

CHAPTER – II
FINANCIAL MANAGEMENT AND BUDGETARY
CONTROL

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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. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision 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 that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 82 grants/appropriations is given in Table 2.1:

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision for the year 2015-16

(₹ in crore)								
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)	Amount surrendered	Percentage of savings surrendered by 31 March 2016 (col. 7/col.6)
	1	2	3	4	5	6	7	8
Voted	I Revenue	7791.93	443.63	8235.56	6814.07	(-)1421.49	1573.38	111.47
	II Capital	1393.08	426.13	1819.21	1059.23	(-)759.98	941.44	122.27
	III Loans and Advances	0.40	0.00	0.40	0.19	(-)0.21	0.22	104.76
	Total Voted	9185.41	869.76	10055.17	7873.49	2181.68(-)	2515.04	115.28
Charged	IV Revenue	880.19	2.29	882.48	806.88	(-)75.60	75.25	99.54
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	2527.10	0.00	2527.10	2705.35	(+)178.25	0.00	NA
	Total Charged	3407.29	2.29	3409.58	3512.23	(+)102.65	75.25	73.31
	Appropriation to Contingency Fund (if any)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total	12592.70	872.05	13464.75	11385.72	(-)2079.03	2590.29	124.59

Overall saving of ₹ 2079.03 crore was the result of saving of ₹ 2452.63 crore in 68 Grants and 6 Appropriations under Revenue Section, 43 grants under Capital Section offset by excess of ₹ 373.60 crore in 7 Grants under Revenue Section and 9 grants under Capital Section and 01 Appropriation (Public Debt-repayments). During the year, though the overall saving was ₹ 2079.03 crore only, the amount surrendered was ₹ 2590.29 crore (124.59 per cent).

The savings/excess (Detailed Appropriation Accounts for the year 2015-16) were intimated to all concerned controlling officers requesting them to explain the significant variations. Around two per cent (2 Departments) (August 2016) of the replies were obtained from various controlling officers of the State before finalisation of the Appropriation Accounts 2015-16.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the Appropriation audit revealed that in 52 cases, savings exceeded rupees one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 2440.59 crore, savings of ₹ 2031.65 crore (83.24 per cent) occurred in eleven grants¹⁴ as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl No.	Grant No.	Name of the Grant/Appropriation	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage
1	2	3	4	5	6	7	8	9
Revenue (Voted)								
1	18	Pensions and Other Retirement Benefits	1043.88	69.26	1113.14	1028.80	84.33	8
2	27	Planning Machinery	299.85	0.00	299.85	92.95	206.90	69
3	31	School Education	1386.38	9.41	1395.78	1058.97	336.82	24
4	32	Higher Education	205.42	0.00	205.42	113.94	91.47	45
5	35	Medical, Public Health and Family Welfare	510.28	51.36	561.65	458.54	103.11	18
6	42	Rural Development	628.92	0.00	628.92	261.96	366.96	58
7	72	Land Resource Development	108.90	0.00	108.90	49.19	59.71	55
Capital(Voted)								
8	27	Planning Machinery	391.25	0.00	391.25	72.57	318.68	81
9	36	Urban Development	86.26	42.11	128.37	40.89	87.49	68
10	42	Rural Development	56.67	0.00	56.67	0.00	56.67	100
11	59	Irrigation and Flood Control	232.15	0.00	232.15	99.67	132.48	57
12	60	Water Supply	188.13	28.62	216.76	104.02	112.74	52
Revenue (Charged)								
13	75	Servicing of Debt	861.42	0.00	861.42	787.12	74.30	9
Total			5999.50	200.77	6200.27	4168.62	2031.65	33

¹⁴ Exceeding ₹ 50 crore in each case.

The reasons for savings had not been intimated (August, 2016) by the departments mentioned above.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 50 lakh in each case and also by 10 per cent or more of the total grant in three cases during the last five years (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2011-16

(₹ in crore)

Sl No.	No. and Name of the Grant	Amount of Savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
Capital-Voted						
1	27-Planning Machinery	260.55	392.24	480.45	815.84	318.68
2	35-Medical, Public Health and Family Welfare	7.68	21.97	6.49	28.68	13.67
3	36-Urban Development	52.57	117.71	121.81	161.52	87.49

The reasons for persistent savings had not been intimated by any department (August 2016).

2.3.3 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 ₹ 39.59 crore was incurred in 19 cases as detailed in Table 2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to that effect.

Table 2.4: Expenditure incurred without provision during 2015-16

(₹ in crore)

Number and Name of		Amount of Expenditure without provision
Grants	Head of Account	
2- Head of State	2012-03-103-05(Rent, Rates and Taxes)	0.12
5-Election	4059-01-051-05(Election)	0.88
16-State Guest House	4059-60-800-16 (Construction/Renovation Works of Nagaland House(State Guest House)	1.25
31-School Education	4202-01-202-01(Repairs and Renovation)	6.08
36-Urban Development	4217-60-051-02(Construction Works)	0.38
36-Urban Development	4217-60-051-09(Special Development Fund for Nagaland and Schemes Under NLCPR)	2.43
40- Employment And Training	2230-03-800-01(Upgradation of ITI)	0.03
40- Employment And Training	2230-03-800-02(Vocational Training(World Bank))	0.10
50-Animal Husbandry and Dairy Development	4403-00-001-01(Maintenance of Asset)	8.67
52-Forest, Ecology, Environment and Wild Life	2406-01-800-08(Elephant Project(CSS))	0.42
52-Forest, Ecology, Environment and Wild Life	2406-01-070-02(Forest Roads and Bridges)	0.14
52-Forest, Ecology, Environment and Wild Life	2406-01-101-01(Non-Timber Forest Produce)	0.21
52-Forest, Ecology, Environment and Wild Life	2406-01-101-06(Maintenance of Forest under TFC Award)	2.02

Number and Name of		Amount of Expenditure without provision
Grants	Head of Account	
52-Forest, Ecology, Environment and Wild Life	2415-06-277-01(State Environment & Forest Training Institute)	0.01
55-Power	4801-05-800-11(Rural Electrification (Phase III))	13.52
58-Road and Bridges	3054-80-799-01(Stock(Dr))	0.04
58-Road and Bridges	3054-80-799-03(Misc. Advance(Dr))	0.00
58-Road and Bridges	5054-04-800-02(Special Programme Roads(Non-Lapsable Pool))	0.90
68-PoliceEngineering Project	4055-00-211-05(Modernisation of Police Force)	1.75
Total		39.59

2.3.4 Excess over provision relating to 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. 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 (PAC). However, the excess expenditure amounting to ₹ 556.03 crore for the years 2000-01, 2005-06, 2008-09 to 2010-2011, 2012-13 to 2014-15 was not regularised till October 2016 (**Appendix 2.2**).

2.3.5 Excess over provision during 2015-16 requiring regularisation

Appendix 2.3 contains the summary of total excess in 14 grants amounting to ₹ 373.60 crore over authorisation from the consolidated fund of the State during 2015-16 requiring regularisation under Article 205 of the Constitution.

2.3.6 Persistent excess in Grants

There were persistent savings of more than 10 *per cent* or more of the total grant and the excess occurred in four out of five years in two cases during the last five years (**Table 2.3**).

Table 2.5: List of Grants indicating Persistent excess during 2011-2016

(₹ in crore)

Sl. No.	No. and Name of the grant	Amount of excess				
		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Voted						
1	62- Civil Administration Works	-	4.90	3.89	1.49	0.19
Capital-Voted						
1	50- Animal Husbandry & Dairy Development	9.26	5.23	9.11	-	8.67

2.3.7 Appropriateness of supplementary provision

Supplementary provision aggregating ₹ 270.83 crore obtained by 24 Departments, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision were not utilised by the concerned departments as detailed in **Appendix 2.4**.

In 9 cases, supplementary provision of ₹ 81.93 crore proved insufficient by ₹ 1 crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 183.39 crore (**Appendix 2.5**).

2.3.8 Excessive /Insufficient 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. Injudicious re-appropriation proved excessive or insufficient resulting in savings of ₹ 65.50 crore in 49 sub-heads and excess of ₹ 410.94 crore in 48 sub-heads as detailed in **Appendix 2.6**.

2.3.9 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, re-appropriation was done in 52 grants (63.41 *per cent*) on the last day of financial year without stating specific reasons for withdrawal of provision or additional provision. This re-appropriation on last day of the financial year resulted in unnecessary savings in some grants on the one hand and avoidable excess in some grants on the other hand as discussed in **Para 2.3.8** above.

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 72 Sub Heads. Out of the total provision amounting to ₹ 2543.96 crore in those Sub Heads, ₹ 1835.01 crore (72.13 *per cent*) were surrendered, which included 100 *per cent* surrender under a Sub Head (₹ 0.55 crore). The details of such cases are given in **Appendix 2.7**.

2.3.11 Surrender in excess of actual savings

In 10 cases, the amount surrendered (₹ 1 crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 590.47 crore, the amount surrendered was ₹ 739.22 crore resulting in excess surrender of ₹ 148.75 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.12 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 the savings are anticipated. At the close of the year 2015-16, there were 17 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in those cases was ₹ 8.59 crore (**Appendix 2.9**).

An amount of ₹ 3.23 crore being savings in one grant, ₹ 2 crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 32 cases (surrender of funds for ₹ 10.00 crore and above), ₹ 2410.46 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2016 indicating inadequate financial control. Thus, those funds could not be utilised for other developmental purposes.

2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of six Major Heads listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 per cent of the total expenditure for the year either during the last quarter or during the last month of the financial year.

The expenditure in the month of March/last quarter of the financial year was upto 100 per cent of the total expenditure in two cases which indicates lack of effective financial control and violation of financial rules.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule 309 of Central Treasury Rules, every drawing and disbursing officer has to certify in each Abstract Contingent (AC) bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). The total amount of Detailed Countersigned Contingency (DCC) bills received upto the period 2015-16 was only ₹ 247.83 crore (51.00 per cent) against ₹ 485.90 crore drawn on AC bills leading to pendency of DCC bills of ₹ 237.13 crore as on 31 March 2016. Year wise details are given in **Table 2.6**.

Table 2.6: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

(₹ in crore)

Year	AC bills drawn		DCC bills submitted		Outstanding DCC bills	
	Number	Amount	Number	Amount	Number	Amount
Upto 2013-14	402	298.24	262	234.15	140	64.09
2014-15	52	90.69	16	11.70	36	78.05
2015-16	46	96.97	2	1.98	44	94.99
Total	500	485.90	280	247.83	220	237.13

As on 31 March 2016, there were 220 unadjusted AC bills involving ₹ 237.13 crore drawn by various Departments. Details are given in **Appendix 2.13**. Out of ₹ 96.97 crore drawn through AC bills in the year 2015-16, ₹ 4.91 crore was drawn in the last day of the financial year.

Non-submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

An analysis of pending AC bills in respect of Civil Police Department showed that 35 AC bills amounting to ₹ 91.60 crore was pending regularization as follows:-

Table 2.7: Pendency of DCC bills in respect of Civil Police Department as on 31 March 2016

(₹ in crore)		
Year	Number of Vouchers	Amount
2011-12	5	16.26
2012-13	5	9.15
2013-14	9	24.28
2014-15	6	10.07
2015-16	10	31.84
Total	35	91.60

As can be seen from the above table, out of pending DCC bills of 35 vouchers of ₹ 91.60 crore as on March 2016, maximum number of pending AC bills pertained to 2015-16 involving 10 vouchers (29 per cent) of ₹ 31.84 crore (34.76 per cent). As most of the AC bills are outstanding for a long time, efforts may be made for clearance of AC bills on priority basis.

2.4.2 Reconciliation of Receipts and Expenditure

As per General Financial Rules, all the Controlling Officers (COs) are required to reconcile the receipts and expenditure booked by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). During the year 2015-16, all 82 COs had reconciled their figures (both receipt and expenditure) in full. Thus, there was cent per cent reconciliation in respect of all 82 CCOs.

2.5 Outcome of the Review of Selected Grant

A review of Grant No.68- Police Engineering Project was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the revenue and capital heads during the year 2015-16.

2.5.1 Budget and expenditure

The summarised position of budget provision and actual expenditure there against during 2015-16 in respect of Grant No.68- Police Engineering Project is given in **Table 2.6**.

Table 2.6: Summarised Position of budget provision and actual expenditure

Nature of Expenditure	Budget Provision					Actual Expenditure			Saving(-)/ Excess(+)
	Original		Supplementary		Total	Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	17.13	0.00	0.89	0.00	18.02	17.87	0.00	17.87	(-)0.15
Capital	0.00	8.00	0.00	0.75	8.75	0.00	15.96	15.96	(+)7.21
Total	17.13	8.00	0.89	0.75	26.77	17.87	15.96	33.83	(+)7.06

The above table shows that during the year 2015-16 there was overall excess of ₹ 7.06 crore representing 26.37 per cent of the total budget provision as a result of savings under Revenue Expenditure (₹ 0.15 crore) and excess under Capital Expenditure (₹ 7.21 crore). As per financial rules, the spending departments are required to surrender the anticipated savings to the finance department as and when occurred. The department surrendered the entire savings of ₹ 0.15 crore under Revenue expenditure during the year 2015-16.

An analysis of the expenditure vis-à-vis the budget provision revealed that there was an excess of ₹ 7.21 crore under Capital Section. This was mainly due to the fact that the

Department expended ₹ 1.75 crore on account of modernisation of police force though there was no grant/provision made for it.

2.5.2 Savings/excess in the grant without any provision thereof

Audit review also disclosed excess ranging between ₹ 6.03 crore to ₹ 7.06 crore in 2013-14 and 2015-16 and savings ranging between ₹ 12.42 crore and ₹ 65.10 crore in 2011-13 and 2014-15 as detailed in **Table 2.7**.

Table 2.7: Details of Excesses/Savings during 2011-16

(₹ in crore)

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2011-12	7.58	77	84.58	7.57	64.59	72.16	(-)12.42
2012-13	8.06	115	123.06	8.34	49.62	57.96	(-)65.10
2013-14	10.17	49.17	59.34	10.18	55.19	65.37	(+)6.03
2014-15	10.57	69.91	80.48	10.37	30	40.37	(-)40.11
2015-16	18.02	8.75	26.77	17.87	15.96	33.83	(+)7.06

(Source: Appropriation Accounts of respective years)

The occurrence of savings in the three years out of the last five years which had not been surrendered within the due dates indicates that budgetary control was deficient in the department.

2.5.3 Injudicious Supplementary provision

It was noticed that during 2015-16 under the Major Head, 2055-Police against the total provision of ₹ 18.02 crore (Original: ₹ 17.13 crore and Supplementary: ₹ 0.89 crore) an expenditure of ₹ 17.87 crore was incurred. As the expenditure was less than the total provision, the Supplementary provision of ₹ 0.89 crore proved to be excessive by ₹ 0.15 crore.

Further, under the Major Head, 4055- Capital Outlay on Police against the total provision of ₹ 8.75 crore (Original: ₹ 8.00 crore and Supplementary: ₹ 0.75 crore) an expenditure of ₹ 15.96 crore was incurred. As the expenditure was more than the total provision, the supplementary provision of ₹ 0.75 crore proved to be insufficient by ₹ 7.21 crore.

2.5.4 Expenditure without provision of funds

The overall position of a Sub Head where there was expenditure without any provision is shown in **Table 2.8**:

Table 2.8: Expenditure without provision during 2015-16

(₹ in crore)

Sl No.	Sub Head (Details)	Total provision	Re-appropriation	Expenditure
Capital Section				
1	4055-00-211-05 Modernisation of Police Force	0.00	0.00	1.75
Grand Total		0.00	0.00	1.75

(Source: Appropriation Accounts)

2.6 Advances from contingency fund

The advances taken from the contingency fund are to be made only for meeting expenditure of an unforeseen and emergent character pending authorisation of such expenditure by the State Legislature. The fund is to be recouped by debiting the expenditure to the concerned functional major head in the consolidated fund of the State.

During the year no expenditure was incurred under this fund. An amount of ₹ 0.35 crore pertaining to expenditure from the contingency fund a number of years back had not been recouped till the end of the year 2015-16.

2.7 Conclusion and recommendations

The overall saving of ₹ 2079.03 crore was the result of saving of ₹ 2452.63 crore in 68 Grants and 6 Appropriations under Revenue Section, 43 grants under Capital Section offset by excess of ₹ 373.60 crore in 7 Grants under Revenue Section and 9 Grants under Capital Section and 1 Appropriation (Public Debt repayment). During the year, though the overall saving was ₹ 2079.25 crore only, the amount surrendered was ₹ 2590.51 crore (118.87 per cent). There was an excess expenditure of ₹ 39.59 crore in 11 grants during 2015-16. The excess expenditure together with an excess expenditure of ₹ 556.03 crore pertaining to 2000-01, 2005-06, 2008-09 to 2010-11 and 2012-13 to 2015-16 require regularisation by the Legislature under Article 205 of the Constitution. A rush of expenditure was noticed in six cases in which expenditure exceeding ₹ 10 crore or more than 50 per cent of the total expenditure was incurred in the last quarter of 2015-16 and in some cases in the month of March 2016. There were 220 AC Bills involving ₹ 237.13 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore, was fraught with the risk of misappropriation.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excess persisted for the last five years. A close and rigorous monitoring mechanism should be put in place by the Drawing and Disbursing Officer to adjust the Abstract Contingent Bills within sixty days from the date the amounts are drawn.