

**CHAPTER II**  
**FINANCIAL MANAGEMENT AND**  
**BUDGETARY CONTROL**



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**2.1 Introduction**

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 contain the list of original budget estimates, supplementary grants, surrenders and re-appropriations distinctly indicating 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 the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions is therefore complementary to Finance Accounts.

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

**2.2 Summary of Appropriation Accounts**

The summarised position of actual expenditure during 2017-18 against Grants/Appropriations (50 Grants and three Appropriations) is indicated in the following table:

**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 (+)	Amount surrendered (Amount Surrendered on 31 March) <sup>1</sup>	Percentage of savings surrendered
(1)	(2)	(3)	(4)	(5)	(6) (4-5)	(7)	(8)
<b>Voted</b>							
Revenue	9,386.45	604.34	9,990.79	8,700.81	(-)1,289.98	188.21 (188.21)	14.59
Capital	2,066.19	682.04	2,748.23	1,428.30	(-) 1,319.93	191.34 (191.34)	14.50
Loans and Advances	6.70	0.15	6.85	3.40	(-) 3.45	0 (0)	0
<b>Sub-total Voted</b>	<b>11,459.34</b>	<b>1,286.53</b>	<b>12,745.87</b>	<b>1,0132.51</b>	<b>(-)2,613.36</b>	<b>379.55</b> <b>(379.55)</b>	<b>14.52</b>
<b>Charged</b>							
Revenue	565.90	32.31	598.21	589.13	(-) 9.08	0.20 (0.20)	2.20
Capital	0	0	0	0	0	0 (0)	0

<sup>1</sup> As per Appropriation Account, the whole amount was surrendered on 31 March.

Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-) /Excess (+)	Amount surrendered (Amount Surrendered on 31 March) <sup>1</sup>	Percentage of savings surrendered
(1)	(2)	(3)	(4)	(5)	(6) (4-5)	(7)	(8)
Public Debt- Repayment	395.41	0	395.41	675.53	(+) 280.12	77.51 (77.51)	27.67
<b>Sub-total Charged</b>	<b>961.31</b>	<b>32.31</b>	<b>993.62</b>	<b>1,264.66</b>	<b>(+) 271.04</b>	<b>77.71 (77.71)</b>	<b>28.67</b>
Appropriation to Contingency Fund	0	0	0	0	0	0	0
<b>Grand Total</b>	<b>12,420.65</b>	<b>1,318.84</b>	<b>13,739.49</b>	<b>11,397.17</b>	<b>(-)2,342.32</b>	<b>457.26 (457.26)</b>	<b>19.52</b>

(Source: Appropriation Accounts)

During 2017-18, an expenditure of ₹ 11,397.17 crore was incurred against a total budget provision of ₹ 13,739.49 crore resulting in overall saving of ₹ 2,342.32 crore. The overall saving of ₹ 2,342.32 crore was the net result of saving of ₹ 2,809.53 crore in 47 Grants and three Appropriations under Revenue section and 29 Grants under Capital section, offset by an excess of ₹ 467.21 crore in four Grants under Revenue section and one Grant and one Appropriation under Capital section. The overall savings of ₹ 2,342.32 crore stood at 17 per cent of total grants/appropriations which showed poor financial management by the State. It also indicated that budget estimates were not prepared properly and the activities were not executed in a planned manner.

Substantial savings occurred in Police (Revenue voted – ₹ 106.57 crore) (Grant no. 7), Public Works Department (Revenue voted- ₹ 113.18 crore) (Grant no. 8), Education (Revenue voted – ₹ 198.13 crore) (Grant no. 10), Municipal Administration, Housing and Urban Development (Revenue voted - ₹ 127.08 crore) (Grant No. 12), Community and Rural Development (Revenue Voted - ₹ 146.67 crore) (Grant no. 20) Planning (Revenue voted - ₹ 116.25 crore) (Grant no. 30), Social Welfare Department (Revenue voted - ₹ 123.53 crore) (Grant no. 44), Public Works Department (Capital voted - ₹ 437.75 crore) (Grant no. 8), Planning (Capital voted - ₹ 148.34 crore) (Grant no. 30), Minor Irrigation (Capital voted - ₹ 102.91 crore) (Grant no. 36) and Irrigation and Flood Control Department (Capital voted – ₹ 288.86 crore) (Grant no. 40). Excess expenditure occurred mainly in Interest Payment and Debt Services (Capital Charged - ₹ 280.12 crore) (Appropriation No. 2) and Finance Department (Revenue voted - ₹ 139.98 crore) (Grant no. 5).

During Exit Conference (January 2019), while accepting the audit observation, the Finance Department stated that the excess expenditure on Interest Payment and Debt Services were mainly on account of charges for debt services on Ways and Means Advances availed by the State Government during 2018-19. The Department further stated that the efforts would be made to streamline the budgetary and expenditure management/control process.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priority

The outcome of appropriation audit shows that in 70 cases, savings exceeded ₹ one crore in each case or by more than 25 per cent of total provision. Details are given in **Appendix 2.1**.

There were 19<sup>2</sup> cases where savings were 50 per cent and above of the total provision in each case. Out of these, 100 per cent savings occurred in three Grants<sup>3</sup> under Capital voted. There was savings amounting to ₹ 2,227.96 crore in 16 cases, where savings were ₹ 50 crore and above in each case. Details are indicated in the following table:

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

(₹ in crore)

Sl. No	Grant No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
<b>Revenue Voted</b>						
1	7. Police	1,309.80	22.70	1,332.50	1,225.93	106.57
2	8. Public Works Department	281.45	-	281.45	168.26	113.19
3	10. Education	1,442.87	-	1,442.87	1,244.74	198.13
4	11. Medical, Health and Family Welfare Services	582.66	54.51	637.17	563.83	73.33
5	12. Municipal Administration, Housing and Urban Development	235.39	-	235.39	108.31	127.08
6	17. Agriculture	163.17	7.25	170.42	114.64	55.78
7	19. Environment and Forest	192.96	14.36	207.31	135.42	71.90
8	20. Community and Rural Development	1,040.46	48.92	1,089.39	942.72	146.67
9	21. Commerce and Industries	120.23	-	120.23	52.77	67.46
10	30. Planning	226.36	-	226.36	110.11	116.25
11	44. Social Welfare Department	322.14	36.70	358.84	235.31	123.53
	<b>Sub Total</b>	<b>5,917.49</b>	<b>184.44</b>	<b>6101.93</b>	<b>4,902.04</b>	<b>1,199.89</b>
<b>Capital Voted</b>						
12	8. Public Works Department	729.73	93.19	822.92	385.18	437.75
13	12. Municipal Administration, Housing and Urban Development	88.98	170.01	259.00	208.79	50.21
14	30. Planning	200.57	-	200.57	52.23	148.34
15	36. Minor Irrigation	138.83	2.18	141.01	38.11	102.91
16	40. Irrigation and Flood Control Department	267.07	149.76	416.83	127.97	288.86
	<b>Sub Total</b>	<b>1,425.18</b>	<b>415.14</b>	<b>1,840.33</b>	<b>812.28</b>	<b>1,028.07</b>
	<b>Total</b>	<b>7,342.67</b>	<b>599.58</b>	<b>7,942.26</b>	<b>5,714.32</b>	<b>2,227.96</b>

(Source: Appropriation Accounts)

It may be seen from the above table that in nine cases, Supplementary Grants were given even though the Actual expenditure was less than Original Provision viz., Police (Sl. No. 1), Medical Health and Family Welfare Services (Sl. No. 4), Agriculture (Sl. No. 6), Environment and Forest (Sl. No. 7), Community and Rural Development (Sl. No. 8), Social Welfare Department (Sl. No. 11) under Revenue Voted and Public Works Department (Sl. No. 12), Minor Irrigation (Sl. No. 15) Irrigation and Flood Control Department (Sl. No. 16) under Capital Voted. Further, in eleven cases viz., Police (₹ 106.57 crore); Public Works Department (₹ 113.19 crore); Education (₹ 198.13 crore); Municipal Administration, Housing and Urban Development (₹ 127.08 crore), Community and Rural Development (₹ 146.67 crore), Planning (₹ 116.25 crore) and Social Welfare Department (₹ 123.53 crore) under Revenue Voted, Public Works Department (₹ 437.75 crore), Planning (₹ 148.34 crore), Minor

<sup>2</sup> Grant Nos. 12, 21, 30, and 47 (Revenue Voted), Grant No. 8 (Revenue Charged) and Grant Nos. 2, 6, 8, 13, 16, 17, 23, 26, 27, 30, 36, 40, 42 and 45 (Capital voted).

<sup>3</sup> Grant No. 6 - Transport (Sl. No. 49), Grant No. 23 - Power (Sl. No. 60) and Grant No. 27 - Election (Sl. No. 63) under Capital voted.

Irrigation (₹ 102.91 crore) and Irrigation and Flood Control Department (₹ 288.86 crore) under Capital Voted, there was savings of more than ₹ 100 crore in each case.

While accepting the audit observation, the Finance Department stated (January 2019) that the efforts would be made to streamline the budgetary and expenditure management/control process to avoid savings.

**Recommendation:** *The Government should strengthen budgetary and expenditure monitoring/management and take timely action in order to avoid large savings of funds.*

### 2.3.2 Expenditure without provision

Expenditure should not be incurred on a scheme/service without provision of funds authorised by the Legislature. Audit noticed that expenditure of ₹ 7.50 crore was incurred in two cases without provision of funds in the original estimates/supplementary demand. The details are given in the following table:

**Table 2.3 Statement showing expenditure incurred without provision during 2017-18**

(₹ in lakh)

Sl. No.	No. and Name of Grant/Appropriation (Heads of Accounts)	Amount of Expenditure
<b>Grant No. 22 – Public Health Engineering</b>		
1	4215.02.101.19(V) – Imphal Sewerage	713.00
<b>Grant No. 40 – Irrigation and Flood Control Department</b>		
2	4700.04.800.12(V) – Dolaithabi River Irrigation Project	37.19
<b>Total</b>		<b>750.19</b>

\* V- Valley (Source: Detailed Appropriation Accounts)

Thus, the expenditure so incurred by the respective departments was against the spirit of financial principles and also against the will of the legislature which was indicative of lack of financial discipline.

While accepting the audit observation, the Department stated (January 2019) that efforts would be made to streamline the budgetary and expenditure management/control process to avoid expenditures without budgetary provisions.

**Recommendation:** *The Government should strengthen budgetary and expenditure monitoring/control to avoid incurring of expenditure without provision of funds.*

### 2.3.3 Persistent savings

There were 15 cases where persistent savings were found during the last five years *i.e.* 2013-14 to 2017-18. Of these, eight cases pertained to Revenue Voted accounts, two cases pertained to Revenue Charged accounts and the remaining five cases under Capital Voted accounts. The details are given **Appendix 2.2**. In one case<sup>4</sup>, during the last five years (2013-18), there were persistent savings of more than ₹ 50 lakh. Persistent savings occurring year after year is indicative of the fact that proper analysis was not done while framing the estimates.

<sup>4</sup> Sl. No. 4 of Appendix 2.2.

Trends of persistent savings are being highlighted in the Report of the CAG on State Finances every year but corrective measures had not been taken by the departments concerned to correct the situation. It is recommended that disciplinary action may be initiated against the erring officials.

During discussion (January 2019), the Department stated that efforts would be made to streamline the budgetary and expenditure management/control process to avoid the above position.

**Recommendation:** *The Government should ensure that all anticipated savings are surrendered on time so that the funds can be utilised for other development purposes.*

### 2.3.4 Drawal of funds at the end of the financial year

As per provisions of Rule 290 of Central Treasury Rules, no money shall be drawn from the Treasury unless it is required for immediate disbursement. Audit noticed that in respect of 20 cases mentioned in **Appendix 2.3**, ₹ 31.31 crore drawn at the end of the year during March 2018 were deposited into the head of account MH 8449 Other Deposits- Minor Head 120 Miscellaneous Deposits. In eight cases, the amount deposited was more than ₹ one crore viz, Joint Director, Arts & Culture, (₹ 1.87 crore); Joint Director, MAHUD, (₹ 1.77 crore); District Session Judge, Imphal East, (₹ 8.47 crore); Director/Agriculture Officer, MOBC, (₹ 1.25 crore); Joint Director, Youth Affairs & Sports, (₹ 4.99 crore); Additional Director of Education – S (Valley), (₹ 1.95 crore); Additional Director of Education – S (Hills), (₹ 1.26 crore) and Administrative Officer, Medical Directorate, (₹ 5.72 crore). Audit also noticed that an amount of ₹ 44.97 crore was deposited during March 2018 under MH-8443 Civil Deposits-Minor Head 108 Public Works Deposits (details at **Appendix 2.4**). Thus, although the figure of ₹ 76.28 crore (MH 8449: ₹ 31.31 crore + MH 8443: ₹ 44.97 crore) had been booked as expenditure in the accounts, the amount was actually kept parked under the Deposit Heads resulting in inflation of the reported expenditure figure.

While accepting the audit observation, the Finance Department stated (January 2019) that efforts would be made to streamline the budgetary and expenditure management/control process to avoid drawal of funds at the end of financial year.

Drawal of fund without immediate requirement in order to avoid the lapse of budgetary grant is in violation of Rule 290 of the Central Treasury Rules. Such practice is also in violation of budgetary norms since the Appropriation Act passed by the State Legislature authorises the Government to incur expenditure during the financial year and not beyond the year. When funds are drawn and kept parked for expenditure to be incurred in another financial year, such practice exceeds the authority granted to the Government by the Appropriation Act. Drawl of funds without actual expenditure also leads to falsification of accounts of the Government.

**Recommendation:** *The Government should avoid drawal of funds at the end of the financial year merely to avoid lapse of budgetary grant.*

### 2.3.5 Non-regularisation of excess expenditure made during previous years

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a Grant/Appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). The excess over provisions of ₹ 3,203.20 crore relating to the periods 2010-16 had been recommended by the PAC for regularisation in its 39<sup>th</sup>, 46<sup>th</sup>, 48<sup>th</sup> and 50<sup>th</sup> Report. However, action for the regularisation of the excess expenditure was yet to be initiated (December 2018) by the State Government. Excess expenditure amounting to ₹ 50.73 crore for the year 2016-17 was yet to be examined (December 2018) by the PAC. The details of excess expenditure during 2010-17 are shown in **Appendix 2.5**. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in the following table:

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

(₹ in crore)

Year	No. of Grants	No. of Appropriation	Amount of excess	Status of Regularisation (as of October 2016)
2010-11	6	1	62.42	Recommended for regularisation by the PAC but follow-up action was awaited from Finance Department.
2011-12	12	2	89.38	
2012-13	2	2	541.42	
2013-14	0	2	369.90	
2014-15	1	1	1,996.48	
2015-16	9	2	143.60	Excess expenditure yet to be discussed by PAC
2016-17	0	1	50.73	
<b>Total</b>	<b>30</b>	<b>11</b>	<b>3,253.93</b>	

(Source: Appropriation Accounts)

All such excess expenditure over grants are needed to be got regularised at the earliest under the Article 205 of the Constitution of India. The responsibility of the executive on account of persistent excess expenditure over Grants/appropriations needs to be fixed as this is contrary to legislative intent and defeats the objective of ensuring accountability of the executive over utilisation of public money. In future, such unauthorised excess expenditure should be stopped completely, except in case (s) of dire and extreme emergency, the amount of which cannot be met from the Contingency Fund.

### 2.3.6 Excess expenditure incurred during 2017-18

The following table contains the summary of total excess over provisions in seven cases amounting to ₹ 467.21 crore from the Consolidated Fund of the State during 2017-18 and requires regularisation under Article 205 of the Constitution. The excess expenditure incurred during 2017-18 is shown in the following table:



Table 2.5: Excess over provisions during 2017-18 requiring regularisation

(₹ in lakh)

Sl. No.	Number and title of Grant/Appropriation	Total provision	Expenditure	Excess
<b>Revenue Voted</b>				
1	1. State Legislature	7,485.92	8,656.64	1,170.72
2	5. Finance Department	1,27,372.37	1,41,370.84	13,998.47
3	13. Labour and Employment	2,040.73	4,804.57	2,763.84
4	39. Sericulture	2,540.75	2,753.33	212.58
<b>Sub Total</b>		<b>1,39,439.77</b>	<b>1,57,585.38</b>	<b>18,145.61</b>
<b>Revenue Charged</b>				
5	5. Finance Department	1,08.01	1,13.62	5.61
<b>Sub Total</b>		<b>108.01</b>	<b>113.62</b>	<b>5.61</b>
<b>Capital Voted</b>				
6	21. Commerce and Industries	1846.87	2403.95	557.08
<b>Sub Total</b>		<b>1,846.87</b>	<b>2,403.95</b>	<b>557.08</b>
<b>Capital Charged</b>				
7	Appropriation No. 2 - Interest Payments and Debt services	39541.01	67553.27	28012.26
<b>Sub Total</b>		<b>39,541.01</b>	<b>67,553.27</b>	<b>28,012.26</b>
<b>Total</b>		<b>1,80,935.66</b>	<b>2,27,656.22</b>	<b>46,720.56</b>

(Source: Appropriation Accounts)

Thus, taking recourse to excess expenditure over grants is a matter of concern and in violation of the will of the Legislature. It is, therefore, imperative that responsibility of erring official is fixed in this regard to discourage this practice.

**Recommendation:** The Government should avoid taking recourse to excess expenditure beyond the provision of Grant/Appropriation authorized by the Legislature.

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating to ₹ 545.94 crore in 28 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision. Out of these, in seven cases unnecessary supplementary provisions provided exceeded ₹ 20 crore viz., Police (₹ 22.69 crore), Medical, Health and Family Welfare Services (₹ 54.51 crore), Community and Rural Development (₹ 48.92 crore) and Social Welfare Department (₹ 36.70 crore) under Revenue Voted and Public Works Department (₹ 93.19 crore), Irrigation and Flood Control Department (₹ 149.76 crore) and Tourism (₹ 36.40 crore), under Capital Voted. The details are given in **Appendix 2.6**.

In three cases, supplementary provision of ₹ 4.14 crore was insufficient and there was an aggregate excess expenditure of ₹ 39.40 crore. Details are given in the following table:

Table 2.6: Statement showing major cases of insufficient supplementary provision

(₹ in lakh)

Sl. No.	Number and Title of Grant and Appropriation	Original	Supplementary	Total	Expenditure	Excess
<b>Revenue Voted</b>						
1	1. State Legislature	7,485.08	0.84	7,485.92	8,656.64	1170.72
2	13. Labour and Employment	1,725.80	314.93	2,040.73	4,804.57	2763.84
<b>Sub Total</b>		<b>9,210.88</b>	<b>315.77</b>	<b>9,526.65</b>	<b>13,461.21</b>	<b>3934.56</b>

Revenue Charged						
3	5. Finance Department	10.01	98.00	108.01	113.62	5.61
	<b>Sub Total</b>	<b>10.01</b>	<b>98.00</b>	<b>108.01</b>	<b>113.62</b>	<b>5.61</b>
<b>Grand Total</b>		<b>9,220.89</b>	<b>413.77</b>	<b>9,634.66</b>	<b>13,574.83</b>	<b>3940.17</b>

(Source: Appropriation Accounts)

During discussion (January 2019), the Finance Department while accepting the audit observation, stated that efforts would be made to streamline the budgetary and expenditure management/control process to avoid unnecessary/excessive/inadequate supplementary provision.

### 2.3.8 Inadequate/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. Audit noticed that re-appropriation proved insufficient by one crore or more in each case and resulted in excess expenditure of ₹ 425.93 crore<sup>5</sup> in 42 sub-heads (Sl. Nos. 98 to 139 of **Appendix 2.7**). It was also noticed that re-appropriation proved excessive by one crore or above in 97 sub-heads (Nos. 1 to 97 of **Appendix 2.7**) resulting in savings of ₹ 687.07 crore. This resulted in overall savings of ₹ 261.14 crore in these 139 sub-heads as detailed in **Appendix 2.7**. Thus, the re-appropriations proved injudicious.

Despite re-appropriation, there were savings of more than ₹ 50 crore in two cases<sup>6</sup>. On the excess side, there were two cases<sup>7</sup> in which excess of expenditure exceeded more than ₹ 50 crore.

While accepting the audit observation, the Department stated (January 2019) that the efforts would be made to streamline the budgetary and expenditure management/control process to avoid inadequate/excessive/unnecessary re-appropriation of funds.

**Recommendation:** *The Government should ensure timely budgetary and expenditure monitoring/management to avoid inadequate/excessive/unnecessary re-appropriation of funds.*

### 2.3.9 Substantial surrenders

Substantial surrenders exceeding ₹ 10 crore and more than 25 per cent of the Total Provision<sup>8</sup> in each case were made in respect of seven sub-heads. The details are given in **Appendix 2.8**. An amount of ₹ 384.57 crore (67 per cent of the Provisions) was surrendered in these seven cases. This constituted 84 per cent of the Total amount of ₹ 457.26 crore surrendered in 2017-18.

In one case (under Grant No. 23 - Power-Sl. No. 4) the whole provision of ₹ 46.16 crore was surrendered. Surrender of 100 per cent of fund is a matter of concern.

<sup>5</sup> These excesses pertain to sub-heads level, and not for the whole grant/appropriation.

<sup>6</sup> Sl. Nos. 57 and 61.

<sup>7</sup> Sl. Nos. 100 and 132.

<sup>8</sup> Original and Supplementary.

Thus, surrender of funds indicated that fund provisions had been made without adequate planning. Such treatment renders the budgetary exercise a mere routine exercise which appears to be done in an arbitrary manner without any consideration.

While accepting the audit observation, the Department stated (January 2019) that efforts would be made to streamline the budgetary and expenditure management/control process to control surrender of funds.

**Recommendation:** *The Government should ensure proper budgetary planning and management in order to avoid substantial surrender of funds.*

### 2.3.10 Inadequate Budgetary control

In one case, the amount surrendered was in excess of actual savings (Revenue Voted) indicating lack of, or inadequate budgetary control in the department. Against savings of ₹ 1.34 crore, the surrendered amount was ₹1.76 crore resulting in excess surrender of ₹ 0.42 crore as shown in the following table:

**Table 2.7: Statement showing case of surrender in excess of savings**

(₹ in lakh)

Sl. No.	Grant No.	Total Provision	Expenditure	Saving	Surrender	Amount surrendered in excess <sup>9</sup>
1	28 - State Excise	1884.98	1750.83	134.15	176.57	42.42
	<b>Total</b>	<b>1884.98</b>	<b>1750.83</b>	<b>134.15</b>	<b>176.57</b>	<b>42.42</b>

(Source: Appropriation Accounts)

During discussion (January 2019), the Finance Department stated that efforts would be made to streamline the budgetary and expenditure management/control process to avoid fund surrenders in excess of savings.

### 2.3.11 Surrender despite excess of expenditure

In four cases, ₹ 83.14 crore was surrendered despite having excess expenditure over total provision. The details are given in the following table:

**Table 2.8: Statement showing cases of surrender despite excess expenditure**

(₹ in lakh)

Sl. No.	Name of Grant/Appropriation	Total Provision	Expenditure	Excess	Surrender
<b>Revenue Voted</b>					
1	5 - Finance Department	127372.37	141370.84	13998.47	69.80
2	39 - Sericulture	2540.75	2753.33	212.58	11.81
<b>Capital Voted</b>					
3	21 – Commerce and industries	1846.87	2403.95	557.08	481.65
<b>Capital Charged</b>					
4	Appropriation 2 – Interest Payment and Debt Services	39541.01	67553.27	28012.26	7751.42
<b>Total</b>		<b>171301.00</b>	<b>214081.39</b>	<b>42780.39</b>	<b>8314.68</b>

(Source: Appropriation Accounts)

<sup>9</sup> In this particular case, exact date of surrender of amount is not reflected in the Appropriation Accounts.

Surrender of fund provision when there was excess of expenditure over budgetary provision shows absence of budgetary control. Despite such huge excess of expenditure, surrender of fund indicates that no budgetary control mechanism was in place and could render budget mechanism a mere procedural exercise.

While accepting the audit observation, the Department stated (January 2019) that the efforts would be made to streamline the budgetary and expenditure management/control process to avoid surrender of funds despite the excess expenditure.

### **2.3.12 Anticipated savings not surrendered**

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 2017-18, no part of savings in 62 cases was surrendered by the Departments concerned. The amount involved in these cases was ₹ 1,969.70 crore (70 per cent of the overall savings of ₹ 2,809.53 crore) (**Appendix 2.9**). It is observed that in seven cases<sup>10</sup>, savings exceeded ₹ 100 crore but were not surrendered.

Similarly, out of savings of ₹ 2,791.92 crore under 62 cases in 43 Grants/Appropriations where saving was to the tune of ₹ one crore and above in each case, only ₹ 320.62 crore pertaining to 12 Grants<sup>11</sup> could be surrendered leaving an un-surrendered balance savings of ₹ 2,471.30 crore (88 per cent). Details are given in **Appendix 2.10**.

Besides, in 22 Grants/Appropriations (23 cases), ₹ 457.26 crore were surrendered on 31 March 2018 (**Appendix 2.11**) indicating inadequate financial control. Moreover, these funds could not be utilised for the purpose it was sanctioned or for other development purposes.

The Department stated (January 2019) that efforts would be made to streamline the budgetary and expenditure management/control process to ensure that the savings anticipated are surrendered

### **2.3.13 Rush of expenditure**

As per Rule 62 (3) of the General Financial Rules, 2017, rush of expenditure in the closing month of the financial year shall be regarded as a breach of financial propriety and shall be avoided. In contravention to this rule, in 30 cases as shown in **Appendix 2.12**, expenditure of more than ₹ 10 crore and 25 per cent of the total expenditure for the year was incurred in March 2018. Of these, in three cases<sup>12</sup> 100 per cent of the expenditure was incurred in March, indicating that there was no control over the flow of expenditure.

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<sup>10</sup> Police (₹ 106.57 crore – Sl. No. 4 of Appendix 2.9), Public Works (₹ 113.18 crore - Sl. No. 5 of Appendix 2.9), Community and Rural Development (₹ 146.67 crore Sl.No.13 of Appendix 2.8), Social Welfare Department (₹ 123.53 crore - Sl.No.26 of Appendix 2.9 ) under Revenue Voted and Public Works (₹ 437.75 crore - Sl.No.42 of Appendix 2.9), Minor Irrigation (₹ 102.91 crore - Sl. No. 55 of Appendix 2.9) and Irrigation and Flood Control Department (₹ 288.86 crore - Sl. No. 57 of Appendix 2.9) under Capital Voted.

<sup>11</sup> Grant Nos.10, 11, 12, 21, 30, 33, 40, 43, 47 and 49 under Revenue Voted, Grant Nos. 13 and 30 under Capital Voted.

<sup>12</sup> Sl. Nos. 5, 19 and 28 of Appendix 2.12.

The details of Major Heads under which expenditure of above ₹ 100 crore was incurred during March 2018 are shown in the following table:

**Table 2.9: Statement of Major Heads where expenditure was above ₹ 100 crore during March 2018**

(₹ in crore)

Sl. No.	Description / Major Head	Expenditure during Jan-March	Expenditure during March	Total expenditure	Percentage of total expenditure during March
(1)	(2)	(3)	(4)	(5)	(6)
1	Medical and Public Health/2210	207.38	181.85	537.52	33.83
2	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions/3604	192.97	191.86	485.44	39.52
3	Special Programmes for Rural Development/2501	271.40	179.14	579.06	30.94
4	Power/2801	264.40	154.97	557.59	27.79

For a sound financial management, uniform pace of expenditure should be maintained. Thus, contrary to the spirit of financial regulation, a substantial amount incurred by the department at the end of the year was indicative of poor financial control over the expenditure.

While accepting the audit observation, the Department stated (January 2019) that efforts would be made to streamline the budgetary and expenditure management/control process to control the rush of expenditures during the month of March.

#### **2.4 Expenditure remaining un-reconciled**

To enable Controlling Officers of Departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, expenditure recorded in their books should be reconciled every month<sup>13</sup> during the financial year with that recorded in the books of the Accountant General (A&E). Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2017-18 also. Out of 81 Controlling Officers (COs), 14 COs did not reconcile their expenditure with the expenditure figure booked in the books of the Accountant General (A&E), during 2017-18. As such, effective control over expenditure and accuracy of accounts of these offices could not be ensured. Details are given in **Appendix 2.13**.

**Recommendation:** *The Government should ensure that the Controlling Officers carry out timely reconciliation of their expenditure figures with the books of the AG (A&E) in the interest of financial discipline.*

<sup>13</sup> As per Rule 52 (5) of General Financial Rules 2005 and Rule 57(5) of General Financial Rules 2017.

## 2.5 Personal Deposit Accounts

Personal Deposit (PD) accounts are created for keeping of funds by debit to the Consolidated Fund of the State which are required<sup>14</sup> to be closed at the end of the same financial year by minus debit to the relevant service heads. Personal Deposit (PD) accounts are operated by transferring amounts from the Consolidated Fund and utilized for specific purposes. Unspent balances lying in PD accounts are required to be transferred to the Consolidated Fund on the last working day of the financial year.

As on April 2017, there was an opening balance of two<sup>15</sup> PD accounts of ₹ 2.41 crore on account of unspent balances of PD accounts during 2016-17. During the year 2017-18, one PD account was opened by Government Oil Depot and the State Government transferred ₹ 0.32<sup>16</sup> crore to the three PD accounts and withdrew ₹ 0.02 crore from the PD accounts. Thus, at the end of the year, two PD accounts of ₹ 2.71 crore (including earlier year's balance of ₹ 2.41 crore) had not been closed and unspent balances have not been transferred back to the Consolidated Fund as detailed below:

**Table 2.10: Statement showing PD accounts**

(₹ in crore)

Opening balance as on 01 April 2017		Additions during the year 2017-18		Closed during the year 2017-18		Closing balance as on 31 March 2018	
No.	Amount	No.	Amount	No.	Amount	No.	Amount
02	2.41	01	0.32 <sup>17</sup>	01	0.02	02 <sup>18</sup>	2.71

Source: Finance Accounts

This practice of retaining fund in the PD Accounts after the closing of the financial year is fraught with the risk of misuse of public funds, fraud and misappropriation and therefore, needs to be stopped. Besides, strict action needs to be taken against the officers concerned who failed to close such PD Accounts at the end of financial year.

The Department accepted (January 2019) the audit observation. However, it was silent over the further course of action to be adopted.

**Recommendation:** The Finance Department should review all PD accounts and ensure that (i) all PD accounts with zero/minimum balances are immediately closed; (ii) all amounts lying in PD accounts at the end of the year are immediately remitted to the Consolidated Fund; (iii) appropriate action is taken against departmental and treasury officers who fail to follow the financial rules relating to PD accounts.

<sup>14</sup> Under Rule 88 of the General Financial Rules, 2017.

<sup>15</sup> Planning & Development Authority and Apex Housing Co-Operative Society.

<sup>16</sup> Includes ₹ 0.29 crore and ₹ 0.01 crore deposited by Planning and Development Authority and Apex Housing Co-Operative Society respectively, and ₹ 0.02 crore deposited into the newly opened PD account by Government Oil Depot.

<sup>17</sup> It includes ₹ 0.29 crore and ₹ 0.01 crore pertaining to two PD accounts opened during previous year by the Planning and Development Authority and Apex Housing Co-Operative Society respectively and ₹ 0.02 crore deposited into newly opened PD account by Government Oil Depot.

<sup>18</sup> Planning & Development Authority and Apex Housing Co-Operative Society.

## 2.6 Outcome of review of selected grant relating to Minorities and Other Backward Classes Department

A review on budgetary procedure and control over expenditure was conducted (October 2018) in respect of “Grant No. 47: Minorities and Other Backward Classes Department”. It was noticed that against a budget provision of ₹ 57.28 crore (including supplementary provision of ₹ 14.93 crore) under Revenue Head, the actual expenditure was ₹ 25.81 crore resulting in savings of ₹ 31.47 crore, out of which an amount of ₹ 0.13 crore only was surrendered. Thus, an amount of ₹ 31.34 crore remained un-surrendered. Under Capital Head, against a budget provision of ₹ 88.14 crore, (including supplementary provision of ₹ 44.34 crore), the actual expenditure was ₹ 63.52 crore resulting in savings of ₹ 24.62 crore. Under capital accounts no surrender of fund was made in anticipation of the savings.

**Saving:** There were six cases where *cent per cent* saving for a total amount of ₹ 278.00 lakh had occurred. Details are shown in the following table:

**Table 2.11: Cases where no part of budget provision was utilised**

Sl. No.	Head of account	Total provision (O+S+R) <sup>19</sup>	Savings
1	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 01 – Welfare of Scheduled Castes 102 – Economic Development 02 – Skilled Development for SC	4.00	4.00
2	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 01 – Welfare of Scheduled Castes 282 – Health 03 – Chief Minister’s Laiyeng Shen for widows	20.00	20.00
3	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 03 – Welfare of Backward Classes 277 – Education 04 – Pre-Matric Scholarship to Other Backward Classes Students (Central Share)	100.00	100.00
4	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 04 – Welfare of Minorities 282 – Health 07 – Chief Minister’s Laiyeng Shen for widows	100.00	100.00
5	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 80 – General 800 – Other Expenditure 16 – Skill Development	50.00	50.00
6	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 80 – General 800 – Other Expenditure 18 – Planning Monitoring and Evaluation	4.00	4.00
	<b>Total</b>	<b>278.00</b>	<b>278.00</b>

(Source: Detailed Appropriation Accounts)

<sup>19</sup> O-Original, S-Supplementary, R-Re-appropriation.

**Excess over provision:** In two cases, expenditure exceeded the budget provisions by ₹ 53.61 lakh, reasons for which were not furnished. The details are given in the table below:

**Table 2.12: Statement of excess over provision**

(₹ in lakh)

Sl. No.	Head of Account	Total	Expenditure	Excess
1	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 04 – Welfare of Minorities 800 – Other Expenditure 12 – Preservation and Protection of Wakf Properties and Modernizations of Madrassa	200.00	243.33	43.33
2	2225 – Welfare of Scheduled Castes, Schedule Tribes, Other Backward Classes and Minorities 04 – Welfare of Minorities 800 – Other Expenditure 22 – Minorities Affairs	4.00	14.28	10.28
<b>Total</b>		<b>204.00</b>	<b>257.61</b>	<b>53.61</b>

(Source: Detailed Appropriation Accounts)

**Inadequate/unnecessary re-appropriation/surrender of funds:** There were three cases of inadequate/unnecessary re-appropriation/surrender of funds of ₹ 50 lakh and above, which resulted in a total savings of ₹ 166.10 lakh. Details are shown in the following table:

**Table 2.13: Inadequate/unnecessary re-appropriation/surrender of funds (Savings (-)/Excess(+))**  
(₹ in lakh)

Sl. No.	Head of Account	Original	Supplementary	Re-appropriation/surrender	Total	Expenditure	Savings(-) Excess (+)
1	2225.03.102.04 (V)	150.00	0	73.00	223.00	189.95	-33.05
2	2225.04.102.05 (V)	150.00	0	73.00	223.00	189.95	-33.05
3	2225.04.282.07 (V)	0	0	100.00	100.00	0	-100.00
<b>Total</b>		<b>300.00</b>	<b>0</b>	<b>246.00</b>	<b>546.00</b>	<b>379.90</b>	<b>-166.10</b>

V – Valley (Source: Detailed Appropriation Accounts)

In one case, there was saving of ₹ one crore (Sl. No. 3), though re-appropriation of ₹ one crore was made. The re-appropriation was done despite incurring no expenditure under this head (Sl. No. 3). In view of the savings, the re-appropriation funds proved unnecessary.

The Department accepted (January 2019) the audit observation. However, it did not offer any comments on further course of action to be adopted.

**Recommendation:** The Government should exercise proper budgetary and expenditure management/control in order to avoid cases of large savings of budget provision, excess of provision, inadequate/unnecessary re-appropriation/surrender of funds, etc.

## 2.7 Errors in budgeting process

The following deficiencies were observed in the State budget for the year 2017-18:

**Incorrect heads of accounts:** There were 10 heads of accounts in the budget which did not conform to the list of Major and Minor Heads of Accounts, of which three cases belonged to Major Head, two cases belonged to Sub-Major Head, four cases belonged to Minor Heads and one case belonged to Sub- Head. As the expenditures were booked in heads of Accounts not



conforming to list of Major and Minor Heads of Accounts, the codes reflected in the budget were incorrect. The details are given in **Appendix 2.14**.

While accepting the audit comment (January 2019), the Department assured that necessary corrections would be made in future.

## 2.8 Outcome of inspection of Treasuries

The following shortcomings were observed in audit of Treasuries<sup>20</sup> during 2017-18:

**Excess payment of pension/gratuity:** During audit of ten Treasuries, in three treasuries viz. Imphal East Treasury (period of account: 01-07-2016 to 30-09-2017), Thoubal Treasury (01-07-2016 to 30-11-2017), Churachandpur Treasury (01-01-2017 to 31-12-2017), excess payment of ₹ 3.08 lakh on account of pension/gratuity was noticed. The excess payment had occurred during July 2016 to December 2017 due to overpayment of arrear family pension, payment after death of family pensioner *etc.*

**Deposit under Major Head ‘8449–Other Deposits’:** As per Rule 635 of the Central Treasury Rules, deposits unclaimed for more than three years shall be credited to the Government under Consolidated Fund as lapsed deposit. During 2017-18, there was deposit of ₹ 292.93 crore under Major Head 8449 – Other Deposits under various departments lying for more than three years. However, the treasuries had not taken appropriate action in this regard. Details are shown at **Appendix 2.15**.

During discussion (January 2019), the Department accepted the audit observation. However, it did not offer any comments on further course of action to be adopted.

**Recommendation:** *The Government may review the position of Deposits lying under Major Heads 8449 and 8443 and take appropriate action for lapsing of unclaimed deposits lying for more than three years.*

## 2.9 Conclusion

During 2017-18, an expenditure of ₹ 11,397.17 crore was incurred against a total budget provision of ₹ 13,739.49 crore resulting in overall savings of ₹ 2342.32 crore. The overall saving was the net result of savings of ₹ 2,809.53 crore offset by an excess of ₹ 467.21 crore. The excess expenditure required regularisation under Article 205 of the Constitution of India. Excess expenditure (₹ 3,203.20 crore) for the period 2010-16 had been recommended for regularisation by Public Accounts Committee (PAC). However, the excess expenditure was still pending for regularisation.

Supplementary provision aggregating to ₹ 545.94 crore in 28 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision.

Out of 81 Controlling Officers (CO), 14 CO did not reconcile their expenditure with the expenditure booked in the books of accounts maintained by the Accountant General (A&E), Manipur.

<sup>20</sup> Conducted by Office of the Principal Accountant General (A&E), Manipur.

