

## **CHAPTER-II**

# **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**



## **CHAPTER II**

### **Financial Management and Budgetary Control**

#### **2.1 Introduction**

Effective financial management ensures that policy decisions are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance about successful implementation of policy at the ground level. This Chapter reviews the appropriations and allocative priorities of the State Government and comments on the transparency and effectiveness of its budgetary processes.

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 is thus a control document facilitating management of finances and monitoring of budgetary provisions and is complementary to Finance Accounts.

Audit of appropriations 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 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.

#### **2.2 Review of Budgetary Process**

A major concern is that budgetary processes are being undertaken in a mechanical and routine fashion without adequate due diligence. This can reduce the effectiveness of the Government to ensure that developmental goals are achieved as intended by Government.

The Annual Financial Statement of the estimated receipt and expenditure of the State for a financial year is laid before the House of the Legislature in accordance with Article 202 of the Constitution of India. The estimates of expenditure embodied in the Annual Finance Statement show separately – (a) the sums required to meet expenditure charged upon the Consolidated Fund of the State, and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State.

Government accounts are kept in three parts, namely Part –I Consolidated Fund, Part-II Contingency fund and Part – III Public Account. The details of transactions under the three parts are classified according to various Major Heads, Sub-Major Heads, Minor

Heads, Sub-Heads and Detailed Heads of accounts prescribed by the Controller General of Accounts.

The outlays on the various activities of Government are met from the Consolidated Fund which is made up of (a) Revenue-consisting of receipts heads (Revenue Account) and expenditure heads (Revenue Account), (b) Capital, Public Debt, Loans, *etc.* – consisting of receipt heads (Capital Account) and Expenditure Heads (Capital Account). No money (except expenditure charged upon the Consolidated Fund) can be withdrawn from the Consolidated Fund without the authority of the Legislature and for this purpose, necessary Demands for Grants are placed before the Legislature at the beginning of each financial year. The Grants, as and when passed by the Legislature, are incorporated in an Appropriation Act authorising necessary appropriation from the Consolidated Fund. Funds from the Contingency Fund are advanced for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. In Public Account, records are kept for all transactions relating to public moneys other than those of the Consolidated Fund and the Contingency Fund.

As contemplated in Paragraphs 1 and 78 of Budget Manual<sup>1</sup>, the duty of preparing Budget Estimates (BE) (Receipts and Expenditure) and Revised Estimates (RE) for laying before the Legislature vests with the Finance Department. The BE are prepared on departmental basis. The budget making process moves from the bottom to the top. As soon as the departmental estimates and RE are received, the Finance Department scrutinises these and after consultation with the administrative departments, enters the figures, which it accepts for the RE and BE. The estimates of receipts should show the amount expected to be actually realised within the year and in case of fluctuating revenue, the estimate should be based upon a comparison of last three years' receipts.

During scrutiny of records of Finance Department, it was noticed that the departmental BE were not submitted by the Administrative Departments within the target date (30 November 2017) fixed by the Finance (Budget) Department. Further, it was noticed that out of 65 Controlling Officers (COs), 10 COs had submitted the BE on time and 55 COs submitted after due date. There were delays ranging from one month to three months in submission of departmental budget estimates to the Finance Department. Consequently, there was little scope for scrutiny of these estimates by the Finance Department.

### **2.3 Summary of Appropriation Accounts**

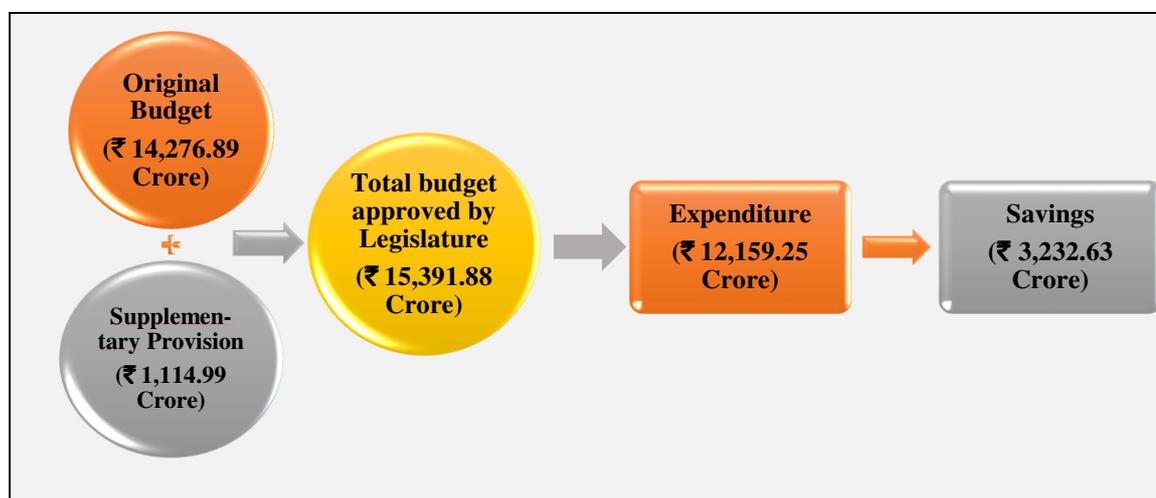
The summarised position of actual expenditure during 2018-19 against 61 Grants including 11 Appropriations is given in **Table 2.1**.

---

<sup>1</sup> Budget Manual of the Government of Assam (Volume I) as adopted by the Government of Meghalaya.

**Table 2.1: Summarised position of actual expenditure vis-à-vis Original/ Supplementary provision (₹ in crore)**

Nature of expenditure	Details of Grant/ Appropriation			Expenditure	Savings	Details of surrender of savings		
	Original	Supplementary	Total			Total	On 31 March 2019	On 31 March 2019 (per cent)
<b>Voted</b>								
I. Revenue	11302.46	758.31	12060.77	9517.21	2543.56	2479.54	2479.54	97.48
II. Capital	1596.33	347.53	1943.86	1417.28	526.58	382.36	382.36	75.01
III. Loans and Advances	72.53	Nil	72.53	89.49	-16.96			
<b>Total Voted</b>	<b>12971.32</b>	<b>1105.84</b>	<b>14077.16</b>	<b>11023.98</b>	<b>3053.18</b>	<b>2861.90</b>	<b>2861.90</b>	<b>93.74</b>
<b>Charged</b>								
IV. Revenue	733.40	9.15	742.55	739.32	3.23	0.51	0.51	15.79
V. Capital	Nil	Nil	Nil	Nil	Nil	Nil	Nil	-
VI. Public Debt- Repayment	572.17	Nil	572.17	395.95	176.22	Nil	Nil	0.00
<b>Total Charged</b>	<b>1305.57</b>	<b>9.15</b>	<b>1314.72</b>	<b>1135.27</b>	<b>179.45</b>	<b>0.51</b>	<b>0.51</b>	<b>28.42</b>
Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Grand Total</b>	<b>14276.89</b>	<b>1114.99</b>	<b>15391.88</b>	<b>12159.25</b>	<b>3232.63</b>	<b>2862.41</b>	<b>2862.41</b>	<b>88.55</b>



The overall saving of ₹ 3,232.63 crore was the result of saving of ₹ 3,456.68 crore in 59 Grants and seven Appropriations under Revenue Section and 25 Grants and two Appropriations under Capital Section. This was offset by excess of ₹ 224.05 crore in one Grant and one Appropriation under Revenue Section. Out of the total savings of ₹ 3,232.61 crore, ₹ 2,862.41 crore (88.55 per cent) was surrendered during the year and savings of ₹ 370.20 crore (11.45 per cent) was not surrendered which indicated lack of or inadequate budgetary control.

The savings/ excess were intimated (August 2019) to the Controlling Officers requesting them to explain the significant variations. Department-wise position involving substantial amount of savings/ excess (exceeding ₹ 10 crore in each case), for which reasons were not furnished (August 2019) by the departments concerned, is given in **Appendix 2.1**.

## 2.4 Financial Accountability and Budget Management

### 2.4.1 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 42 cases of total savings of ₹ 2,659.31 crore, the savings exceeded Rupees one crore in each case and was more

than 20 per cent of total provision (**Appendix 2.2**). In 11 cases, relating to ten Grants and one Appropriation, the savings exceeded ₹ 50 crore and above and resulted in total savings of ₹ 2,081.90 crore (78.29 per cent). It was further noticed that in 11 grants, supplementary provision was made even though the expenditure did not exceed the original provision as detailed in **Appendix-2.5**.

Reasons for savings resulting out of unnecessary supplementary provision which did not reach even the level of original provision was sought for from the Finance Department (February 2020). Reply is however, awaited.

#### 2.4.2 Budgetary Process and Supplementary Grants

Paragraph 98 of the Budget Manual requires that when the expenditure requiring provision is obligatory, a supplementary grant or appropriation may be taken towards the end of the year provided that the total provision made by law under the grant concerned, is not exceeded before the Supplementary Demand is obtained.

We observed that implementation of the Budget in the State was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) the original grants and supplementary grants were ₹ 11,302.45 crore and ₹ 758.31 crore respectively aggregating ₹ 12,060.76 crore, against which the actual expenditure was ₹ 9,517.21 crore resulting in savings of ₹ 2,543.55 crore. This was more than the supplementary provision (₹ 758.31 crore) which were taken during September 2018 and March 2019.
- Similarly, under Capital (voted) including Loans and Advances, the original and supplementary grants were ₹ 1,668.85 crore and ₹ 347.53 crore respectively aggregating ₹ 2,016.38 crore against which actual expenditure was ₹ 1,506.77 crore, resulting in savings of ₹ 509.61 crore. This was more than the supplementary grants (₹ 347.53 crore) which were taken during September 2018 and March 2019.

In the above cases, the supplementary provision of ₹ 758.31 crore under Revenue (voted) and ₹ 347.53 crore under Capital (voted) obtained during the year, proved unnecessary as the actual expenditure did not come up to the level of original provisions as indicated in **Table 2.2**.

**Table 2.2: Actual Expenditure vis-à-vis Original/Supplementary provisions**

(₹ in crore)

Sl. No.	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Expenditure	Savings
1.	Revenue (voted)	11302.45	758.31	12060.76	9517.21	2543.55
2.	Capital (voted)	1668.85	347.53	2016.38	1506.77	509.61
<b>Total</b>		<b>12971.30</b>	<b>1105.84</b>	<b>14077.14</b>	<b>11023.98</b>	<b>3053.16</b>

### 2.4.3 Persistent Savings

In three cases, during the last five years, there were persistent savings (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2014-19 (₹ in crore)

Sl. No.	Number and Name of the grant	Amount of savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue-Voted</b>						
1.	11- Other Taxes and Duties on Commodities and Services, <i>etc.</i>	77.67 (32)	65.34 (48)	82.37 (39)	79.07 (40)	218.83 (56)
2.	43 – Housing, Crop Husbandry, Agricultural Research and Education <i>etc.</i>	234.43 (48)	135.99 (34)	204.68 (49)	212.16 (47)	128.31 (37)
<b>Capital-Voted</b>						
3.	19 – Secretariat General Services, Public Works, <i>etc.</i>	95.11 (57)	39.66 (27)	70.43 (46)	100.81 (71)	46.92 (36)

(Figures in the parentheses indicate percentage of saving to total provision).

- (i) In the case of Other Taxes and Duties on Commodities and Services, *etc.* the savings ranged from ₹ 77.67 crore to ₹ 218.83 crores. In 2018-19, out of savings of ₹ 218.83 crore, an amount of ₹ 215.96 crore was surrendered on 31 March 2019.
- (ii) In Housing, Crop Husbandry, Agricultural Research and Education *etc.*, the savings ranged between ₹ 128.31 crore and ₹ 234.43 crore. In 2018-19, out of savings of ₹ 128.31 crore, an amount of ₹ 84.13 crore was surrendered on 31 March 2019.
- (iii) In Secretariat General Services, Public Works, *etc.* the savings ranged from ₹ 39.66 crore to ₹ 100.81 crore. In 2018-19, none of the savings was surrendered.

### 2.4.4 Expenditure without Budget Provision

Article 266 (3) of the Constitution states that ‘No moneys out of the Consolidated Fund of India or the Consolidated Fund of the State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution’.

The cases of excess expenditure over Budget provision is a very serious matter as it is a violation of the will of the Legislature. In all such cases, the responsibility needs to be fixed. It was, however, noticed that expenditure of ₹ 34.12 crore was incurred in ten cases without any budget provision in the original estimates/ supplementary demand and without any re-appropriation orders to this effect as detailed in Table 2.4.

Table 2.4: Expenditure incurred without provision during 2018-19 (₹ in crore)

Sl. No.	Grant/Appropriation Number – Major Head of Accounts – Sub Head – Detailed Head	Expenditure without provision
1.	15-2054-911 (01) VSAT Project for K105K Machine – General	0.47
2.	16-2055-800(03) Payment of Decretal amount – General	0.05
3.	19-2059-80-052(03) R/C of T& P <i>etc.</i> – Sixth Schedule (Part-II) Areas	1.23
4.	19-2059-80-052(04) Deduct – Transfer of T&P on charges on Percentage Basis to Major Heads - Sixth Schedule (Part-II) Areas	0.31
5.	29-4217-60-051 (01) Lumpsum Fund for Development of North Eastern States - General	0.56
6.	43-2401-108(37) Organic Manure – General	0.04

Sl. No.	Grant/Appropriation Number – Major Head of Accounts – Sub Head – Detailed Head	Expenditure without provision
7.	56-3054-01-902(01) Deduct-Amount met from Central Roads Fund - Sixth Schedule (Part-II) Areas	13.72
8.	56-2059-80-799(02) Stock - Sixth Schedule (Part-II) Areas	2.00
9.	56-5054-03-800(01) Construction - Sixth Schedule (Part-II) Areas	14.31
10.	56-5054-03-800(21) Projects Undertaken under Special Plan Assistance (SPA) - Sixth Schedule (Part-II) Areas	0.70
11.	56-5054-04-800(17) New Schemes (MLA's) Proposal for Roads and Bridges - Sixth Schedule (Part-II) Areas	0.73
	<b>Total</b>	<b>34.12</b>

#### 2.4.5 Drawal of funds to avoid lapse of budgetary provision

As per Paragraph 152 (iii) of Budget Manual, Controlling Officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case latest by the 15<sup>th</sup> of March. Further, as per Rule 211 of Meghalaya Treasury Rules, 1986, no money shall be drawn from the Treasury unless it is required for immediate disbursement. Contrary to the prescribed procedure, ₹ 614.50 crore was transferred in March 2019 into the major head of Account '8443 – Civil Deposits' primarily to exhaust the unspent budgetary provision. Details of all such transfers (₹ five crore and above in each case) in respect of the 18 cases involving ₹ 614.50 crore are mentioned in **Appendix 2.3**.

While there is no Rule to prevent transfers to Civil Deposits, it was violative of the spirit of Rule 211 of Meghalaya Treasury Rules, 1986. The funds were transferred to Civil Deposits primarily to avoid lapse of budgetary provision.

#### 2.4.6 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 excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As indicated in the Report of the Comptroller and Auditor General of India for the previous years, excess expenditure of ₹ 2,176.83 crore for the years from 1971-72 to 2017-18 had not been regularised, details of which are given in **Appendix 2.4**. This is contrary to legislative intent and defeats the objective of ensuring accountability of the executive over utilisation of public money. Excess expenditure remaining un-regularised for such extended period needs to be viewed seriously as this dilutes parliamentary control over the exchequer. All existing cases of excess expenditure need to be regularised at the earliest and strict departmental action taken against the Controlling Officer who exceed the budget.

During the current year, expenditure under one Grant under Revenue Section and one Appropriation under Capital Section amounting to ₹ 224.06 crore, are in excess of authorisation; and require regularisation under Article 205 of the Constitution, as detailed in **Table 2.5**. This is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under

appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

**Table 2.5: Expenditure over provision during 2018-19 requiring regularisation**

(₹ in crore)

Sl. No.	Number and title of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess (+) (per cent to Total Grant/ Appropriation)
<b>Revenue – Voted</b>				
1.	24 – Pensions and Other Retirement Benefits	784.15	1004.94	220.79 (30.24)
<b>Capital – Charged</b>				
1.	Appropriation – Interest Payment	653.54	656.81	3.27 (0.50)
<b>Total</b>		<b>1437.69</b>	<b>1661.75</b>	<b>224.06</b>

In one of the above cases, viz. Grant No.24 - Pension & Other Retirement Benefits, expenditure in excess of the budget provision has been observed consistently for the last five years (**Table 2.6**) which is reflective of poor budgeting.

**Table 2.6: Persistent excess expenditure during 2014-19**

(₹ in crore)

Number and name of the Grant	Amount of Excess Expenditure				
	2014-15	2015-16	2016-17	2017-18	2018-19
24- Pension and other Retirement benefits (Revenue - Voted)	114.63	142.92	154.37	20.66	220.79

*Government may consider fixing responsibility of officials responsible for incurring expenditure in excess of the Grants/provisions.*

#### 2.4.7 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. As per the Appropriation Accounts, re-appropriation made under 223 sub-heads proved excessive or insufficient and resulted in savings/ excess of over ₹ 10 lakh. Instances of 69 such cases where excess/ saving was Rupees one crore or above in each case are detailed in **Appendix 2.6**.

#### 2.4.8 Surrender of funds

**Table 2.1** showed total surrender of ₹ 2,861.90 crore as on 31 March 2019. In 75 cases there were 100 per cent surrender of funds totalling ₹ 454.56 crore, details of which are given in **Appendix 2.7**. Surrender of funds at the end of March 2019 indicated poor budget monitoring/ review and in contravention of the order relating to surrenders by mid-March. Delay in surrender also denied the utilisation of savings for other developmental purposes.

#### 2.4.9 Surrender in excess of actual savings

As per the provision of the Budget Manual, spending departments, are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and

when the savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by Controlling Officers results in surrender in excess of overall saving under grant/ appropriation.

In 19 cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in those departments. As against savings of ₹ 532.65 crore, the amount surrendered was ₹ 550.13 crore resulting in excess surrender of ₹ 17.48 crore (**Appendix 2.8**). The surrender in excess of actual savings indicated that the departments did not exercise adequate budgetary controls by watching flow of expenditure. Eight significant cases of surrender in excess of actual savings are shown in **Table 2.7**.

**Table 2.7: Cases of surrender in excess of savings (₹ in crore)**

Sl No.	Number and Name of Grant/ Appropriation	Total Grant	Savings	Amount surrendered	Excess surrender
1.	5 – Elections (Revenue – Voted)	112.73	9.00	10.38	1.38
2.	8 – State Excise (Revenue – voted)	19.92	0.08	0.97	0.89
3.	14 – District Administration (Revenue – Voted)	59.99	4.27	5.12	0.85
4.	19 – Secretariat General Services, Public Works, Housing, Capital Outlay on Public Works, Capital Outlay on Education, etc. Revenue – Voted	76.25	11.93	14.15	2.22
5.	22 – Other Administrative Services, Housing Revenue – Voted	54.59	5.43	6.55	1.12
6.	34 – Social Security and Welfare, Nutrition Capital Outlay on Social Security and Welfare, etc. (Revenue – Voted)	580.84	147.72	149.27	1.55
7.	50 – Forestry and Wildlife, Agricultural Research and Education, etc. Revenue – Voted	241.48	99.68	103.25	3.57
8.	52 – Industries, Capital Outlay on Cement, Capital Outlay on Industries and Minerals, etc. Revenue – Voted	23.65	2.54	5.66	3.12

The above indicated lack of financial prudence in the management of budget in the concerned departments.

#### **2.4.10 Anticipated savings not surrendered**

As per Paragraph 152 (iii) of Budget Manual, Controlling Officers are to surrender to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known and in any case latest by the 15<sup>th</sup> of March. Scrutiny of the appropriation accounts however revealed the following:

- In 10 Grants, it was seen that savings occurred but the entire savings were not surrendered by the concerned departments. The amount involved in those cases was ₹ 236.83 crore (7.33 per cent of the overall savings of ₹ 3,232.61 crore for the year 2018-19) (**Appendix 2.9**).
- In 27 Grants (which had savings of Rupees one crore and above), it was seen that out of savings of ₹ 2,213.84 crore, an amount of ₹ 1,607.24 crore was surrendered while the remaining ₹ 606.60 crore (27.40 per cent) were not surrendered (**Appendix 2.10**).

- In 60 cases, (surrender of funds in excess of Rupees one crore), an amount of ₹ 2,856.55 crore was surrendered on the last working day of March 2019 (**Appendix 2.11**). Surrender of funds on the last working day of March denied utilisation of savings for other developmental purposes.

This indicated inadequate financial control and also resulted in idling of these funds since they could not be utilised for other development purposes.

## **2.5 Reconciliation of departmental figures**

### **2.5.1 Un-reconciled Expenditure**

Budget Manual stipulates that expenditure recorded in the Controlling Officers (COs) books should be reconciled by them every month during the financial year with the books of the Accountant General (Accounts & Entitlement). This is in order to enable COs of Departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts. During 2018-19, 27 out of 59 COs did not reconcile expenditure amounting to ₹ 1,708.56 crore (14.05 *per cent* of total gross expenditure of ₹ 12,159.25 crore) as of March 2019 (**Appendix 2.12**). This is despite the fact that non-reconciliation of departmental figures is being pointed out regularly in Audit Reports. Out of the unreconciled expenditure of ₹ 1,708.56 crore, ₹ 963.33 crore related to the Secretary, Finance Pension Cell Department followed by ₹ 154.74 crore in respect of Secretaries of Planning, Secretariat Administration, Finance and Public Works Departments and ₹ 67.80 crore in respect of Director of Civil Aviation.

## **2.6 Outcome of review of selected Grant**

A review of budgetary procedure and control over expenditure was conducted (November 2019) in respect of 'Grant Number – 51 Housing, Special programme for Rural Development, Rural Employment, Other Rural Development Programmes, Capital Outlay on North Eastern Areas, Capital Outlay on other Rural Development Programmes.

The Director of Community and Rural Development was the Controlling Officer of this Grant. Under this Grant, expenditure during the year 2018-19 was booked under the major heads of account 2216 – Housing, 2501 – Special Programmes for Rural Development, 2505 – Rural Employment, 2515- Other Rural Development Programmes, 4515 - Capital outlay on Other Rural Development Programme, 4552- Capital outlay on North Eastern Areas.

In this regard, significant cases of savings and excess expenditure over budget provisions noticed during the review are discussed below:

### **2.6.1 Excessive supplementary provision/non-surrender of savings**

Against budget provision of ₹ 1,501.22 crore (including supplementary provision of ₹ 16.48 crore), under revenue head the actual expenditure incurred was ₹ 777.75 crore resulting in final savings of ₹ 723.47 crore. In view of the final savings of

₹ 723.47 crore, the supplementary provision of ₹ 16.48 crore<sup>2</sup> obtained during the year was in excess of requirement. Out of the savings of ₹ 723.47 crore the Controlling Officer surrendered only ₹ 714.98 crore during the year, on 31 March 2019. The balance savings of ₹ 8.49 crore, was not surrendered contrary to the provision in Paragraph 152 (iii) of the Budget Manual, providing for surrender of all anticipated savings to the Finance Department latest by 15 March so that the same can be utilised for other purposes.

Under the capital head, expenditure of ₹ 5.10 crore was incurred during the year against the budget provision of ₹ 28.48 crore resulting in saving of ₹ 23.38 crore. The savings were surrendered during the year.

## 2.6.2 Savings

As per the Detailed Appropriation Accounts for the year 2018-19, savings ranging between 15.74 per cent to 100 per cent occurring under nine schemes in respect of major Head of Accounts 2216 - Housing and 2515 – Other Rural Development Programme are shown in **Table 2.8**.

**Table 2.8: Cases where part of budget provisions was utilised**

(₹ in lakh)

Sl. No.	Name of Scheme	Original Provision	Savings	Percentage
<b>2216 - Housing</b>				
1.	07 Other Housing 053(02) Other maintenance expenditure - Sixth Schedule	0.66	0.66	100
<b>2515 – Other Rural Development Programme</b>				
2.	001(01) Directorate of Community Development – General	623.90	182.85	29.31
3.	001(02) District Office under Community Development – Sixth Schedule	128.45	66.87	52.06
4.	001(03) Sub-divisional Organisation Planning - Sixth Schedule	41.00	31.16	76.00
5.	001(12) Payment due to MeSEB/Municipal/Telephone Bill(BSNL) - Sixth Schedule	21.65	18.82	86.93
6.	102 Community Development 0002(02) Stage II Block - Sixth Schedule	441.16	241.16	54.66
7.	0004(04) Re organisation of C&RD Block	100.65	15.84	15.74
8.	800 Other expenditure 0017(17) Construction & maintenance of Dept. Build/non-residential Build	23.26	11.69	50.26
9.	Centrally Sponsored Scheme 0019(19) National Social Assistance Programme - Sixth Schedule	375.40	230.67	61.45

As per Paragraph 152 (iii) of the Budget Manual (Volume I), the Controlling Officers should surrender to the Finance Department all savings anticipated in the Budget under their control as soon as the certainty of non-requirement of fund is known by the 15<sup>th</sup> of March at the latest for utilisation by the Finance Department for other purposes. In the above cases, none of the amounts had been surrendered during the year.

<sup>2</sup> ₹ 10.49 crore: September 2018.  
₹ 5.99 crore: March 2019.

### 2.6.3 Excess expenditure over budget provision

As per detailed Appropriation Accounts for the year 2018-19, under three schemes, expenditure of ₹ 5.81 crore exceeded the budget provision by ₹ 2.50 crore. The details are given in **Table 2.9**.

**Table 2.9: Excess expenditure over budget provisions**

(₹ in crore)			
Major Head and Group Head	Final Grant or Appropriation	Actual expenditure	Excess
<b>2515 – Other Rural Development Programme</b>			
800 – Other expenditure 0018(18) DRDA – Administration – Voted – Sixth schedule	0.55	0.74	0.19
800 – Other expenditure 0019(19) National Social Assistant Programme – Voted - Sixth schedule	1.76	3.46	1.70
102 –Community Development 0012(12) National Family Benefit Scheme – Voted – Sixth schedule	1.00	1.61	0.61
<b>Total</b>	<b>3.31</b>	<b>5.81</b>	<b>2.50</b>

On being pointed out (November 2019), the Directorate of Community & Rural Development stated (January 2020) that there was no excess expenditure as amount was re-appropriated/part of Central Share/Centrally Sponsored Scheme. The reply was however, incorrect since the expenditure was more than the final grant. This resulted in incurring excess expenditure over Budget provision. The cases of excess expenditure over Budget provision is a violation of the will of the Legislature. Government may consider fixing responsibility of officials responsible for incurring expenditure without budget provisions.

### 2.6.4 Re-appropriation/non utilisation of the funds led to surrender

As per detailed Appropriation Accounts for the year 2018-19, budget provisions were made for five schemes in respect of major Head of Accounts 2515 – Other Rural Development Programme. The amount of ₹ 1.60 crore was re-appropriated but not utilised. The details are given below:

**Table 2.10: Cases where Fund were re-appropriated and not utilised** (₹ in crore)

Sl. No.	Name of Scheme	Original provision	Re-appropriated/ surrender
<b>2515 – Other Rural Development Programme</b>			
1.	001 Direction and administration 0012(12) Payment due to MeSEB/Municipal/Telephone Bill (BSNL)	0.03	(-)0.03
2.	003 Training 001 (01) Study Tour <i>etc.</i> , for non-officers – General	0.01	(-)0.01
3.	002 (02) Training of community development Personal	0.01	(-)0.01
4.	800 Other expenditure 0026(26) Social mobilisation centre at district headquarter	1.00	(-)1.00
5.	07 NLCPR 800 Other expenditure 0013(13) Non-lapsable Central Pool of Resources for Development of North East	0.55	(-)0.55
<b>Total</b>		<b>1.60</b>	<b>(-) 1.60</b>

The re-appropriation/ non utilisation of the funds led to surrender of the amounts which indicated injudicious budgeting.

## 2.7 Significant Findings

The financial management and budgetary control of the Government was not satisfactory. Government presented an ambitious budget of ₹ 15,319.88 crore<sup>3</sup> for the year 2018-19, of which it could incur an expenditure of ₹ 12,159.25 crore resulting in an overall savings of ₹ 3,160.63 crore (20.63 per cent of total provision).

There were deficiencies in budgetary procedure and expenditure control.

- The estimates for receipts and expenditure were prepared without adequate due diligence in observing prescribed budgetary regulations.
- Delayed submission of departmental estimates, poor verification of departmental figures, etc. indicates absence of financial control.
- In many cases, the anticipated savings were not surrendered for utilising these for other development purposes.

## 2.8 Conclusion

Budgetary forecasting of the State Government were not realistic during 2018-19 as the budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had not failed to take corrective measures in this regard.

Savings during the year accounted for almost a third of the budget; however, the Controlling Officers did not surrender the funds on time. Explanations were also not provided to the Accountant General (A&E) for variations in expenditure *vis-à-vis* allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

## 2.9 Recommendations

***State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to absorb the allocations;***

***Appropriate control and monitoring mechanism need to be instituted for identification and surrender of anticipated savings within the specified timeframe; and***

***Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.***

<sup>3</sup> Original plus Supplementary.