

CHAPTER 2

Financial Management and Budgetary Control

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 65 grants/appropriations is given in **Table 2.1**:

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

(₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/Excess (+)
Voted	I Revenue	86065	6776	92841	83189	(-) 9652
	II Capital	16490	1691	18181	11007	(-) 7174
	III Loans and Advances	477	175	652	505	(-) 147
Total Voted		103032	8642	111674	94701	(-) 16973
Charged	IV Revenue	21985	907	22892	21831	(-) 1061
	V Capital	5	41	46	43	(-) 3
	VI Public Debt-Repayment	35437	3495	38932	31680	(-) 7252
Total Charged		57427	4443	61870	53554	(-) 8316
Grand Total		160459	13085	173544	148255	(-) 25289

Source: Appropriation Accounts; Difference w.r.t. Appropriation Accounts is due to rounding.
Note: The expenditure excludes the recoveries adjusted as reduction of expenditure under revenue expenditure ₹ 1369 crore (Voted : ₹ 1368 crore and Charged : ₹ 1 crore) and capital expenditure ₹ 1171 crore (Voted).

The overall saving of ₹ 25289 crore was the result of saving of ₹ 25569 crore in 60 grants and 21 appropriations under revenue section and 53 grants and 16 appropriations under capital section, *offset* by excess of ₹ 280 crore in four grants and two appropriations under revenue section and two grants and one appropriation under capital section.

The savings/excesses (Detailed Appropriation Accounts) were intimated to the Departmental Controlling Officers (DCOs) requesting them to explain the significant variations. Explanations for variations in respect of the sub-heads mentioned in Appropriation Accounts 2014-15 were not received from any department. Substantial savings occurred in Finance, School Education, Food & Supply, Irrigation & Waterways and Public Works departments.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 143 cases¹, savings exceeded ₹ 1 crore or by more than 20 *per cent* of the total provision (*Appendix 2.1*). Savings exceeding ₹ 500 crore occurred in each of the nine cases relating to six grants are indicated in **Table 2.2**.

Table 2.2: List of Grants with major savings

(₹ in crore)

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Savings
Revenue-Voted						
1.	21- Food & Supplies	2925	-	2925	1145	1780
2.	15-School Education	17942	-	17942	16883	1059
3.	18- Finance	14542	-	14542	13828	714
4.	45-Public Health Engineering	1515	380	1895	1317	578
	Total					4131
Capital-Voted						
1.	15-School Education	1798	-	1798	72	1726
2.	32-Irrigation and Waterways	1750	231	1981	1029	952
3.	25-Public Works	2757	391	3148	2249	899
	Total					3577
Revenue-Charged						
1.	18-Finance	21662	902	22564	21551	1013
	Total	21662	902	22564	21551	1013
Capital-Charged						
1.	18-Finance	35342	3490	38832	31594	7238
	Total					7238

Source: Appropriation Accounts

¹ Comprising 59 cases in Revenue-Voted section, 52 cases in Capital-Voted section, 20 cases in Revenue-Charged section and 12 cases in Capital-Charged section.

2.3.2 Persistent Savings

There were persistent savings during the last five years in 15 sub heads under 11 grants. Details are given in *Appendix 2.2*. Persistently high savings were noticed under capital-voted section in schemes against (i) Construction and Upgradation of Fire Stations and (ii) Construction of Houses under Rental Housing schemes for State Government Employees. In revenue-voted section, savings occurred persistently in (a) Polytechnic-Diploma courses (ET), (b) Deep Tubewell Irrigation, (c) Schemes under RIDF and (d) Maintenance of Vidyasagar Setu (TR).

2.3.3 Persistent Excesses

There were persistent excesses during the last five years in nine sub heads under five grants. Details are given in *Appendix 2.3*. Persistently high excesses were noticed under capital-voted section in schemes against (i) schemes sanctioned under NABARD in flood control and (ii) development of state roads. In revenue-voted section, excess expenditure occurred persistently in (a) Dental College and (b) Government of India's crash programme of nutrition for children etc.

2.3.4 Expenditure in excess of budget provisions during 2014-15 requiring regularisation

Table 2.3 contains the summary of total excess expenditure under 11 grants and four appropriations amounting to ₹ 280 crore from the Consolidated Fund of the State over the amounts authorised by the State Legislature during 2014-15, which requires regularisation under Article 205 of the Constitution.

Table 2.3: Excess over provisions during 2014-15 requiring regularisation

Sl. No	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
			(₹ i n c r o r e)		
Voted Grants					
1	7-Revenue	Backward Classes Welfare	601	650	49
2	24-Revenue	Health and Family Welfare	5121	5193	72
3	27-Revenue	Home	4678	4739	61
4	31-Capital	Information Technology	12	13	1
5	33-Capital	Correctional Administration	10	11	1
6	49-Capital	Sports and Youth Services	-	1	1
7	53-Revenue	Transport	832	879	47
Total		Voted			232
Charged Appropriations					
1	36-Revenue	Land and Land Reforms	2	16	14
2	39-Revenue	Municipal Affairs	-	2	2
3	40-Revenue	Panchayat and Rural Development	1	15	14
4	43-Capital	Power and Non-Conventional Energy Sources	46	64	18
Total		Charged			48
Grand total					280

Source: Appropriation Accounts

2.3.5 Excess expenditure of previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. The time limit for regularisation of expenditure has, however, not been prescribed under the Article. Regularisation of excess expenditure is done after completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 31938 crore for the years 2006-2014 was yet to be regularised as of September 2015 as detailed in Table 2.4.

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

Year	Number of		Amount of excess over provision (₹ in crore)
	Grants	Appropriations	
2006-07	12 (Grant Nos. 8,9,11,13,20,26,28,30, 31,43,45,54)	8 (Grant Nos. 5, 6, 20, 23, 27, 42, 47, 53)	293
2007-08	14 (Grant Nos. 3, 4, 5, 9, 18, 20, 21, 26, 32, 43, 44, 46, 50, 56)	8 (Grant Nos. 6, 9, 18, 23, 34, 42, 53, 55)	12146
2008-09	13 (Grant Nos. 4, 9, 18, 20, 21, 25, 27, 35, 50, 52, 53, 54, 59)	4 (Grant Nos. 12, 18, 39, 53)	706
2009-10	16 (Grant Nos. 4, 5, 19, 20, 21, 23, 24, 25, 27, 28, 33, 35, 40, 43, 53, 56)	6 (Grant Nos. 5, 18, 20, 29, 32, 43)	3493
2010-11	13 (Grant Nos. 4, 5, 15, 18, 20, 22, 23, 25, 27, 33, 35, 46, 60)	10 (Grant Nos. 11, 18, 23, 27, 35, 42, 43, 45, 47, 53)	8331
2011-12	6 (Grant Nos. 4,5,18,25,47,60)	13 (Grant Nos. 5, 12, 18, 20, 23, 25, 27, 32, 39, 42, 43, 46, 53)	5000
2012-13	7 (Grant Nos. 7, 11, 13, 21, 43, 45, 60)	7 (Grant Nos. 19, 20, 23, 27, 36,39, 40)	465
2013-14	13 (Grant Nos. 13, 15, 18, 26, 27, 35, 36, 40, 43, 45, 53, 60, 64)	7 (Grant Nos. 9, 18, 19, 32, 36, 40, 45)	1504
Total	94	63	31938

Source: Appropriation Accounts

Thus, excess expenditure for the years 2006-07 to 2014-15 amounting to ₹ 32218 crore² needs regularisation. In case of most of the grants, inadequate supplementary provision led to excess expenditure, which indicates lack of control over financial management by the controlling officers.

2.3.6 Significant excess expenditure

In 10 cases, expenditure aggregating ₹ 279 crore exceeded the approved provisions by more than ₹ 1 crore in each case or by more than 20 per cent of the total provisions. Details are given in Appendix 2.4.

² ₹ 31938 crore pertaining to 2006-14 plus ₹ 280 crore pertaining to 2014-15

2.3.7 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 7315 crore was incurred in 114 cases as detailed in *Appendix 2.5* without any provision in the original estimates/ supplementary demand and without any re-appropriation orders to this effect.

Excess expenditure of ₹ 4896 crore was incurred mainly due to repayment of public debt of ₹ 3530 crore and interest payments of ₹ 1366 crore for which no provision had been made. Similar excess expenditure of ₹ 4831 crore and ₹ 6966 crore were also incurred on repayment of loan and interest payment during 2012-13 and 2013-14 respectively.

Liabilities on account of interest and public debt repayable are ascertainable with a fairly high degree of accuracy at the time of budget formulation. Non-provision of funds on these accounts in the budget had led to underestimation of the budgetary deficits viz. fiscal deficit and revenue deficit respectively by ₹ 4896 crore and ₹ 1366 crore.

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 640861 crore obtained in 47 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.6*. On the other hand, in six cases, supplementary provision of ₹ 1084 crore proved insufficient by more than ₹ 1 crore in each case leaving an aggregate uncovered excess expenditure of ₹ 256 crore (*Appendix 2.7*). Five illustrative cases are described below:

Under Revenue-Voted Section of Grant Number 45- Public Health Engineering, savings out of original provision stood at ₹ 198 crore, further supplementary provision of ₹ 380 crore was unnecessary.

Under Revenue-Voted Section of Grant Number 64- Child Development, savings out of original provision was ₹ 167 crore, further supplementary provision of ₹ 139 crore was unnecessary.

Under Capital-Voted Section of Grant Number 25- Public Works, savings out of original provision was ₹ 507 crore, further supplementary provision of ₹ 392 crore was unnecessary.

Under Capital-Voted Section of Grant Number 32- Irrigation & Waterways, savings out of original provision was ₹ 721 crore, further supplementary provision of ₹ 231 crore was unnecessary.

Under Revenue-Voted Section of Grant Number 24- Health & Family Welfare, supplementary provision of ₹ 829 crore proved insufficient leaving an uncovered excess expenditure of ₹ 72 crore.

2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Cases were noticed where injudicious re-appropriation proved excessive or insufficient leading to savings of ₹ 73068 crore (in 187 sub-heads under 26 grants) and excess expenditure of ₹ 93062 crore (in 61 sub-heads under 18 grants) as detailed in *Appendix 2.8*.

2.3.10 Anticipated savings not surrendered

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance department as and when savings are anticipated. At the close of the year 2014-15, under 45 grants and 15 appropriations, no part of the aggregate savings of ₹ 19787 crore was surrendered by the concerned departments, as detailed in *Appendix 2.9*. Such savings which were not surrendered accounted for 77 per cent of the total savings of ₹ 25569 crore during 2014-15.

Similarly, out of total savings of ₹ 2988 crore under 16 grants/ appropriations, only ₹ 1613 crore was surrendered (short surrender by ₹ one crore and above in each case) leaving balances not surrendered aggregating ₹ 1375 crore (46 per cent of savings under those grants), details of which are given in *Appendix 2.10*.

Besides, in 22 cases against 21 grants (surrender of funds in excess of ₹ one crore), ₹ 6438 crore were (*Appendix 2.11*) surrendered on the last working day of March 2015 or thereafter indicating inadequate financial control and the fact that these funds could not be gainfully utilised for other development purposes.

Under Grant number 40 - **Panchayat and Rural Development (Revenue Voted)**, out of total grant/appropriation of ₹ 14233 crore, there were savings of ₹ 350 crore. The department, however, surrendered ₹ 2274 crore indicating excess surrender of ₹ 1924 crore.

Similarly, under Grant number 32- **Irrigation and Waterways (Revenue Charged)**, out of total grant/appropriation of ₹ 90 crore, there was saving of ₹ 7 crore. The department, however, surrendered ₹ 89 crore indicating excess surrender of ₹ 82 crore.

2.3.11 Rush of expenditure

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

During the year 2014-15, 306841 cheques amounting to ₹ 11633 crore (10.25 per cent of the total revenue and capital expenditure) were issued in March 2015, of which cheques amounting to ₹ 1196 crore (10.28 per cent) were issued on the last working day of March 2015. High percentage of expenditure in March, especially on the last working day of March indicates that uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained.

2.3.12 New Service/New Instrument of Service

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

In nine cases, expenditure totaling ₹ 83 crore which should have been treated as “New Service”/“New Instrument of Service” was met without obtaining the requisite approval of the Legislature. Details of these cases are given in *Appendix 2.12*.

2.3.13 Drawal of capital outlay by transfer to the deposit accounts

West Bengal Treasury Rules prohibits drawal of funds unless required for immediate disbursement and utilization thereof for purposes other than those laid down in the Appropriation Act. During 2014-15, State Government drew ₹ 2189 crore through different DDOs from the Consolidated Fund under capital outlay heads by contra credit to deposit heads of accounts³.

Test Check of records of Health & Family Welfare Department revealed that during 2014-15 ₹ 620 crore had been drawn and transfer-credited to the deposit account of West Bengal Medical Services Corporation Limited for implementation of different schemes, of which the agency could utilize only ₹ 363 crore leaving an unspent balance of ₹ 257 crore as of June 2015.

Thus, ₹ 257 crore though booked as expenditure under the Consolidated Fund did not represent actual expenditure, thereby inflating expenditure on capital outlay to the same extent. Moreover, the action of executives in transferring funds to the deposit accounts without keeping any watch over their proper utilization and leading to idling of funds was not only irregular but also jeopardized the system of legislative control over funds.

2.4 Budget Management in selected Grants

A) Persistent Savings

A review of budgetary and expenditure control during 2010-11 to 2014-15 in respect of grant numbers 32, 45 and 59 revealed substantial savings as discussed under:

Table 2.5: Persistent savings under voted grants

Grant No	Section	Quantum of savings (percentage to total allocation)				
		2010-11	2011-12	2012-13	2013-14	2014-15
32-Irrigation and Waterways	Revenue	25.97(5)	81.76(14)	192.10(28)	225.65 (30)	283.56(36)
	Capital	995.77(68)	1920.74(84)	1606.99(79)	1515.46(71)	952.30(48)
45- Public Health Engineering	Revenue	194.5(29)	415.41(40)	-	-	578.05(31)
	Capital	180.38(99)	1.78(30)	165.75(41)	93.47(22)	78.30(41)
59-Self Help Group and Self Employment	Revenue	63.71(33)	80.14(37)	90.74(36)	85.15(30)	60.58(21)
	Capital	9.87(99)	9.84(98)	5.66(47)	7.76(65)	15.78(75)

Source: Appropriation Accounts

³ PD Account: ₹ 744 crore; Local Fund Account: ₹ 467 crore; Other Deposit Account: ₹ 978 crore

It is evident from the table above that there were persistent savings in the above grants under both the revenue and capital heads.

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

As per the WBBM any unspent balances should be surrendered by the controlling officers to the administrative departments by 14 February and by the administrative departments to the Finance department by the 21 February each year. Of the savings amounting to ₹ 9937 crore during the last five years, only ₹ 1285 crore (16 *per cent* of savings) and 802 crore (47 *per cent* of savings) had been surrendered respectively by I&W and PHE department in respect of Grant Nos. 32 and 45 during 2014-15, leaving a balance of ₹ 7850 crore⁴ unsurrendered at the end of the financial year.

I&WD did not maintain necessary records to keep constant watch over the progress of expenditure under different units of appropriation, so as to take early steps for surrendering any likely savings.

In reply to an audit query I&WD department stated that surrender of savings from 2011-12 to 2013-14 were intimated to Finance Department generally between March and July of the respective years. However, contention of the department could not be validated as 84 *per cent* of the savings were not surrendered.

Thus, the CCOs and the Heads of the departments did not fully comply with the budgetary controls laid down in the WBBM.

C) *Expenditure without provision*

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

However, contrary to the aforesaid provision, expenditure amounting to ₹ 3 crore and ₹ 52 crore were incurred against grant numbers 32 and 45 respectively during 2010-15 even though no provisions for the same existed in the original estimates/supplementary demand.

D) *Unnecessary Supplementary Grants*

WBBM stipulates that when unforeseen circumstances make it necessary to incur expenditure not contemplated in the Appropriation Act, every effort should be made to meet the same from savings elsewhere within the same grant (voted or charged) by postponement or curtailment of less urgent expenditure. Only when it is not possible to do so, should recourse be taken to supplementary estimates.

In view of savings of ₹ 720 crore (23 *per cent* of the original grant) in grant numbers 32, 45 and 59, supplementary provisions of ₹ 388 crore during 2011-15 proved unnecessary, details of which are given in *Appendix 2.13*.

⁴ ₹ 6515 crore in respect of Grant No. 32 ; ₹ 906 crore in respect of Grant No. 45; ₹ 429 crore in respect of Grant No. 59

E) Unnecessary Budget provision

As per provisions contained in the WBBM, each budgeting authority will be responsible for the correct preparation of estimates (both for BE and RE) in respect of receipts and expenditure. Every attempt should be made to prepare accurate estimates as far as possible and care should be taken by the Administrative Department in submitting proposals for supplementary estimates to avoid large savings or excesses at the end of the financial year.

Test check of net grant statements revealed that budget provisions of ₹ 2038 crore, ₹ 185 crore and ₹ 9 crore were made against grant numbers 32, 45 and 59 respectively (from 2010-11 to 2014-15) in respect of 111⁵ head of accounts but no expenditure was incurred against those heads, indicating provisioning of budget without proper assessment.

2.5 Conclusion

Deficient budgetary control in Government departments was apparent from the instances of injudicious supplementary provisions, unnecessary/excessive re-appropriations, inadequate provision of funds, etc.

Procedure of preparation of budget as prescribed in the budget manual was not properly followed.

Excess expenditure for the years 2006-07 to 2014-15 amounting to ₹ 32218 crore needs regularisation.

During 2014-15, expenditure of ₹ 7315 crore was incurred in 114 cases without any provision in the original estimates/ supplementary demands and without any re-appropriation orders to this effect. Anticipated savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes.

⁵ 85 in grant number 32: I&W ; 17 in grant number 45: PHE ; 9 in grant number 59:SHG&SE