
Chapter-2

**FINANCIAL MANAGEMENT
AND BUDGETARY CONTROL**

CHAPTER 2

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. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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

2.2 Mechanism for Budget Management

As per Rule 52 of Bihar Budget Manual (as adopted by Jharkhand State), the Budget Estimates of the State are to be prepared in the form prescribed by the Finance Department. According to Rule 79 of the Budget Manual, the estimates under each Major Head prepared by the Controlling Officers of different departments are to be examined by the Finance Department and compiled for presentation of the first edition budget to the Government. As per Rule 112 of the Budget Manual of the State, all anticipated savings should be surrendered to the Government immediately when they are foreseen unless they are required to meet excesses over grant under some other units. No savings should be held in reserve for possible future excesses. Rules regarding control over expenditure are embodied in the Jharkhand Financial Rules. Further, as per Rule 117 of Budget Manual in order to meet new specific items of expenditure or to cover probable excesses in the voted grant, supplementary grants should be obtained in consultation with the Finance Department.

We observed large savings and excesses in several grants during 2014-15, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 60 grants/appropriations is as given in **Table 2.1**.

Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Provisions for the year 2014-15

(₹ in crore)

	Nature of expenditure	Original/ grant/ appropriation	Supplementary grant/ appropriation	Total	* Actual expenditure	Saving (-)/ Excess (+)	Amount Surrendered	Amount Surrendered on 31 st March 2015	Percentage of savings surrendered by 31 March (Col 7/Col 6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I Revenue	36697.02	5394.24	42091.26	28837.75	(-)13253.51	488.75	398.40	3.69
	II Capital	8224.03	907.29	9131.32	5867.54	(-)3263.78	1307.85	1066.02	40.07
	III Loans and Advances and Inter State Settlement	699.43	546.26	1245.69	823.78	(-)421.91	0.00	0.00	0.00
	Total Voted	45620.48	6847.79	52468.27	35529.07	(-)16939.20	1796.60	1464.42	10.61
Charged	IV Revenue	2790.92	48.87	2839.79	2989.77	(+)149.98	1.16	0.10	NA
	V Capital	0.00	3.00	3.00	0.00	(-)3.00	0.00	0.00	0.00
	VI Public Debt- Repayment	1976.30	16.00	1992.30	1879.88	(-)112.42	0.00	0.00	0.00
	Total Charged	4767.22	67.87	4835.09	4869.65	(+)34.56	1.16	0.10	0.00
Grand Total	50387.70	6915.66	57303.36	40398.72	(-)16904.64	1797.76	1464.52	10.63	

Source: Appropriation Accounts of the Government of Jharkhand 2014-15

* The expenditure figures are gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 32.62 crore) and capital voted expenditure (₹ 324.60 crore).

Note: Expenditure in respective heads was inaccurately stated to the extent of ₹ 598 crore drawn through AC bills during 2014-15 against which DC bills were not submitted as on 09 July 2015.

During 2014-15, the overall savings of ₹ 16,904.64 crore was the result of savings of ₹ 17,265.85 crore comprising ₹ 13,295.20 crore in 57 voted grants and two appropriations under the Revenue Section and ₹ 3,970.65 crore in 36 grants and one appropriation under the Capital Section, that were offset by excess of ₹ 361.21 crore in one grant and one appropriation. Out of the total savings of ₹ 16,904.64 crore (32.28 per cent of the total appropriation), an amount of ₹ 1,797.76 crore (10.63 per cent) was surrendered during the year of which ₹ 1,464.52 crore (81.46 per cent) was surrendered on 31 March 2015.

The head-wise expenditure status was provided by the Accountant General (A&E), Jharkhand monthly to the State Government through Monthly Civil Accounts Statement and Monthly Appropriation Accounts. In spite of this, appropriate steps were not taken by the Government Departments to deliver the services and avoid large savings and excess expenditure in the grants. Out of 1,395 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2014-15, reasons for savings in 1,343 sub-heads and reasons for excesses in 16 sub-heads were not furnished by the departments.

2.4 Financial Accountability and Budget Management

2.4.1 Appropriations vis-à-vis Allocative Priorities

Against the total savings of ₹ 17,265.85 crore, savings of ₹ 13,952.60 crore (82 per cent) occurred in 21 cases relating to 19 grants as indicated in

Table 2.2. In these cases, savings exceeded ₹ 100 crore and 20 *per cent* or more of the grant.

Table 2.2: List of Grants with savings of ₹ 100 crore and above and 20 *per cent* or more of the grant

(₹ in crore)

Sl. No.	Number and name of the Grant/Appropriation	Total Grant	Actual expenditure	Savings	Percentage of Savings to Total Grant
Revenue-Voted					
1	1-Agriculture and Sugarcane Development Department	958.18	406.18	552.00	57.61
2	18-Food, Public Distribution and Consumer Affairs Department	1281.75	842.26	439.49	34.29
3	19-Forest and Environment Department	493.46	376.58	116.88	23.69
4	20- Health, Medical Education and Family Welfare Department	2315.37	1347.53	967.84	41.80
5	21-Higher Education	1034.87	701.52	333.35	32.21
6	23-Industries Department	368.43	219.86	148.57	40.33
7	26-Labour, Employment and Training Department	1233.61	883.66	349.95	28.37
8	36-Drinking Water and Sanitation Department	981.40	619.87	361.53	36.84
9	39-Disaster Management Department	490.96	326.67	164.29	33.46
10	42-Rural Development Department	3729.26	1822.47	1906.79	51.13
11	48-Urban Development Department	2191.36	1103.04	1088.32	49.66
12	55- Rural Works Department	1015.65	401.67	613.98	60.45
13	56- Panchayati Raj and National Rural Employment Programme (Special Division) Department	2244.17	1458.07	786.10	35.03
14	58-Secondary Education	1242.29	718.70	523.59	42.15
15	59-Primary and Public Education	6234.54	4104.98	2129.56	34.16
16	60-Social Welfare, Women and Child Development Department	1320.03	864.57	455.46	34.50
Capital-Voted					
17	10- Energy Department	1142.21	779.14	363.07	31.79
18	20- Health, Medical Education and Family Welfare Department	393.29	260.97	132.32	33.64
19	49- Water Resources Department	1759.20	562.92	1196.28	68.00
20	50-Minor Irrigation Department	442.50	140.62	301.88	68.22
21	55-Rural Works Department	1980.54	959.19	1021.35	51.57
Total		32853.07	18900.47	13952.60	

Source: Appropriation Accounts of Government of Jharkhand

Further, audit revealed that in 49 cases (36 grants/appropriations), savings exceeded ₹ 10 crore and 20 *per cent* or more of the grant in each case as detailed in **Appendix 2.1** with the total savings aggregating to ₹ 15,309.31 crore. Further, in 144 sub-head/schemes under 32 grants, savings occurred (exceeding ₹ 20 crore in each case) aggregating ₹ 12,255.10 crore (71 *per cent* of total savings). Details of sub-heads/schemes wise savings along with reasons for savings exhibited in the Appropriation Accounts 2014-15 are given in **Appendix 2.2**. Large savings may adversely affect implementation of the development programmes in the State.

2.4.2 Anticipated savings not surrendered

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

Out of total savings of ₹ 17,265.85 crore during 2014-15 significant savings (₹ one crore and above in each grant/appropriation) aggregating to ₹ 17,240.19 crore occurred under 49 grants/ appropriations. Of these, a total of ₹ 15,463.08 crore (89 per cent of the total savings) were not surrendered, details of which are given in **Appendix 2.3**.

Besides, in 40 cases, where the surrender of funds was ₹ five crore or more in each case, ₹ 1,504.16 crore was surrendered on the last working day of March 2015 (**Appendix 2.4**), leaving no scope for utilisation of these funds for other developmental purposes. This indicated poor financial control.

2.4.3 Persistent savings

In 15 cases (14 departments), there were persistent savings of 10 per cent or more of the total grants, during the last five years (**Table 2.3**).

Table 2.3: List of Grants indicating Persistent Savings during 2010-15

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	181.21(39)	228.82(35)	264.25(37)	566.53(58)	552.00(58)
2	2-Animal Husbandry Department	46.11(22)	31.52(23)	35.50(22)	35.53(22)	41.73(25)
3	17- Finance (Commercial Tax) Department	8.27 (17)	11.24 (18)	27.17 (38)	8.18(13)	23.36(32)
4	18- Food, Public Distribution and Consumer Affairs Department	84.27 (13)	168.00 (15)	307.90 (28)	570.55(50)	439.49(34)
5	19- Forest and Environment Department	68.35 (23)	52.20 (19)	48.17 (15)	60.50(18)	116.88(24)
6	20-Health, Medical Education & Family Welfare Department	178.41(21)	277.93(25)	326.13(53)	171.13(15)	967.84(42)
7	23- Industry Department	31.89(18)	157.41(45)	82.94(29)	120.80(41)	148.57(40)
8	26- Labour, Employment and Training Department	148.44 (19)	193.07 (23)	232.43 (25)	308.12(30)	349.95(28)
9	35- Planning and Development Department	14.00 (46)	291.78 (58)	594.38 (88)	533.61(83)	99.14(27)
10	40-Revenue and Land Reforms Department	27.94 (11)	79.15 (24)	77.17 (23)	125.67(32)	99.80(26)
11	43- Science & Technology Department	51.83(41)	40.29(42)	37.03(40)	18.45(25)	21.31(15)
12	49- Water Resources Department	30.98(13)	83.77(27)	92.55(29)	85.14(26)	87.83(25)
13	51- Welfare Department	208.83(16)	309.14(33)	250.26(31)	247.96(28)	169.02(16)
Capital-Voted						
14	10- Energy Department	132.56 (32)	1130.05 (87)	252.30 (32)	591.54(77)	363.07(32)
15	49- Water Resources Department	153.71(40)	714.70(78)	1232.85(74)	1130.96(68)	1196.28(68)

Figures in bracket indicate percentage of savings to total budget under the grant

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

Grant No. 18 - Food, Public Distribution and Consumer Affairs Department

Large savings occurred under 'Mukhyamantri Khadyanna Sahayata Yojna', 'Mukhyamantri Dal-Bhat Yojna', 'Above Poverty Line (APL) Scheme' and 'Computerisation Yojna' in the State as shown in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14		2014-15	
		Budget	Savings	Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-102-13)	0.00	0.00	235.83	84.47 (36)	126.23	22.03 (17)	109.22	4.12 (4)
2	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-789-13)	0.00	0.00	84.49	24.49 (29)	54.10	9.58 (18)	47.52	3.86 (8)
3	Mukhyamantri Khadyanna Sahayata Yojna (3456-00-796-13)	0.00	0.00	335.36	88.52 (26)	206.06	41.02 (20)	208.82	7.79 (4)
4	Mukhyamantri Dal-Bhat Yojna (3456-00-102-23)	2.75	1.16 (42)	4.45	0.93 (21)	7.83	4.12 (53)	6.95	6.41 (92)
5	Mukhyamantri Dal-Bhat Yojna (3456-00-789-23)	1.08	0.41 (38)	1.67	0.44 (26)	1.97	1.09 (55)	2.46	2.39 (97)
6	Mukhyamantri Dal-Bhat Yojna (3456-00-796-23)	4.28	1.44 (34)	6.83	2.70 (40)	8.05	3.64 (45)	10.07	9.08 (90)
7	APL Scheme (3456-00-102-16)	8.62	7.93 (92)	9.24	9.09 (98)	16.60	16.44 (99)	4.62	4.36 (94)
8	APL Scheme (3456-00-789-16)	2.11	2.06 (98)	2.40	2.39 (99)	1.22	1.20 (98)	1.20	1.16 (97)
9	APL Scheme (3456-00-796-16)	5.74	4.71 (82)	6.81	6.34 (93)	4.57	3.79 (83)	3.44	2.81 (82)
10	Computerisation Yojna (3456-00-102-27)	0.00	0.00	13.82	12.60 (91)	34.86	34.62 (99)	21.32	18.50 (87)
11	Computerisation Yojna (3456-00-789-27)	0.00	0.00	4.76	4.74 (99)	3.96	3.87 (98)	9.14	8.17 (89)
12	Computerisation Yojna (3456-00-796-27)	0.00	0.00	18.00	16.86 (94)	22.13	19.74 (89)	30.47	23.08 (76)

Source: Appropriation Accounts 2011-12, 2012-13, 2013-14 and 2014-15

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

During 2012-13 savings occurred under 'Mukhyamantri Khadyanna Sahayata Yojna' 'APL Scheme' and 'Computerisation Yojna' due to non-receipt of allotted funds from Central Government, lifting of less food grains and less sanction of funds for Public Distribution System computerisation by the Central Government, respectively. Reasons for savings in other cases during the last two/three years were not intimated by the department.

Grant No. 26- Labour, Employment and Training Department

Significant savings occurred in 'National Health Insurance Scheme' and 'Indira Gandhi National Handicapped Pension Scheme' during last four years.

Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14		2014-15	
		Budget	Savings	Budget	Savings	Budget	Savings	Budget	Savings
1	National Health Insurance Scheme (2230-01-103-10)	12.00	7.74 (66)	10.00	8.30 (83)	8.00	4.02 (50)	25.40	25.40 (100)
2	National Health Insurance Scheme (2230-01-789-10)	6.00	4.11 (69)	5.00	2.35 (47)	4.00	2.04 (51)	9.20	9.20 (100)
3	National Health Insurance Scheme (2230-01-796-10)	12.00	5.17 (43)	10.00	8.25 (83)	0.00	0.00	25.40	25.40 (100)
4	Indira Gandhi National Handicapped Pension Scheme (2235-03-101-06)	6.96	3.12 (45)	4.83	1.00 (21)	7.42	2.11 (28)	9.69	3.98 (41)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14		2014-15	
		Budget	Savings	Budget	Savings	Budget	Savings	Budget	Savings
5	Indira Gandhi National Handicapped Pension Scheme (2235-03-789-06)	4.26	2.99 (70)	2.35	1.08 (46)	3.09	1.40 (45)	2.26	0.51 (23)
6	Indira Gandhi National Handicapped Pension Scheme (2235-03-796-06)	11.22	8.21 (73)	6.18	3.53 (57)	8.65	5.08 (59)	6.52	2.06 (32)

Source: Appropriation Accounts 2011-12, 2012-13, 2013-14 and 2014-15

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

Reason for savings during 2011-12 and 2012-13 under 'National Health Insurance Scheme' was given as non-preparation of Smart Cards. In other cases reasons for savings were not intimated by the department.

Grant No. 35 Planning and Development Department

Significant savings occurred in 'Mukhyamantri Lakshmi Ladli Yojna' during 2011-12 to 2014-15 as shown below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14		2014-15	
		Budget	Savings	Budget	Savings	Budget	Savings	Budget	Savings
1	Mukhyamantri Lakshmi Ladli Yojna (2235-02-102-01)	54.44	43.80 (80)	143.87	118.01 (82)	75.63	39.70 (52)	60.00	12.07 (20)
2	Mukhyamantri Lakshmi Ladli Yojna (2235-02-796-01)	54.00	40.94 (76)	144.00	118.35 (82)	75.71	42.70 (56)	80.00	35.29 (44)

Source: Appropriation Accounts 2011-12, 2012-13, 2013-14 and 2014-15

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

For the year 2014-15, the reasons for savings were attributed to excess budget provision. In other years, reasons for savings were not intimated by the department.

Grant No. 42 Rural Development Department

Significant savings were noticed in 'Swarnajayanti Gram Swarojgar Yojna Scheme' and 'Indira Awas Yojna Scheme for General' during 2011-12 to 2014-15 as well as 'Adarsh Gram Yojna' during 2012-13 to 2014-15. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2011-12		2012-13		2013-14		2014-15	
		Budget	Savings	Budget	Savings	Budget	Savings	Budget	Savings
1	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-789-05)	19.08	9.89 (52)	20.40	14.90 (73)	13.95	8.74 (63)	51.75	44.18 (85)
2	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-796-05)	25.30	6.91 (27)	26.64	16.92 (64)	28.80	19.89 (69)	131.10	112.95 (86)
3	Swarnajayanti Gram Swarojgar Yojna Scheme for General (2501-06-800-05)	19.80	9.04 (46)	36.26	36.26 (100)	39.20	21.24 (54)	174.15	149.44 (86)
4	Swarnajayanti Gram Swarojgar Yojna (2501-06-796-01)	34.43	22.08 (64)	29.42	18.99 (65)	11.78	4.21 (36)	10.74	0.71 (7)
5	Swarnajayanti Gram Swarojgar Yojna (2501-06-800-01)	21.39	15.68 (73)	35.78	28.26 (79)	11.77	8.91 (76)	7.66	0.22 (3)
6	Indira Awas Yojna Scheme for General (2505-01-796-02)	69.00	24.78 (36)	54.00	12.83 (24)	59.40	8.05 (14)	194.40	85.31 (44)
7	Indira Awas Yojna Scheme for General (2505-01-702-02)	54.00	12.48 (23)	73.50	35.02 (48)	80.85	38.77 (48)	264.60	205.68 (78)
8	Adarsh Gram Yojna (2515-00-102-28)	0.00	0.00	29.40	12.09 (41)	22.05	18.38 (83)	22.05	13.55 (61)
9	Adarsh Gram Yojna (2515-00-789-28)	0.00	0.00	9.00	3.65 (41)	6.75	5.37 (80)	6.75	3.15 (47)
10	Adarsh Gram Yojna (2515-00-796-28)	0.00	0.00	21.60	8.59 (40)	16.20	11.89 (73)	16.20	7.56 (47)

Source: Appropriation Accounts 2011-12, 2012-13, 2013-14 and 2014-15

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

During the last four years, no reasons for savings under the schemes were furnished by the department.

2.4.4 Avoidable/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 3,375.59 crore obtained in 42 cases (₹ 20 lakh or more in each case) during the year out of a total authorisation of ₹ 6,915.66 crore (49 *per cent*) proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in **Appendix 2.5**. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and huge savings occurred under these sub-heads.

2.4.5 Advances from Contingency Fund

The Contingency Fund of the State was established under Section 4 of Jharkhand Contingency Fund Act 2001 in terms of the provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be given only for meeting expenditure of unforeseen and emergent character, postponement of which, till authorisation by the Legislature, would be undesirable. The corpus of the fund in the State is ₹ 150 crore.

Review of relevant records revealed that the advances from Contingency Fund were made to meet expenditure which was neither unforeseen nor of emergent nature. On 58 occasions ₹ 149.35 crore was withdrawn during 2014-15. However, the total withdrawal from the fund during 2014-15 was recouped during the year. Details of some cases are given in the **Table 2.4** below:

Table 2.4: Expenditure from Contingency Fund of the State

Sl. No.	Head of account	Detail of work	Amount of Advance (₹ in lakh)
1.	2014-00-114-02	Purchase of New Motor Vehicles	32.00
2.	2014-00-102-01	Purchase of New Motor Vehicles	285.00
3.	2045-00-103-03	Pay and Allowance	2.30
4.	2049-60-701-03	Payment of Interest	50.00
5.	2052-00-090-01	Purchase of New Motor Vehicles	17.00
6.	2052-00-092-19	Pay and Allowance	50.00
7.	2055-00-109-90	Repairing and Fuel to Motor Vehicles	1522.00
8.	2059-80-001-09	Pay and Allowance	17.90
9.	2059-80-001-08	Pay and Allowance	1.50
10.	2070-107-05-29	Commercial Services	1150.00
11.	2070-107-01-29	Commercial Services	1370.00
12.	2203-112-45-83	Arrears Pay after 15.11.2000	114.82
13.	2235-02-001-01	Pay and Allowance	30.00
14.	2505-01-796-11	Pay and Allowance	39.86
15.	3054-80-001-04	Arrears of pay after 15-11-2000	4.58
16.	3054-03-337-02	Pay and Subsistence Allowance	9.34
Total			4696.30

Source: Information compiled by office of the Accountant General (A&E) Jharkhand

The above mentioned expenditure did not meet the criteria for drawal from Contingency Fund as these expenditure were not of an unforeseen or of an

emergent character. Thus, these should have been postponed till authorisation by the Legislature of the State.

2.4.6 Excess over provisions 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.

Table 2.5 contains the summary of total excess in one appropriation and one grant amounting to ₹ 361.21 crore over and above authorisation from the Consolidated Fund of the State by the State Legislature during 2014-15, which require regularisation under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularisation during 2014-15
(₹ in crore)

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
Revenue-Charged Appropriation				
1.	13- Interest Payment	2737.47	2929.15	191.68
Capital -Voted Grant				
2.	42-Rural Development Department	231.50	401.03	169.53
Total		2968.97	3330.18	361.21

Source: Appropriation Accounts of Government of Jharkhand 2014-15

Excess expenditure in the above grants amounting to ₹ 361.21 crore, was incurred in excess of budget provision under different sub-heads of the grants.

2.4.7 Excess over provisions in previous years requiring regularisation

Excess expenditure over provisions, amounting to ₹ 2,377.91 crore for the years 2001-02 to 2013-14 was yet to be regularised (September 2015) under Article 205 of the Constitution as detailed in **Appendix 2.6**. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.6**. Non-regularisation of the excess over grants/appropriations over the years is a breach of legislative control over appropriations.

Table 2.6: Excess relating to previous years requiring regularisation
(₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	25, 32		0.04
2002-03	32		0.08
2003-04	46		0.29
2004-05	40		@
2006-07	38		\$
2010-11	32		0.10
2011-12	15, 25	14	420.16
2012-13	7, 15, 42	14	1263.18
2013-14	15	13, 14	694.05
Total			2377.91

Source: Appropriation Accounts of Government of Jharkhand

@ excess amount was ₹ 1,072 only

\$ excess amount was ₹ 81,665 only

2.4.8 Persistent Excess in Grants

Details of significant persistent excesses (sub-head-wise) in two grants/appropriations for the last three years is given in **Table 2.7**.

Table 2.7: Persistent Excess during last three years

Sl. No.	Number and name of the Grant/ Appropriation	Details	Amount of Excess (₹ in crore)		
			2012-13	2013-14	2014-15
1.	13-Interest Payments	Overall Excess of the Grant	-	139.42 (5.63)	191.68 (7.00)
		Interest on State Development Loans payable (2049-01-101-0)1	76.72 (12.56)	308.45 (48.21)	280.42 (29.52)
		Interest on General Provident Funds (2049-03-104-01)		84.07 (56.05)	60.71 (30.36)
2.	42-Rural Development Department	Overall Excess of the Grant	3.66 (0.77)	-	169.53 (73.23)
		Implementation of Lok Jal Samridhi Yojna on the recommendation of MLA's (4515-00-796-12)	20.31 (85.48)	22.40 (94.28)	-

Source: Appropriation Accounts

Figures in bracket indicate percentage of excess with respect to total provision

In the above cases, the department failed to assess the requirement of funds adequately, resulting in excess over provision.

2.4.9 Excessive/Insufficient re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation under 51 sub-heads during 2014-15 as detailed in **Appendix 2.7** proved excessive or insufficient. Under 38 schemes/sub-heads, additional funds of ₹ 144.15 crore were provided through re-appropriation leading to savings of ₹ 94.53 crore while in 12 schemes/sub-heads ₹ 1.91 crore were re-appropriated to other schemes/sub-heads leading to even greater saving of ₹ 53.19 crore in those schemes. It was also noticed that ₹ 0.01 crore were re-appropriated to one scheme/sub-head which proved insufficient considering the excess expenditure of ₹ 1.64 crore under those schemes/sub-heads at the end of year.

2.4.10 Substantial surrender of funds

Substantial surrender of funds (cases where more than 50 *per cent* of the total provisions were surrendered) was made in respect of 82 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provisions amounting to ₹ 1,712.07 crore in respect of these schemes, ₹ 1,254.06 crore (73 *per cent*) was surrendered, which included *per cent* surrender in 43 schemes. The details of selected cases are given in **Appendix 2.8**.

2.5 Rush of expenditure

According to Rule 113 of the Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. Contrary to this, in respect of 32 heads of accounts

listed in **Appendix 2.9**, expenditure (exceeding ₹ 20 crore in each case) incurred in the last quarter of the year 2014-15 was more than 50 *per cent* of the total expenditure of the year.

It was noticed that entire expenditure during the year under the Major Heads 3075-Other Transport Services (₹ 466.18 crore), 2810-New and Renewable Energy, (₹ 50.00 crore), 5053-Capital Outlay on Civil Aviation (₹ 21.73 crore) and 4047-Capital Outlay on Other Fiscal Services (₹ 10.43 crore) was incurred in the month of March 2015.

2.6 Non-reconciliation of Departmental figures

Though non-reconciliation of departmental figures by Controlling Officers (COs) with the books of the Accountant General (A&E) was pointed out regularly in our Audit Reports, the irregularities continued to persist during 2014-15. It was noticed that against the total receipts of ₹ 38,287.73 crore during 2014-15, a total amount of ₹ 14,129.58 crore (36.90 *per cent*) was not reconciled. Similarly, out of total expenditure of ₹ 40,041.50 crore during the year 2014-15, an expenditure of ₹ 26,568.51 crore (66.35 *per cent*) was not reconciled with the books of the Accountant General (A&E), Jharkhand as of 30 June 2015. Un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 24,702.08 crore during 2014-15 is given in **Appendix 2.10**.

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

2.7 Compliance Audit on Budgetary Process for Grant No. 36 - Drinking Water and Sanitation Department

2.7.1 Introduction

With a vision to provide cost effective, safe, sustainable and adequate drinking water that contributes towards a healthy and dignified life alongside good sanitation and hygiene practices through community involvement for the rural population of Jharkhand, Drinking Water and Sanitation Department (the Department) launched programmes such as Rural Piped Water Supply Schemes, National Rural Drinking Water Programme (NRDWP) and Swachh Bharat Mission Gramin (SBMG)/Nirmal Bharat Abhiyan (NBA).

A review of budgetary process of Grant No. 36 – Drinking Water and Sanitation Department for the year 2014-15 revealed that against the total budget provision of ₹ 1,164.05 crore (Plan – ₹ 964.48 crore and Non-Plan – ₹ 199.57 crore) for the year 2014-15, the Department incurred expenditure of only ₹ 759.08 crore (Plan – ₹ 586.73 crore and Non-Plan – ₹ 172.35 crore) (65.21 *per cent*) leaving a total savings of ₹ 404.97 crore (34.79 *per cent*). Moreover, out of total savings of ₹ 404.97 crore, ₹ 27.42 crore was surrendered and balance ₹ 377.55 crore was allowed to lapse during 2014-15.

2.7.2 Budgetary position of the Department for last three years

(₹ in crore)

Year	Head of account	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage of savings
2011-12	Revenue	191.00	2.89	193.89	186.82	7.07	
	Capital	300.60	-	300.60	241.26	59.34	
	Total	491.60	2.89	494.49	428.08	66.41	13.43
2012-13	Revenue	202.31	2.48	204.79	199.66	5.13	
	Capital	350.00	-	350.00	296.22	53.78	
	Total	552.31	2.48	554.79	495.88	58.91	10.62
2013-14	Revenue	214.86	0.01	214.87	201.85	13.02	
	Capital	360.00	3.50	363.50	321.02	42.48	
	Total	574.86	3.51	578.37	522.87	55.50	9.60

Source: Appropriation Account 2011-2014

It was evident from the above table that the Department had persistent savings of ₹ 66.41 crore (13.43 per cent), ₹ 58.91 crore (10.62 per cent) and ₹ 55.50 crore (9.60 per cent) during 2011-12, 2012-13 and 2013-14 respectively.

2.7.3 Organisational Set-Up

The Secretary is the head of the Department. Engineer-in-Chief (EIC) is responsible for execution of the schemes/programmes under the overall administrative control of the Secretary. EIC is assisted by Chief Engineers (CEs) at Headquarters and field levels, Superintending Engineers (SEs) at the circle levels and Executive Engineers (EEs) at the division levels. There are 32 Drinking Water and Sanitation divisions headed by EEs in the State for implementing Rural Drinking Water and Sanitation Programmes.

Audit findings

2.7.4 Delay in submission of Budget Estimates

Rule 62 of Bihar Budget Manual as adopted by Jharkhand stipulates the budget calendar for preparation of budget. The Finance Department, Government of Jharkhand revised (September 2013) the prescribed dates for submission of general budget and preparation of Comprehensive Outlay of Budgetary Transaction (COBT) after approval of the Minister concerned to between 25 and 28 November 2013 against stipulated date of 1 October in the Budget Manual.

We noticed that the Department submitted Budget Estimates (BEs) for Non-Plan (Works and Establishment) budget on 31 December 2013 with a delay of 35 days against the target date of 26 November 2013 while it prepared and submitted (27 March 2014) proposal for plan budget to the Planning and Development Department, Government of Jharkhand with a delay of four months against target date of 28 November 2013 prescribed by the Finance Department.

We also noticed in audit that five¹ out of nine² test-checked disbursing officers submitted BEs for non-plan budget to the Controlling Officer (CO) with a delay ranging between 11 and 25 days against the prescribed date of 31

¹ Saraikela: 11 days, Giridih-2: 16 days, Gumla: 23 days, Jamshedpur: 23 days and Madhupur: 25 days.

² 1. Giridih-2, 2. Gumla, 3. Hazaribagh, 4. Jamshedpur, 5. Madhupur, 6. Medininagar, 7. Ranchi West, 8. Sahebganj and 9. Saraikela

October 2013 fixed (September 2013) by the Department. This ultimately resulted in delayed submission of BEs for non-plan budget to the Finance Department by the CO.

2.7.5 Unrealistic Budget Estimate

According to Rules 65 and 133 of Budget Manual, the Controlling Officer should examine the budgets received from the Disbursing Officers to see that they are correct and all details and explanations are adequate, supplementary demand and re-appropriation are based on actuals of the expenditure, in order that the possibility of occurrence of large excesses or savings is negligible.

We noticed in audit that the CO did not call for the Budget Estimates (BEs) for Plan expenditure (State Plan schemes and Centrally Sponsored/Central Plan Schemes) from the disbursing officers. Proposal for Plan Budget was prepared by the Department at the department level without obtaining requirements from field officers. This resulted in preparation of unrealistic budget estimates by the department, which led to savings of ₹ 377.75 crore (39.17 *per cent*) against the total budget provision of ₹ 964.48 crore for plan expenditure during 2014-15 under Grant No. 36. Thus, there was a tendency to disregard and frustrate the budgetary controls envisaged in the Budget Manual.

2.7.6 Avoidable Supplementary Provision

We noticed in audit that during 2014-15, original and supplementary provision of the Department was ₹ 954.06 crore (Plan – ₹ 775.75 crore and Non-Plan – ₹ 178.31 crore) and ₹ 209.98 crore (Plan – ₹ 188.72 crore and Non-Plan – ₹ 21.27 crore) respectively. The Department could utilise ₹ 759.08 crore (Plan – ₹ 586.73 crore and Non-Plan – ₹ 172.35 crore) during 2014-15, which was less than the original provision. However, the Department placed demand for supplementary provision of ₹ 209.98 crore. This could have been avoided, had the department estimated the expenditure based on requirements from field offices.

2.7.7 Excess expenditure over budgetary provision

As per Rule 138 of Budget Manual, excess expenditure should be strictly avoided.

We observed that excess expenditure of ₹ 5.34 crore (**Appendix 2.11**) occurred under three sub-heads (out of 25 sub-heads) under major head 2215 – Non Plan. Further, under non-plan excess expenditure occurred as a whole (final allotment – ₹ 172.15 crore; final expenditure – ₹ 172.35 crore) due to excess surrender of ₹ 27.42 crore instead of ₹ 27.22 crore. This indicated defective control over expenditure.

2.7.8 Surrender on the last day of the financial year

We observed in audit that out of total surrender of ₹ 27.42 crore against budget provision of ₹ 1,164.04 crore, ₹ 25.79 crore (**Appendix 2.12**) was surrendered by the Department on 31 March 2015 leaving no scope to utilise the fund on other schemes by the Government. We further observed in nine test-checked divisions that out of total surrender of ₹ 9.28 crore to the Department, ₹ 4.89 crore (53 *per cent*) (**Appendix 2.13**) was surrendered between 29 and 31

March 2015 against total allotment of ₹ 86.29 crore during the year. We also observed that in three out of total 37 sub-heads, there was 100 *per cent* savings of ₹ 1.55 crore (**Appendix 2.14**).

2.7.9 Rush of expenditure

As per provision (Rule 113 of Budget Manual), rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. Hence, rush of expenditure particularly in the closing month should be avoided.

We observed in audit that out of total expenditure of ₹ 759.08 crore, expenditure of ₹ 379.65 crore (50.01 *per cent*) was incurred in the month of March 2015. Scrutiny further revealed that in 13 out of 37 sub-heads expenditure in the month of March ranged between 50 and 100 *per cent* (**Appendix 2.15**) of total expenditure during year. We further observed in nine test-checked divisions that expenditure of ₹ 86.31 crore (38.89 *per cent*) was incurred during March 2015 against total expenditure of ₹ 221.91 crore (**Appendix 2.16**) during 2014-15 by the test-checked divisions in respect of expenditure under State Plan, Non-Plan and CSS (NRDWP).

2.7.10 Blockage of funds in shape of materials

According to the provisions of the Standard Bidding Document (SBD) agreement (clause 11.0 of Technical Specifications), Excise exemption certificate for supply of pipes will be given to the contractor in phased manner such that progress of laying of pipeline should be in line with the progress of other components of the scheme such as Intake well, Water Treatment Plant, Elevated Service Reservoir and Ground Service Reservoir etc.

We noticed in five³ test-checked divisions that out of total allotment of plan fund of ₹ 25.97 crore for seven Rural Piped Water Supply Schemes (**Appendix 2.17**) during 2014-15, ₹ 17.02 crore (66 *per cent*) was utilised only for purchase of rising and distribution main pipes. Out of purchased pipes, pipes worth ₹ 14.17 crore (55 *per cent*) could not be laid as of August 2015. This was mainly due to providing of Excise exemption certificate for supply of pipes in one lump instead of phased manner in contravention to the SBD provision as stated *ibid*. Further, physical progress of other components viz. construction of RCC Intake well, Gangway, Water Treatment Plant, Elevated/Ground Service Reservoirs of the schemes was also not synchronised with the progress of laying of pipelines. Moreover, purchase of pipes was made only to utilise the funds made available to the divisions for the works, which resulted in blockage of funds of ₹ 14.17 crore in shape of materials.

2.7.11 Non-reconciliation of departmental expenditure figures

Rule 130 of Budget Manual stipulates that the controlling and disbursing officers should give the necessary personal attention to the control of expenditure so that the irregularities viz. defective or inaccurate budgeting, defective control over expenditure and misclassification of expenditure should be capable of reduction. Further, Rule 134 of Budget Manual requires that they should insist their staff to follow strictly the procedure laid down for the reconciliation of departmental accounts with Accountant General's book on

³ Giridih-2, Hazaribagh, Madhupur, Ranchi West and Saraikela.

monthly basis to avoid chances of misclassification of expenditure and receipts.

We observed that out of total expenditure ₹ 759.08 crore during the year 2014-15, only ₹ 167.19 crore (22 *per cent*) was reconciled with the Accountant General's book as of August 2015 and expenditure of ₹ 591.89 crore (78 *per cent*) remained un-reconciled. Thus it was evident that the controlling and disbursing officers failed to give the necessary personal attention to the control of expenditure in contravention of the Rule cited above (**Appendix 2.18**).

2.7.12 Discrepancy in figures of IMIS and Monthly Accounts

As per NRDWP guidelines, for effective planning, monitoring and implementation of NRDWP, Information Technology (IT) based Management Information System (MIS) provides development and maintenance of customised software for enabling States and Union Territories to fully utilise the computing power for planning, monitoring and implementation of various activities in the sector and making the relevant data available at the central server through IMIS application.

We observed during audit that IMIS software were being utilised at the test-checked divisions for entering data of physical and financial achievement under various components of NRDWP at the divisional level. We further observed that the figures of financial achievement under central and state sector of NRDWP under major head "2215" (10-NRDWP) entered in IMIS were different from the figures in the monthly accounts prepared by the divisions for submission to the Programme Management Unit (PMU), State Water and Sanitation Mission, Jharkhand. The discrepancy in figures of total expenditure as ₹ 58.71 crore (Central share: ₹ 16.19 crore and State share: ₹ 42.52 crore) is detailed in **Appendix 2.19**. In reply, the EEs stated that the discrepancy in the figures of IMIS and monthly account under state sector was mainly due to inclusion of expenditure of 100 *per cent* state plan schemes under major head "4215" (02-Rural Piped Water Supply Scheme) for which monthly accounts were being submitted to Accountant General (A&E) separately for compilation of expenditure.

2.7.13 Implementation of schemes announced in budget speech

Scrutiny of the records revealed that the Department implemented schemes viz. Construction of Drilled Tube Wells (DTWs) in Primary and Middle schools, Re-location of DTWs, Changing of Rotten Riser Pipes (RRP) and Conversion of DTWs from India Make (IM) III to IM II during 2014-15 under NRDWP.

We observed in nine test-checked divisions that the physical achievement of the above schemes ranged between 78 and 93 *per cent* during the year with overall expenditure of ₹ 52.10 crore (85.58 *per cent*) against allocation of ₹ 60.88 crore to the test-checked divisions. However, in respect of construction of Individual House Hold Latrine (IHHL) under Swachh Bharat Mission Gramin (SBMG), the overall achievement was only 98,519 (39 *per cent*) against state target of 2,53,575 during 2014-15 and the overall percentage achievement in nine test-checked districts was 42 *per cent*. The details of physical and financial achievement of the schemes are depicted in

Appendix 2.20 (a) and 2.20 (b). Thus, there was improper monitoring of the schemes implemented during 2014-15 by the Department.

2.8 Conclusion and Recommendations

Large Savings due to improper Budget estimation

- There were large savings of ₹ 17,265.85 crore (30 *per cent*) against total budget provision of ₹ 57,303.36 crore during 2014-15 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 14 departments performing Social and Economic Services.

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised.

Advances from Contingency Fund

- Advances amounting ₹ 149.35 crore on 58 occasions were withdrawn from Contingency Fund during 2014-15 to meet expenditure which was neither unforeseen nor of emergent nature.

Advances from the Contingency Fund should be given only for meeting expenditure of unforeseen and emergent character.

Excess over provisions during 2014-15 requiring regularisation

- Excess expenditure of ₹ 361.21 crore was incurred over provisions during 2014-15, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 2,377.91 crore occurred during 2001-2014 was yet to be regularised.

Regularisation of excess expenditure in the current year and as well as that occurred in the previous years should be given priority.

Deficiencies in Budgetary Controls in Drinking Water and Sanitation Department

- The Drinking Water and Sanitation Department did not follow the provisions of the Budget Manual leading to lack of budgetary control in the Department resulting in large savings, rush of expenditure during fag end of the financial year, non-reconciliation of accounts with Accountant General's book and blockage of funds in shape of cash/materials.

The Drinking Water and Sanitation Department should adhere to the provisions of the Budget Manual to prepare its budget estimation more realistic.