

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

The Comptroller and Auditor General of India performs the audit of appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget are within authorisations given under the Appropriation Act for the year, that expenditure required to be charged under the provisions of the Constitution is so charged, and whether, expenditure is incurred is in conformity with the law, relevant rules and regulations and instructions.

2.1 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2016-17 against 72 grants/appropriations is given in **Table 2.1**.

Table 2.1: Summarized position of actual expenditure vis-à-vis total budget provisions

(₹ in crore)

	Nature of Expenditure	Total Grant/ Appropriation	Actual Expenditure	Saving (-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March
Voted	I Revenue	59,008.79	45,401.78	-13,607.01	9,742.39	9,721.09	71.60
	II Capital	15,097.74	10,261.34	-4,836.40	4,957.92	4,957.92	102.51
	III Loans and Advances	752.26	333.15	-419.11	395.05	395.05	94.26
Total Voted		74,858.79	55,996.27	-18,862.52	15,095.36	15,074.06	80.03
Charged	IV Revenue	3,370.47	3,300.88	-69.59	21.18	21.18	30.44
	V Capital	26.73	21.04	-5.69	5.71	5.71	100.35
	VI Public debt	1,946.33	1,152.63	-793.70	793.70	793.70	100.00
Total Charged		5,343.53	4,474.55	-868.98	820.59	820.59	94.43
Grand Total		80,202.32	60,470.82	-19,731.50	15,915.95	15,894.65	80.66

Note: Figures of actual expenditure includes recoveries adjusted as reduction of expenditure under voted revenue expenditure

(Source: Appropriation Accounts 2016-17)

The total savings amounted to ₹ 19,743.88 crore¹ (24.62 per cent of total grants/ appropriation), Budget Controlling Officers allowed ₹ 3,827.93 crore (19.39 per cent of total saving) to lapse at the end of the financial year. Out of the balance savings ₹ 15,915.95 crore, ₹ 15,894.65 crore was surrendered on 31 March 2017, leaving no scope for utilisation of these funds for other developmental purposes. This is a serious cause of concern and indicates the failure of the Finance Department to ensure effective budgetary control.

Recommendation: All anticipated savings should be surrendered on time so that the funds can be utilised for developmental purposes.

¹ There was an overall savings of ₹ 19,743.88 crore and excess of ₹ 12.38 crore which resulted in a net saving of ₹ 19,731.50 crore.

2.2 Financial Accountability and Budgetary Management

2.2.1 Excess over provisions relating to previous years (2000-01 to 2016-17) requiring regularization

Under 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.

Excess expenditure of ₹ 3,245.17 crore over provisions for the years 2000-01 to 2015-16 was yet to be regularised (October 2017) as detailed in **Appendix 2.1**.

In addition, the following excess as given in **Table 2.2** below, pertaining to 2016-17 is also to be regularised.

Table 2.2: Excess over provisions requiring regularisation during 2016-17

(₹ in crore)					
Sl. no.	Grant no.	Name of Grant	Total Grant/ Appropriation	Actual expenditure	Excess expenditure requiring regularization
Revenue Voted					
1	50	Departments implementing 20-Point Programme	1.87	2.45	0.58
Revenue Charged					
2	CH-1	Interest Payments and Servicing of Debt	2,876.56	2,886.83	10.27
3	6	Finance Department	0.50	1.67	1.17
4	55	Women and Child Development	0.00*	0.02	0.02
Capital Voted					
5	6	Finance Department	60.10	60.44	0.34
Total			2,939.03	2,951.41	12.38

* Initially a token amount of ₹ 10,000 was provisioned.

(Source: Appropriation Accounts 2016-17)

Recommendation: The State Government is required to get all the existing cases of excess expenditure regularised at the earliest and in future such expenditure may be completely stopped, except in case(s) of dire and extreme emergency, where the expenditure should only be met from the Contingency Fund.

2.2.2 Persistent excess expenditure

Persistent excess expenditure over provision was observed in 11 sub heads under six grants/appropriations during the last three years. Excess expenditure incurred each year under these sub heads/schemes are shown in **Table 2.3**.

Table 2.3: Persistent excess expenditure

(₹ in crore)					
S. N.	Grant No.	Name of the Sub Head	2014-15	2015-16	2016-17
1	CH-2	6004-02-101-3052-Block Loans	6.54	7.91	9.63
2	6	2071-01-102-3080-Payment of Commuted value of pension in India	3.22	3.88	2.83
3		2235-60-200-7000-Recoupment of Pension Welfare Fund	4.23	3.36	3.39
4		7810-122-5675-Inter State Adjustment between Madhya Pradesh and Chhattisgarh	1.12	0.39	0.34
5	7	2030-01-101-4612-Cost of Stamps	2.50	4.11	3.64
6	19	2071-01-800-5499- Medical facilities for retired employees	2.25	2.11	3.21
7		2210-03-198-0101- 620-Sub-Health Centres	0.68	4.75	22.95
8	32	2210-80-800-3956-Advertising, Sales and Publicity expenses	0.50	0.24	1.56
9	41	2210-03-796-197-0102-5998-Community Health Centre	7.48	8.8	5.63
10		2210-03-796-198-0102-2777-Primary Health Centre (Basic Services)	9.66	1.77	3.08
11		2210-03-796-198-0102 -620-Sub-Health Centres	6.54	6.19	20.00
Total			44.72	43.51	76.26

(Source: Appropriation Accounts from 2014-15 to 2016-17)

Recommendation: The Finance Department should ensure that no Budget Controlling Officers resort to excess expenditure over the regular allocations approved by the State Legislature and departmental action may be initiated for those who are responsible for the same.

2.2.3 Excess expenditure under schemes

In 33 cases, expenditure aggregating ₹ 1,347.11 crore under various sub heads exceeded the approved provision by ₹ 10 crore or more in each case as detailed in **Appendix 2.2**.

2.2.4 Savings

The outcome of the appropriation audit revealed that in 67 cases relating to 44 grants and three appropriations, the savings amounting to ₹ 16,292.43 crore exceeded more than ₹ 10 crore in each case and were also more than 20 per cent of the total provisions as detailed in **Appendix 2.3**.

Further, against the total savings of ₹ 19,743.88 crore, significant savings of ₹ 100 crore or more and also more than 10 per cent of the total provision occurred in 37 cases under 29 grants and one appropriation aggregating ₹ 17,337.73 crore (87.81 per cent of total savings) as detailed in **Appendix 2.4**.

Besides, significant savings exceeding ₹ 20 crore and above in each case were noticed in 25 sub-heads/schemes under 13 grants. Details of final savings are given in **Appendix 2.5**.

Recommendation: The State Government should prepare budget as per actual need and ensure its optimum utilisation.

2.2.5 Persistent savings

In 52 cases under 41 grants and one appropriation during the period 2012-13 to 2016-17, there were persistent savings of more than ₹ 10 crore in each case as shown in **Appendix 2.6**. The savings ranged between one and 100 per cent of the total budget of the respective grants which indicate that the budgeting was not realistic. In eight cases there were persistent savings of more than 30 per cent each of the provision.

This had been pointed out in earlier State Finance Reports, but the problem still persists.

Recommendation: The Finance Department should review monthly expenditure more effectively so that all anticipated savings are surrendered on time.

2.2.6 Entire budget provisions not utilised under sub heads

In 51 cases, under 24 grants the entire provision of ten crore or more made for various sub heads aggregating to ₹ 1,859.53 crore remained unutilised. Details are given in **Appendix 2.7**.

2.2.7 Supplementary provisions under Grants/Appropriations

a) Unnecessary supplementary provisions

In 36 grants and one appropriation, supplementary provision of ₹ one crore or more in each case aggregating ₹ 3,181.50 crore obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. Details are shown in **Appendix 2.8**.

b) Excessive supplementary provisions

In 10 grants against the additional requirement of ₹ 276.78 crore, supplementary provision of ₹ 2,832.44 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 2,556.10 crore are shown in **Appendix 2.9**.

Recommendation: The State Government should prepare supplementary budget as per actual need so that supplementary provisions are more realistic.

2.2.8 Supplementary provisions under sub heads/schemes

a) Unnecessary supplementary provisions

In 44 cases, under 19 grants, supplementary provision of ₹ one crore or more in each case aggregating ₹ 628.51 crore obtained during the year proved entirely unnecessary as the actual expenditure was less than the original provision. The details are shown in **Appendix 2.10**.

b) Excessive supplementary provisions

In 52 cases, under 24 grants, against the additional requirement of ₹ 1,978.18 crore, supplementary provision of ₹ 3,008.58 crore proved excessive. The resultant savings exceeding ₹ one crore or more in each case, aggregating ₹ 1,030.40 crore is shown in **Appendix 2.11**.

c) Inadequate supplementary provisions

In 18 cases, under 11 grants, against the additional requirement of ₹ 883.88 crore, supplementary provision of ₹ 440.86 crore proved inadequate. The resultant deficit exceeding ₹ one crore or more in each case, aggregating ₹ 443.02 crore is shown in **Appendix 2.12**.

2.2.9 Excessive/unnecessary/insufficient re-appropriation of funds

There were excess/savings of more than ₹ 10 crore and above after re-appropriation in 27 sub heads/schemes under 14 grants as detailed in **Appendix 2.13**. This indicates that the estimates were not properly assessed, as even after the withdrawal/ augmentation of funds through re-appropriation, there were final savings/ excesses in the grants.

2.2.10 Surrender in excess of actual savings

In 36 cases, the amounts surrendered (₹ 50 lakh or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these departments. As against savings of ₹ 6,112.35 crore, the amount surrendered was ₹ 6,698.42 crore, resulting in excess surrender of ₹ 586.07 crore. The details are given in **Appendix 2.14**.

Recommendation: Budget Controlling Officers should assess balances available with them before surrender of funds.

2.2.11 Anticipated savings not surrendered

In 9 cases under five grants and three appropriations savings of more than ₹ one crore in each case had occurred but no part of the same was surrendered by the concerned departments. The total amount involved in these cases was ₹ 609.02 crore which is 3.08 *per cent* of the total savings of ₹ 19,743.89 crore as detailed in **Appendix 2.15**.

Similarly, out of the savings of ₹ 10,736.09 crore in 37 cases under 27 grants and three appropriations (after surrender, savings of ₹ one crore and above in each case), provisions amounting to ₹ 4,479.11 crore (41.72 *per cent* of above savings) were not surrendered as detailed in **Appendix 2.16**.

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

2.2.12 Rush of expenditure

As per Paragraph 92 of Madhya Pradesh Budget Manual (as followed by Government of Chhattisgarh), rush of expenditure particularly in closing months of the financial year should be avoided. Contrary to this, in 39 Major Heads, expenditure of ₹ 5,569.91 crore was incurred during the last quarter of 2016-17 which was 64 *per cent* of the total expenditure of ₹ 8,756.54 crore under these heads as detailed in **Appendix 2.17**. Of this, ₹ 277.67 crore (32 *per cent*) of total expenditure was incurred in the month of March 2017.

Rush of expenditure in the closing month of the financial year entails risk of misuse of public money and unhealthy practices. Rush of expenditure in the last quarter of the financial year is not prudent financial management and is against the provision in the budget manual.

Recommendation: The Finance Department should control rush of expenditure during the fag end of the financial year.

2.3 Advances from the Contingency Fund

As per the Chhattisgarh Contingency Fund Act, 2001 of the State, no advance shall be made out of the Contingency Fund, except for the purposes of meeting unforeseen expenditure. During 2016-17, the state Government drew ₹ 2.29 crore from the Contingency Fund as shown in in **Table 2.4**.

Table 2.4: Expenditure from Contingency Fund of the State

(₹ in crore)

Sl. No.	Department	Nature of expenditure for which advances were drawn from the Contingency Fund	Month of Drawal	Amount of Advance
1	Tourism	Supply of drinking water and construction of toilet at Institute of Hotel Management for the implementation of the "Hammar Chhattisgarh Scheme".	June 2016	2.09
2	Forest	For payment of decree amount	October 2016	0.20
Total				2.29

In the case of tourism department, the expenditure did not meet the criteria for drawal from Contingency Fund as this expenditure was not of an unforeseen or of an emergent character. Thus, the advance drawn from Contingency Fund the purpose was in violation of the Act. However, the total withdrawal from the fund during 2016-17 was recouped through supplementary budget.

Recommendation: The State Government should ensure that no advances are drawn from the Contingency Fund except to meet expenditure of emergent and unforeseen nature.