

Chapter II

Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of 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 revenue and capital 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 the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the 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 Acts 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.

Deficiencies in the management of budget and expenditure and violation of the Budget Manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 46 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 grants/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	39,589.62	2,312.68	41,902.30	36,022.03	(-)5,880.27
	II Capital	14,160.14	702.16	14,862.30	10,368.25	(-)4,494.05
	III Loans and Advances	1,083.55	5.74	1,089.29	775.61	(-)313.68
	Total Voted	54,833.31	3,020.58	57,853.89	47,165.89	(-)10,688.00
Charged	IV Revenue	7,086.35	10.00	7,096.35	5,945.77	(-)1,150.58
	V Capital	63.00	0	63.00	61.81	(-)1.19
	VI Public Debt repayments	13,104.90	0	13,104.90	8,077.26	(-)5,027.64
	Total Charged	20,254.25	10.00	20,264.25	14,084.84	(-)6,179.41
	Appropriation to Contingency Fund	--	--	--	--	--
	Grand Total	75,087.56	3,030.58	78,118.14	61,250.73	(-)16,867.41

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹ 80.71 crore) and Capital Heads (₹ 6,495.46 crore).

Supplementary provisions of ₹ 3,030.58 crore constituted four *per cent* of the original provision as against 10 *per cent* in the previous year.

The overall savings of ₹ 16,867.41 crore were the result of savings of ₹ 17,197.08 crore in 44 grants under the Revenue Section, 19 grants under the Capital Section and one appropriation (Public Debt-Repayments) under the Loan Section, offset by excess of ₹ 329.67 crore in one grant under the Revenue Section and one grant under the Capital Section. The excess of ₹ 329.67 crore requires regularisation under Article 205 of the Constitution.

The savings/excesses (Detailed Appropriation Accounts) were intimated (August 2014) to the Controlling Officers, requesting them to explain the reasons for significant variations but their explanations had not been received (September 2014).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-a-vis allocations

Appropriation audit revealed that savings in 24 cases exceeded ₹ 100 crore in each case (*Appendix 2.1*). Against the total provision of ₹ 65,221.25 crore actual expenditure was ₹ 48,948.71 crore and savings were ₹ 16,272.51 crore. In five grants namely - 9-Education (Revenue-Voted), 15-Local Government (Revenue-Voted), 6-Finance (Revenue-Charged), 23-Food and Supplies (Capital-Voted) and Public Debt savings exceeded ₹ 500 crore.

2.3.2 Persistent savings

During the last five years, three grants and one appropriation showed persistent savings of more than ₹ 10 crore and which were also 10 per cent or more of the total grants (Table 2.2).

Table 2.2: Grants indicating persistent savings

(₹ in crore)

Sr. No.	Number and name of the grant	Percentage of savings to total provision (Amount of savings)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue (Voted)						
1.	04-Revenue	33 (179.31)	22 (273.17)	47 (421.74)	39 (358.99)	33 (325.49)
2.	24-Irrigation	09 (366.75)	27 (311.48)	30 (409.81)	27 (375.55)	25 (382.54)
Capital (Voted)						
3.	45-Loans and Advances by State Government	44 (653.58)	55 (880.53)	46 (532.72)	41 (366.19)	29 (313.67)
Capital (Charged)						
4.	Public Debt	43 (2,032.39)	41 (3,226.08)	37 (2,944.26)	40 (4,250.68)	38 (5,027.64)

Savings under Grant No. 4 Revenue occurred mainly in head 2245-Relief on account of Natural Calamities, 02-Floods, Cyclones etc., 101-Gratuitous Relief, 97-Supply of seeds, fertilizers and agricultural implements (₹ 60.90 crore). Under Grant No. 24-Irrigation, savings occurred mainly in head 2700-Major Irrigation, 02-Western Jamuna Canal Project (Commercial), 001-Direction and Administration, 91-Executive Engineer (₹ 212.08 crore) and under grant No. 45-Loans and Advances by State Government savings occurred in head, 6801-Loans for Power Projects, 205-Transmission and Distribution, 98-Loans to Haryana Vidyut Parsaran Nigam Limited (₹ 193.13 crore). Reasons for huge savings were called for from State Government, their reply was awaited (September 2014).

2.3.3 Excess expenditure

In grant number “24-Irrigation” (Table 2.3), excess expenditure of more than ₹ 10 crore had been observed consistently for the last five years:

Table 2.3: List of grants indicating persistent excess expenditure during 2009-14

(₹ in crore)

Sr. No.	Number and name of the grant	Percentage of excess to total provision (Amount of excess expenditure)				
		2009-10	2010-11	2011-12	2012-13	2013-14
Capital-Voted						
1.	24-Irrigation	12 (177.25)	39 (198.58)	45 (254.64)	53 (275.23)	33 (213.26)

Excesses occurred mainly under the head, “4701-Capital Outlay on Medium Irrigation, 06-New Minor for equitable distribution of water, 001-Direction and Administration, 91-Executive Engineer, 89-Special Revenue, 92-Superintending

Engineer, 93-Chief Engineer, 88-Pensionary Charges” (₹ 197.10 crore). The reasons for excess expenditure were not intimated (August 2014).

2.3.4 Expenditure without provision

As per the Budget Manual, no expenditure is to be incurred on a scheme/service without provision of funds. It was, however, noticed that in 20 cases as detailed in **Appendix 2.2**, the expenditure of ₹ 516.46 crore was incurred without any provision in the original estimates/supplementary demands and without any reappropriation orders to this effect.

2.3.5 Excess over provisions requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. However, excess expenditure amounting to ₹ 428.10 crore for the year 2012-13 had not been discussed by PAC and ₹ 329.67 crore during 2013-14 was still to be regularised.

2.3.6 Unnecessary/Inadequate supplementary provision

Supplementary provisions aggregating ₹ 542.29 crore obtained in 20 cases, involving ₹ 50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in **Appendix 2.3**. In Grant No 6 (Finance), the supplementary provision of ₹ 229.29 crore proved inadequate leaving an excess expenditure of ₹ 110.38 crore.

2.3.7 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Reappropriation proved injudicious in view of excessive surrenders or insufficient augmentation and resulted in excesses of over ₹ 482.20 crore in 35 sub-heads and savings of over ₹ 1,364.70 crore under 58 sub-heads by more than ₹ one crore in each case as detailed in **Appendix 2.4**. Excesses/Savings were more than ₹ 10 crore under 37 sub-heads. In 27¹ cases, reduction of provisions through reappropriation proved injudicious as the actual expenditure was more than the

¹ Sr. No. 3, 7, 10, 11, 13, 19, 22, 23, 24, 26, 28, 45, 46, 47, 48, 49, 50, 51, 59, 60, 64, 65, 67, 72, 87, 90 and 92 of **Appendix 2.4**.

provisions reduced through reappropriation. Similarly, in seven² cases, the reappropriation of funds proved excessive as the savings were more than the funds provided through reappropriation.

2.3.8 Non-surrendering and excess surrendering of funds

At the close of the year 2013-14, in 46 cases funds of more than ₹ 10 crore in each case were surrendered. In these cases, the total provision was ₹ 76,761.50 crore and actual expenditure was ₹ 59,982.67 crore resulting in savings of ₹ 16,778.83 crore, out of which ₹ 14,332.63 crore were (**Appendix 2.5**) surrendered, indicating inadequate budgetary and financial control.

Further analysis revealed that in 15³ cases against the savings of ₹ 13,599.30 crore only ₹ 10,631.31 crore were surrendered and savings of ₹ 2,967.99 crore were not surrendered which was against the provisions of paragraph 13.2 of Punjab Budget Manual (also applicable to Haryana). In five cases⁴, ₹ 1,654.68 crore were surrendered against the savings of ₹ 1,622.63 crore resulting in excess surrender of ₹ 32.05 crore and in two cases⁵ though the actual expenditure exceeded by ₹ 323.64 crore, but even then, funds of ₹ 168.67 crore were injudiciously surrendered.

2.3.9 Rush of expenditure

Rule 56 of the General Financial Rules provides that expenditure should be evenly spread throughout the year and rush of expenditure in the closing month is regarded as a breach of financial propriety and should be avoided. Contrary to this, in respect of 17 heads under 12 grants/appropriations listed in **Appendix 2.6**, expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred during the last quarter of the year or in March 2014.

Further scrutiny revealed that out of the expenditure of ₹ 8,906 crore incurred on 17 major heads under 12 grants during 2013-14, expenditure of ₹ 3,288.63 crore (37 *per cent*) was spent during the month of March 2014. Rush of expenditure during the last quarter, especially during the month of March, showed non-adherence to financial rules.

² Sr. No. 12, 15, 25, 36, 56, 82 and 91 of **Appendix 2.4**.

³ Sr. Nos. 1, 4, 6, 16, 18, 19, 20, 25, 26, 32, 36, 38, 43, 45 and 46 of **Appendix 2.5**

⁴ Sr. Nos. 5, 9, 11, 22 and 33 of **Appendix 2.5**

⁵ Sr. Nos. 3 and 39 of **Appendix 2.5**

2.4 Deficiencies noticed in working of treasuries

Deficiencies noticed in the working of treasuries during compilation and inspection for 2013-14 by the Accountant General (Accounts and Entitlement) (AG (A&E)) Haryana are given below:

2.4.1 Non-submission of vouchers in support of Payments

Rule 3.17 of Punjab Financial rules Volume-I envisages that Treasury Officers should ensure that all vouchers required to be sent to the Accounts office are attached with the relevant Monthly Civil Accounts. 259 vouchers of ₹ 7.79 crore were found missing as per **Appendix 2.7**. Despite best efforts made by AG (A&E) office through regular correspondence with Director Treasuries & Accounts Haryana, Chandigarh and frequent visits to concerned quarters, vouchers were still awaited from various Treasury Officers.

2.4.2 Delay in submission of Monthly Accounts by treasuries

During the year, in 141 cases the account from various treasuries (first list of payment in 64 cases and second list of payment in 77 cases) were received late by four to twenty six days. Hence only 73 per cent Accounts were received in time from various treasuries. Matter was brought to the notice of the Government every month but the delay continued to occur. The delay in the submission of initial accounts caused consequent delay and disruptions in compiling Monthly Civil Accounts by the Accountant General (A&E). A list showing the delay in submission of first and second list of accounts by more than three days is given in **Appendix 2.8 and 2.9**. Treasury officers need to be directed to ensure timely submission of initial account to this office.

2.4.3 Non-submission of Plus and Minus Memorandum

As per rule 13.5 of Punjab Financial Rules Volume-I, a Plus and Minus Memorandum should be prepared of all deposit transactions and submitted to the Accountant General as prescribed in Rules 91 & 92 of Accounting Rules for Treasuries, 1992. But the Plus and Minus Memorandum are not regularly and timely submitted by the Treasury Officers along with monthly accounts. A number of Plus and Minus memos for the year 2013-14 are still awaited from the Treasury Offices as shown in **Appendix 2.10**, thus resulting in outstanding balances in the Broadsheets. Treasury Officers need to be instructed strictly in this regard.

2.4.4 Non-operational Personal Ledger Accounts

As per rule 12.7 of Punjab Finance Rules volume-I, PLAs credited by debit to the consolidated Fund should be closed at the end of financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. Fresh PLAs, be opened next year again, if necessary, in the usual manner. Strict instructions need to be issued to all the Treasury Officers in this regard. At the close of the year 2013-14, there were 242 PLAs with a balance of ₹ 236.78 crore.

2.4.5 Detail of overpayment on account of disbursement of Pension/Family Pension/Death-cum-Retirement Gratuity/Commutation

Treasury is the basic unit of financial administration of a State. Cash management requires strict adherence to prescribed rules and procedures in handling and retention of cash. Inspection of District Treasuries including Sub-Treasuries for the year 2012-13 revealed overpayment of pensionary benefits of ₹ 55.51 lakh by Treasury Officers/Sub-Treasury Officers to Pensioners/Family Pensioners due to non-observance/incorrect interpretation of rules/orders issued by the State Government non deduction of commuted value of a portion of Pension, Family Pension, and over-payment of Death-cum-Retirement Gratuity as shown in *Appendix 2.11*. This needs to be looked into on priority basis.

2.5 Shortcomings in Plan Estimates

The plan expenditure during 2013-14 was assessed at ₹ 18,000 crore. The actual expenditure of ₹ 15,712.16 crore (87 per cent) was less than the projections. Variations were due to the following facts:

- i A total of 59 schemes with an approved outlay of ₹ 615.57 crore included in approved plan for 2013-14 were not implemented and withdrawn in revised estimates (*Appendix 2.12*).
- ii Provision of ₹ 589.34 crore made under 23 schemes in approved outlay for 2013-14 was reduced to ₹ 157.06 crore in the RE, but the schemes were not implemented (*Appendix 2.13*) for which the reasons were not given.
- iii Provisions of ₹ 293.52 crore were made under 61 schemes in approved outlay and in revised outlay, but no expenditure was incurred during the year 2013-14 (*Appendix 2.14*).
- iv The provision of ₹ 946.85 crore made under 32 schemes was increased to ₹ 1,092.12 crore against which expenditure of ₹ 782.33 crore was incurred during the year 2013-14. Further augmentation of funds through supplementary grants

proved unnecessary as the total expenditure was less than even the original estimates (**Appendix 2.15**).

v An expenditure of ₹ 9.07 crore⁶ was incurred against two schemes without any provision in BE/RE during the year 2013-14. Reasons for incurring expenditure without provision were not given.

vi 116 plan schemes for which the outlay of ₹ 4,284.13 crore approved for execution during 2013-14 was reduced to ₹ 3,065.34 crore in the revised estimates. The expenditure of ₹ 2,240.15 crore only was incurred on these schemes which was much less than the approved /revised outlay as detailed in **Appendix 2.16**.

vii 23 schemes for which provision of ₹ 518.93 crore was enhanced to ₹ 604.28 crore in the revised estimate, but expenditure of ₹ 706.22 crore (136.09 per cent of original provision) was much more than the provisions made as per **Appendix 2.17**.

viii 151 schemes for which provision of ₹ 2,117.10 crore was made in approved outlay as well as in revised estimates, but expenditure of ₹ 962.15 crore was incurred which was much less than the provision made (**Appendix 2.18**).

2.6 Outcome of Review of Selected Grants

A review of budgetary procedure and control over expenditure of two grants (Grant No. “15-Local Government” and Grant No. “21-Women and Child Development”) was conducted (July-August 2013) on the basis of the variations during the last three years and magnitude of the grants and supplementary demands made during the year 2013-14. Important points noticed during review of these grants for 2013-14 are detailed below:

2.6.1 Grant No. 15-Local Government

Against the budget provision of ₹ 2,144 crore (original ₹ 2,074 crore and supplementary of ₹ 70 crore) under Revenue Head, an expenditure of ₹ 1,554.43 crore was incurred which resulted into saving of ₹ 589.56 crore which was 27.49 per cent against the budget provisions. This shows that unrealistic provision was made in budget.

i. Out of total expenditure of ₹ 379.64 crore on eight schemes, an expenditure of ₹ 202.44 crore (53.32 per cent) was incurred on these schemes

⁶ SCSP Component: ₹ 3.71 crore and 25 per cent share of AICRP : ₹ 5.36 crore in Haryana Agricultural University.

during the last quarter of 2013-14. Out of above eight schemes, 100 per cent expenditure was incurred on two schemes during March 2014 (**Appendix 2.19**).

ii. Seven schemes for which provision of ₹ 196.29 crore was revised and reduced to ₹ 106.76 crore, but no expenditure was incurred during the year 2013-14 (**Appendix 2.20**).

iii. Saving of ₹ 267.68 crore was shown against three schemes⁷ due to non-receipt of demand from the municipalities and non presentation of bills by DDOs in the treasuries against the budget provision of ₹ 1,191.11 crore and revised estimates of ₹ 1,167.64 crore.

2.6.2 Grant No. 21-Women and Child Development

During the review of budgetary procedure and control over expenditure for Grant No. 21 (Women and Child Development) on the basis of the Grants and supplementary demands made during the year 2013-14. Important points noticed during the review are as under:-

i. Against the budget provision of ₹ 719.04 crore (original ₹ 695.87 crore and supplementary ₹ 23.17 crore), under revenue head, an expenditure of ₹ 561.23 crore was incurred during the year 2013-14 resulting in saving of ₹ 157.81 crore.

ii. Against the budget provision of ₹ 195.62 crore (Original ₹ 188.62 crore and supplementary ₹ seven crore) under the capital head, an expenditure of ₹ 1.75 crore only was incurred during the year 2013-14 resulting in saving of ₹ 193.87 crore (99.11 per cent of Budget provision).

iii. Out of total expenditure of ₹ 138.47 crore for 2013-14 on 22 schemes, an expenditure of ₹ 72.26 crore (52 per cent) was incurred on these schemes during the last quarter of the year 2013-14 (expenditure ranging between 40 per cent and 100 per cent). Out of these 22 schemes, 100 per cent expenditure was incurred on six schemes during the last quarter (**Appendix 2.21**).

iv. Savings of ₹ 369.83 crore were shown in 30 schemes as against the total provision of ₹ 723.24 crore. Expenditure of ₹ 353.41 crore only was incurred due to non-finalization of projects, late receipt of grant from Government of India and non receipt of applications/cases (**Appendix 2.22**).

⁷ ₹ 153.53 crore under head 2217-80-800-75; ₹ 59.59 crore under head 2217-80-192-96; and ₹ 54.56 crore under 2217-80-192-96.

2.7 Delay in submission of Budget Estimates

Budget estimates for the year 2013-14 were required to be submitted to the Finance Department by the Administrative Departments and Heads of various offices before 5th November, 2012. Contrary to this, it came to notice during review of two grants (Grant No. 15 and Grant No. 21) that Heads of offices submitted their budget estimates to Finance Department after delays ranging between 64 and 92 days.

2.8 Conclusions

During 2013-14, expenditure of ₹ 61,250.73 crore was incurred against total grants and appropriations of ₹ 78,118.14 crore. Overall savings of ₹ 16,867.41 crore were the result of saving of ₹ 17,197.08 crore in various grants and appropriation offset by excess expenditure of ₹ 329.67 crore in two grants which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 428.10 crore in grants relating to 2012-13.

In 46 cases, ₹ 14,332.63 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case). In five cases, ₹ 1,654.68 crore was surrendered including an excess surrender of ₹ 32.05 crore than actual savings indicating inadequate budgetary control in these departments. Out of savings of ₹ 13,599.30 crore in 15 cases, savings of ₹ 2,967.99 crore were not surrendered. There were also cases of injudicious reappropriations.

2.9 Recommendations

The Government may consider:

- (i) taking up the matter with Public Accounts Committee secretariat for regularisation of excess expenditure.
- (ii) preparing realistic budget estimates to avoid large savings and supplementary provisions.
- (iii) devising suitable mechanism by finance department to avoid rush of expenditure in last quarter/month of the financial year.