.62	4,554.97	1,260.65	21.68
27	77-Other Expenditure pertaining to School Education Department (Excluding Primary Education)	2,370.64	13.72	2,384.36	1,618.56	765.80	32.12
<b>Capital-Voted</b>							
28	06-Finance	170.80	300.00	470.80	329.53	141.27	30.01
29	30-Rural Development	1,471.55	-	1,471.55	600.40	871.15	59.20
30	41-Tribal Areas Sub-Plan	2,848.01	22.97	2,870.98	1,662.65	1,208.33	42.09
31	48-Narmada Valley Development	1,251.30	1.46	1,252.76	788.14	464.62	37.09
32	55-Women and Child Development	278.30	78.27	356.57	74.17	282.40	79.20
33	61-Expenditure Pertaining to Bundelkhand Package	369.21	-	369.21	248.65	120.56	32.65
34	64-Scheduled Castes Sub-Plan	2,198.12	115.93	2,314.05	1,529.00	785.05	33.92
<b>Revenue-Charged</b>							
35	12-Energy	170.50	194.73	365.23	68.20	297.03	81.33
36	25-Mineral Resources	400.05	248.29	648.34	0.002	648.34	100
<b>Capital-Charged</b>							
37	PD-Public Debt	9,177.00	-	9,177.00	4,920.52	4,256.48	46.38
<b>Total</b>		<b>77,678.36</b>	<b>3,984.51</b>	<b>81,662.87</b>	<b>53,328.86</b>	<b>28,334.01</b>	<b>34.70</b>

(Source: Appropriation Accounts)

Besides, significant savings (more than ₹ 20 crore in each case) were noticed in 138 schemes under the grants/appropriations pertaining to the above grants, which ranged up to ₹ 2000 crore. Details are given in the **Appendix 2.2 (A)**.

### 2.3.2 Persistent savings

In eight cases, during the last five years from 2010-11 to 2014-15, there were persistent savings of more than ₹ one crore and also more than 20 per cent of the total provision in each case as shown in **Table 2.3**.

**Table 2.3: Grants/Appropriations under which persistent savings occurred during 2010-15**

Sl. No.	Number and Name of the Grant/Appropriation	Amount of Savings (per cent to total Grant in brackets)				
		2010-11	2011-12	2012-13	2013-14	2014-15
<b>Revenue-Voted</b>						
1	29-Law and Legislative Affairs	259.71 (41.04)	137.82 (20.06)	192.19 (28.05)	333.48 (35.47)	564.12 (44.34)
Savings occurred mainly under the Major Heads 2014-Administration of Justice and 2015-Election.						
2	31-Planning, Economics and Statistics	85.87 (56.29)	386.39 (84.12)	211.54 (75.54)	121.62 (50.42)	195.23 (73.02)
Savings occurred under the Major Heads 3451-Secretariat-Economic Services and 3454-Census, Surveys and Statistics.						
3	40-Expenditure pertaining to Water Resources Department-Command Area Development	1.22 (38.98)	109.64 (97.52)	2.67 (51.84)	3.82 (50.73)	6.22 (51.53)
Saving occurred under the Major Head 2705-Command Area Development.						

<b>Revenue-Charged</b>						
4	06-Finance	12.41 (97.49)	14.23 (96.28)	12.93 (52.18)	13.24 (89.64)	12.40 (83.90)
Saving occurred under the Major Head 2071-Pensions and other Retirement Benefits.						
<b>Capital-Voted</b>						
5	06-Finance	74.94 (70.18)	1,501.78 (92.80)	1,374.53 (95.53)	234.74 (81.98)	141.27 (30.01)
Saving occurred under the Major Head 6075-Loans for Miscellaneous General Services.						
6	58-Expenditure on Relief on account of Natural Calamities and Scarcity	2.93 (69.76)	2.50 (85.62)	2.50 (76.69)	2.50 (100)	2.50 (100)
Saving occurred under the Major Head 6245-Loans for relief on account of Natural Calamities.						
7	67-Public Works-Buildings	35.89 (33.27)	41.39 (38.11)	45.79 (32.98)	91.29 (49.98)	75.72 (40.33)
Saving occurred under the Major Head 4059-Capital Outlay on Public Works.						
<b>Capital-Charged</b>						
8	Public Debt	3,392.77 (57.29)	3,650.31 (53.68)	3,903.17 (52.13)	4,018.05 (50.08)	4,256.48 (46.38)
Saving occurred under the Major Head 6003-Internal Debt of the State Government.						

(Source: Appropriation Accounts of respective years)

The persistent savings indicated that the budget estimates were not prepared in a realistic manner and budgetary controls in the concerned Departments were not effective.

### 2.3.3 Excess expenditure under schemes

In 37 cases, expenditure aggregating ₹ 4,023.24 crore under various schemes exceeded the approved provision by ₹ 10 crore or more in each case and also more than 20 per cent of the provisions made for each scheme. The details are given in **Appendix 2.2 (B)**.

During the exit conference (November 2015) FD stated that strict expenditure control mechanism was in place and no expenditure was allowed beyond the budget provision.

The reply is not acceptable as the appropriation account clearly reflected excess expenditure under these 37 schemes.

### 2.3.4 Unutilised provisions under schemes

In 86 cases, the entire provision made under various schemes (₹ 10 crore or more in each case) aggregating to ₹ 9143.23 crore remained unutilised. The details are given in **Appendix 2.2 (C)**.

### 2.3.5 Excess over provision during 2014-15 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. If any money has been spent on a service in excess of the amount granted by the State Legislature for the purpose, the Public Accounts Committee (PAC) shall examine with reference to the facts of the case, the circumstances leading to such an excess and may make recommendation for its regularisation.

**Table 2.4** presents the summary of total excess expenditure in six cases amounting to ₹ 446.28 crore over the authorisation from the Consolidated Fund of the State during 2014-15, which require regularisation under Article 205 of the Constitution. Reasons for the above excesses have not been intimated (November 2015).

**Table 2.4: Excess over provision requiring regularisation during 2014-15**

(₹ in crore)					
Number and Name of the Grants/Appropriation	Original Provision	Supplementary Provision	Total Grants/Appropriation	Expenditure	Excess
02*-Other Expenditure pertaining to General Administration Department (Revenue Voted)	30.87	1.25	32.12	55.62	23.50
06-Finance (Revenue Voted)	6,573.79	0.58	6,574.37	6,983.80	409.43
24-Public Works-Roads and Bridges (Revenue Charged)	2.00	Nil	2.00	7.83	5.83
41- Tribal Area sub-plan (Capital Charged)	0.15	Nil	0.15	2.61	2.46
42-Public Works relating to Tribal Area sub-plan Roads and Bridges (Capital voted)	520.88	170.00	690.88	694.07	3.19
67-Public works-Buildings (Revenue Charged)	0.50	Nil	0.50	2.37	1.87
<b>Total</b>	<b>7,128.19</b>	<b>171.83</b>	<b>7,300.02</b>	<b>7,746.30</b>	<b>446.28</b>

(Source: Appropriation Accounts)

(\*Excess has occurred under this grant during 2013-14 also)

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

The excess expenditure amounting to ₹ 774.60 crore pertaining to the years 1997-98, 2003-04 to 2006-07 and 2008-09 to 2013-14 is yet to be regularised as detailed in **Appendix 2.3**. The year-wise break-up of the amount of excess expenditure pending for regularisation is summarised in **Table 2.5**.

**Table 2.5: Excess over provision relating to previous years requiring regularisation**

Year	Number of		Excess expenditure (₹ in crore)	Status of regularisation (as on 31 <sup>st</sup> October 2015)
	Grants	Appropriations		
1	2	3	4	5
1997-98	10	03	302.79	Explanatory notes submitted by the concerned Department to PAC.
2003-04	04	03	2.54	Explanatory notes submitted by the concerned Department to PAC, except for a sum of ₹ 1.24 crore in respect of Grant No. 68 (Revenue Voted).
2004-05	13	02	83.66	Explanatory notes submitted by the concerned Department to PAC.
2005-06	04	02	37.58	Explanatory notes submitted by the concerned Department to PAC, except for a sum of ₹ 2.27 crore in respect of Grant No. 39 (Capital Voted).
2006-07	02	01	35.99	Explanatory notes submitted by the concerned Department to PAC.
2008-09	02	02	5.80	Explanatory notes submitted by the concerned Department to PAC.
2009-10	04	Nil	123.96	Explanatory notes submitted by the concerned Department to PAC.



2010-11	Nil	02	12.62	Explanatory notes submitted by the concerned Department to PAC, except for ₹ 0.02 crore in respect of Grant No. 23 (Revenue Charged).
2011-12	04	02	135.10	Explanatory notes submitted by the concerned Department to PAC, except for ₹ 10.90 crore in respect of Grant No. 33 (Revenue Voted) 23 (Revenue Charged and Capital Charged)
2012-13	Nil	02	0.24	Explanatory notes not submitted by the concerned Department to PAC.
2013-14	02	01	34.32	Report (State Finances) 2013-14 laid on State Legislature dated 22 <sup>nd</sup> July 2015.
<b>Total</b>	<b>45</b>	<b>20</b>	<b>774.60</b>	

Non-regularisation of the excess over provision under the grants/appropriations over the years is a breach of legislative control over grants/appropriations.

During the exit conference (November 2015) FD stated that excess expenditure pertaining to 1997-98 had been regularised. Regularisation process was being done for other cases, as per recommendation of PAC.

The fact remains that regularisation of excess expenditure was pending over the years and the gazette notification for regularisation of excess expenditure during 1997-98 was still awaited.

### **2.3.7 Unnecessary/excessive/inadequate Supplementary provision**

In 53 cases of grants/appropriations, Supplementary provision of ₹ one crore or more in each case aggregating ₹ 4,010.39 crore obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. Details are shown in **Appendix 2.4**. In 18 cases, against the additional requirement of ₹ 11,681.24 crore, supplementary provision of ₹ 15,280.80 crore proved excessive. The resultant savings exceeding ₹ one crore in each case, aggregating ₹ 3,599.56 crore are shown in **Appendix 2.5**.

### **2.3.8 Excessive/unnecessary re-appropriation/surrender 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 required. We observed injudicious re-appropriations or surrenders in 41 cases (Re-appropriation amount of ₹ one crore or more in each case), which resulted in savings/excess of more than ₹ one crore in each case as detailed in **Appendix 2.6**.

### **2.3.9 Anticipated savings not surrendered**

According to para 26.9 of the Madhya Pradesh Budget Manual (MPBM), statements of anticipated savings in expenditure are required to be submitted by the Budget Controlling Officers to the Finance Department by 15<sup>th</sup> January.

At the close of the year 2014-15, there were 33 grants and two appropriations in which savings occurred but no part of these was surrendered by the concerned departments. The amount involved in these cases was ₹ 9,466.50 crore (26.70 per cent of the total savings of ₹ 35,453.20 crore) (**Appendix 2.7**).

In 117 cases (surrender of funds in excess of ₹ 10 crore in each case), savings aggregating ₹ 16,147.90 crore (**Appendix 2.8**) were surrendered on the last

date of the financial year, leaving no scope for utilising the funds for other development purposes.

During the exit conference (November 2015) FD stated that standing instructions were given to all departments, which would be reiterated as and when required.

### **2.3.10 Unrealistic and injudicious surrenders**

#### **(A) Surrender in excess of actual savings**

In eight cases, the amounts surrendered (₹ one crore or more in each case) were in excess of the actual savings indicating lack of or inadequate budgetary control in these Departments. As against savings of ₹ 2,339.94 crore, the amount surrendered was ₹ 2,381.32 crore, resulting in excess surrender of ₹ 41.38 crore. The details are given in **Appendix 2.9**.

#### **(B) Surrender even after excess expenditure**

In six cases an amount of ₹ 106.44 crore was surrendered even though there was already excess expenditure of ₹ 446.29 crore indicating inadequate budgetary control in the Department. The Details are given in **Appendix 2.9**.

### **2.3.11 Rush of expenditure**

According to para 26.13 of the Madhya Pradesh Budget Manual (MPBM), rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a financial irregularity.

We noticed that in respect of 48 cases<sup>4</sup> of 24 grants/appropriations ₹ 3,117.25 crore (78 per cent of total expenditure under these grants/appropriations) was incurred during the last quarter of the financial year. Of these, expenditure of ₹ 2,995.06 crore was incurred in the month of March. Percentage of expenditure incurred during the month of March to total expenditure in each case ranged between 50 and 100. Details are given in **Appendix 2.10**. These indicated deficient financial management and non-maintenance of uniform flow of expenditure which is a primary requirement of budgetary control.

### **2.3.12 Drawal of funds and parking in Civil Deposit**

As per the provisions of the Madhya Pradesh Treasury Code (MPTC) Part I Subsidiary Rule 284, no money should be drawn from the treasury unless it is required for immediate disbursement.

During 2014-15, a sum of ₹ 115.45 crore was drawn on 31 March 2015 and transferred to 8443-Civil Deposits-800-Other Deposits by showing the amounts as final expenditure under the relevant central schemes in the accounts, as shown in **Appendix 2.11**. Thus, funds were drawn in advance of requirement and to avoid lapse of Central funds, which was contrary to the codal provision.

During the exit conference (November 2015) FD stated that parking of fund in Civil Deposit had been discouraged. Transfer to Public Account from Consolidated Fund was done in exceptional case only.

The reply is not acceptable, as the funds were credited to Civil Deposit heads on 31 March 2015 to avoid lapse of Central funds.

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<sup>4</sup> where expenditure during last quarter exceeded ₹10 crore.

### 2.3.13 Expenditure incurred without provision

We observed that expenditure of ₹ 799.96 crore was incurred in 6003-101-6767-5.85 *per cent* Madhya Pradesh State Development Loan, 2015 (in Grant Public Debt) without any provision in the budget estimates. Reason for reflection of this expenditure under this head was that the appropriation was wrongly made under the head 6003-101-7887-5.85 *per cent* Madhya Pradesh State Development Loan, 2017 instead of this head.

### 2.3.14 Unrealistic Budget Estimates

As per para B-7 and 8 of MP Government Budget Manual Vol-I (Part-B), all Budget Controlling Officers (BCOs) are responsible for collating estimates of expenditure and receipts prepared by the Drawing and Disbursement Officer (DDOs) under them as well as for preparing estimates of off budget funds likely to be received for departmental schemes during the ensuing financial year and for finalisation of estimates of expenditure and receipts, BCOs should collate all estimates prepared by DDOs and review the same.

During scrutiny of Appropriation Accounts we observed that in the year 2012-13, 2013-14 and 2014-15, budget provision of ₹ 5,048.05 crore, ₹ 4,614.11 and ₹ 4,334.71 crore respectively were made for 25 schemes (more than ₹ one crore in each case) which remained entirely unutilised. It indicates that budget provisions were prepared on *ad hoc* basis that is without assessing the actual requirement. The details are given in **Appendix 2.12**.

### 2.3.15 Non-surrender of estimated savings out of budget allotment

As per the Central Public Works Accounts Code (60) the “Suspense” head is operated for temporary passage of transactions either because the relevant payment, recovery or adjustment is awaited or because it is necessary to keep an effective watch over the values of any stock materials, until their final disposal.

Para 26.9 and para 26.12 of Madhya Pradesh Budget Manual provides that statements of anticipated savings in expenditure are required to be submitted by the Budget Controlling Officers to the Finance Department by 15 January, mainly because when there is unanticipated excess expenditure under any major head it may be met by re-appropriations of savings from elsewhere within the grant. In cases where the Administrative Department anticipates savings to accrue in the grant administered by it, the Department is required to issue surrender order for the same. All such activity of surrendering are required to be carried out before 15 January so as to enable Finance Department to reallocate resources. Further, Rule 284 of the Madhya Pradesh treasury code also provides for drawal of funds against allotment for immediate utilization.

The Public Works Department (PWD) has been providing fund for execution of road works to Madhya Pradesh Road Development Corporation (MPRDC) against budget allotment sanctioned by the Government for the purpose. MPRDC, acting as an agent of the Government, constructs/maintains roads by utilising fund made available by PWD. PWD has provided funds of ₹ 667.37 crore, ₹ 750.88 crore and ₹ 921.40 crore on this account to MPRDC during 2012-13, 2013-14 and 2014-15 respectively.

We noticed that MPRDC incurred expenditure on construction/maintenance of road works out of the funds provided by PWD in staggered manner. PWD was therefore required to account for transfer of the said funds initially in a 'Suspense Account' and finally in expenditure head to the extent fund was utilised by MPRDC during a financial year. PWD, however, accounted for it as final expenditure as soon as it transferred the funds to MPRDC. This has resulted in not only dilution of control of PWD and in turn the Government, over the funds transferred to MPRDC but also overstatement of expenditure in the accounts of the Government as an amount of ₹ 377.98 crore and ₹ 349.97 crore were remaining unutilised at the end of 2012-13 and 2013-14 respectively<sup>5</sup>.

We further noticed that PWD was not ensuring submission of accounts of utilisation of the funds by MPRDC due to which unutilised fund in the hands of MPRDC remained undetected. According to the provisions of Madhya Pradesh Budget Manual, PWD was required to assess and intimate by 15 January of each financial year to the Finance Department the estimated savings out of the budget allotment for surrender of such estimated savings. No such exercise having been done by PWD, was noticed by us. Therefore, amount of expected savings (unutilised funds) of ₹ 377.98 crore and ₹ 349.97 crore lying with MPRDC as at the end of 2012-13 and 2013-14 respectively could not be surrendered to the Government. This also obviated the need of legislative sanction for the allotment of funds to that extent in next financial year. As a result, the legislative control through budgetary allotment was diluted.

On this being pointed out, the Government replied (August 2015) that the funds were released by the State Government as per requirement of works in hand to fulfil the contractual liabilities during the year. It also stated that the balance at the end of the year has been reduced continuously and the funds left at the end of the year were required by MPRDC in the very beginning of the subsequent year on continuous basis to meet the contractual liabilities, whereas the release of fund by the State Government takes time. It further stated that State Government through Administrative Department i.e. PWD, monitors, supervises and controls the activities and utilisation of fund from time to time and 'Suspense Account' was best suited for unclassified transactions whereas in this case there was no situation where head of account was to be identified.

The reply was not acceptable as the quantum of unutilised funds is indicative of the fact that funds were not drawn and disbursed to the company for meeting immediate requirement of funds and also the anticipated savings of the funds were not surrendered as required in Madhya Pradesh Budget Manual. PWD had transferred funds in the beginning of the financial year itself commencing from April/May of that year and therefore there was no constraint in meeting contractual liability. Transaction of temporary nature is accounted for Suspense Account awaiting final payment/expenditure to keep an effective watch until their final disposal and not only in respect of transactions awaiting identification of head of account.

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<sup>5</sup> *Annual accounts of MPRDC for the year 2014-15 were yet to be finalised.*

## 2.4 Outcome of Review of Selected Grants

After voting on Demands for grants has been completed in the Legislative Assembly, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State for moneys required to meet (a) the grants made by the Assembly and (b) the expenditure charged on the Consolidated Fund. After the Governor's assent to the Bill, amounts shown in the Appropriation Act and schedules thereof become the sanctioned grants for expenditure under various Demands.

We reviewed (July-September 2015) the budgetary procedure and control over expenditure pertaining to one grant viz., grant No. 03 - Police. The Director General of Police, Bhopal is the Budget Controlling Officers (BCO) of grant No. 03.

As per instruction issued (08/08/2013) by the Finance Department regarding time schedule for submission of budget estimates for the year 2014-15, estimates for non-plan and plan expenditure were to be submitted by the Administrative Department to the Finance Department within 14/10/2013 and 07/10/2013 respectively. As per information furnished by the Budget Controlling Officer, the budget estimates for Department (grant No. 03) was submitted by the Police Department on 21/10/2013 to the Finance Department.

### 2.4.1 Summarised position

The details of amount budgeted for, expenditure incurred and savings under the grant No. 03 is summarised in **Table 2.6**.

**Table 2.6: Summarised Appropriation**

(₹ in crore)

Particular of Grant	Section	Original Budget	Supplementary Budget	Total Grant	Actual expenditure	Savings	Percentage of saving to total Grant
1	2	3	4	5	6	7	8
Grant No. 03	Revenue (Voted)	4,507.08	35.36	4,542.44	3,793.99	748.45	16.48
	Capital (Voted)	101.37	Token	101.37	87.07	14.30	14.11
<b>Total</b>		<b>4,608.45</b>	<b>35.36</b>	<b>4,643.81</b>	<b>3,881.06</b>	<b>762.75</b>	<b>16.43</b>

(Source: Appropriation Accounts)

Review of this grant revealed the following:

### 2.4.2 Substantial Savings

We observed that in 16 schemes there were substantial savings of ₹ 655.72 crore where savings were more than ₹ 10 crore, which were nine to 100 per cent of the total grant/appropriation under the scheme. The details are given in **Appendix 2.13**.

### 2.4.3 Unutilised provisions in various schemes under selected grants

In four cases under Grant No. 3, the entire provision made under various schemes (₹ one crore or more in each case) aggregating to ₹ 41.09 crore remained unutilised. The details are given in **Table 2.7**.

**Table 2.7: Details of unutilised provision in various schemes**

(₹ in crore)					
Sl. No.	Name of the Scheme	Total Provision	Expenditure	Amount of Saving	Percentage
1	2	3	4	5	6
<b>03-Police</b>					
1	2055-109-1501-7448-Metro City Security Arrangement and State Highway Security	25.00	Nil	25.00	100
2	2055-800-0101-7350-Automatic Finger Impression Arrangement	11.09	Nil	11.09	100
3	2055-800-1309-Security Arrangement for High Court and Subordinate Courts	3.00	Nil	3.00	100
4	2055-800-9078-Security Arrangement of Vidhan Sabha Building Campus	2.00	Nil	2.00	100
<b>Total</b>		<b>41.09</b>	<b>Nil</b>	<b>41.09</b>	<b>100</b>

(Source: Appropriation Accounts and Detailed Appropriation Account)

**2.4.4 Misclassification of Budget provision under the object head 63-Machines in Revenue section instead of Capital section**

We observed that under 16 schemes, Budget provision of ₹ 30.53 crore under the object head 63-Machines was incorrectly classified under Revenue section, while the nature of object head 63-Machines is related to Capital Section. Object head wise and Scheme wise details are given in **Appendix 2.14**.

On being pointed out by audit (August 2015), the BCO stated (August 2015) that provisions under object head 63-Machines have been made by the Finance Department, therefore it was booked under Revenue section. Fact remains that object head 63-Machines is related to Capital Nature and misclassified in Revenue Section in the Budget.

**2.4.5 Persistent savings**

We observed that during the last three years from 2012-13 to 2014-15 there were persistent savings in the salary and wages of Police Department. The year-wise break up of amount of budget allocation, expenditure incurred and saving is summarised in **Table 2.8**.

**Table 2.8: Summarised position of salaries and wages**

(₹ in crore)			
Year	Budget Provision	Expenditure	Saving/Surrendered Amount
2012-13	2,681.00	2,380.49	300.51
2013-14	3,431.19	2,802.91	628.28
2014-15	3,573.00	3,107.99	465.01
<b>Total</b>	<b>9,685.19</b>	<b>8,291.39</b>	<b>1,393.80</b>

On being pointed out Budget Controlling Officer stated that the savings were due to vacant post and non-payment of arrear. Further, demand was raised on the basis of the proposal for 5000 new posts sent to the government for sanction, which was approved during the financial year 2014-15.

The persistent savings indicated that the budget estimates were not prepared in realistic manner and budgetary controls in the department was not effective. The excess provisions also indicated that budget estimates were prepared on adhoc basis.

## 2.5 Conclusion and Recommendations

### Inflated provision under original and supplementary grants

- Against the total budget provision of ₹ 1,48,505 crore during 2014-15, total expenditure incurred was ₹ 1,13,052 crore, resulting in overall savings of ₹ 35,453 crore. Therefore, entire supplementary provision of ₹ 19,504 crore (15.12 per cent of original provision) proved unnecessary. In 37 cases (32 grants/appropriation), there were savings of more than ₹ 100 crore in each case, which aggregated to ₹ 28,334.01 crore.

Budgetary control mechanism should be strengthened in the Government Departments by proper monitoring of expenditure. Unnecessary provision of Supplementary grant should be avoided.

### Non-recoupment of Contingency fund

- The State Government sanctioned an advance amounting to ₹ 1.08 crore from the Contingency Fund of State to Urban Administration and Development Department. The expenditure was incurred during the year, however, advance from the Contingency Fund of State remained unrecouped.

The advance taken from contingency fund should be recouped timely.

### Non-surrender/delayed surrender of savings

- Only 49.64 per cent (₹ 17,597.59 crore) of total savings were surrendered during the year. In 117 cases, savings of ₹ 16,148 crore (more than ₹ 10 crore in each) was surrendered on the last day of the financial year, leaving no scope for utilising the funds for other development purposes.

All anticipated savings should be surrendered on time so that the funds can be utilised for other development purposes.

### Excess expenditure requiring regularisation

- Excess expenditure of ₹ 446.28 crore was incurred during 2014-15, which requires regularisation under Article 205 of the Constitution. Besides, ₹ 774.60 crore pertaining to previous years were yet to be regularised.

Regularisation of excess expenditure pending since 1997-98 may be done on priority basis.

### Central funds parked in Civil Deposit

- Central funds of ₹ 115.45 crore drawn on 31 March 2015 was transferred to Civil Deposit in Public Account to avoid lapse of funds, which inflated the expenditure of the year under the Consolidated Fund of the State.

Transfer of unutilised funds to Civil Deposit at the end of financial year results in overstatement of State expenditure and should be avoided.

