

CHAPTER-II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

Chapter II

Financial Management and Budgetary Control

2.1 Introduction

2.1.1 Appropriation 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 authorized 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 provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure incurred under various grants is within the authorisation given under the 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 2017-18 against 82 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure *vis-a-vis* Original/Supplementary provisions for the year 2017-18

(Rupees 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 2018 (col. 7/col.6)
	1	2	3	4	5	6	7	8
Voted	I Revenue	9086.43	1311.25	10397.68	9288.91	(-1108.77)	1200.80	108.30
	II Capital	1149.42	759.55	1908.97	1274.84	(-) 634.13	606.06	95.57
	III Loans and Advances	0.19	0.00	0.19	0.19	0.00	0.00	0.00
	Total Voted	10236.04	2070.80	12306.84	10563.94	(-)1742.90	1806.86	103.67
Charged	IV Revenue	1073.76	3.68	1077.44	926.32	(-)151.12	151.12	100.00
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	5065.63	0.00	5065.63	4452.01	(-) 613.62	613.62	100.00
	Total Charged	6139.39	3.68	6143.07	5378.33	(-) 764.74	764.74	100.00
	Appropriation to Contingency Fund (if any)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total	16375.43	2074.48	18449.91	15942.27	(-)2507.64	2571.60	102.55

Source: Appropriation Accounts.

Overall saving of ₹ 2507.64 crore (13.59 per cent of total allocation) was the result of saving of ₹ 2522.15 crore in 67 grants and six Appropriations under Revenue Section, 41 grants under Capital Section offset by excess of ₹ 14.51 crore in five grants under Revenue

Section and four grants under Capital Section. During the year, though the overall saving was ₹ 2507.64 crore only, the amount surrendered was ₹ 2571.60 crore (102.55 per cent).

The savings/excess (Detailed Appropriation Accounts for the year 2017-18) were intimated to all the 82 controlling officers requesting them to explain the significant variations. The Controlling Officers of 40 departments of the State furnished their replies before finalisation of the Appropriation Accounts 2017-18.

The Government accepted (December 2018) the facts pointed out by Audit.

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 51 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 ₹ 1886.32 crore, savings of ₹ 1372.73 crore (72.77 per cent) occurred in nine grants/appropriation as indicated in **Table 2.2**:

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

(Rupees in crore)

Sl. No.	Grant No.	Name of the Grant/Appropriation	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage
Revenue (Voted)								
1	27	Planning Machinery	516.60	0.00	516.60	124.75	391.85	76
2	31	School Education	1477.45	0.00	1477.45	1275.35	202.10	14
3	43	Social Security and Welfare	209.26	75.52	284.78	221.12	63.66	22
4	72	Land Resource Development	129.84	0.00	129.84	66.14	63.70	49
Capital(Voted)								
5	27	Planning Machinery	252.33	0.00	252.33	96.12	156.21	62
6	55	Power	13.50	75.79	89.29	25.97	63.32	71
7	58	Roads and Bridges	111.67	204.33	316.00	226.98	89.02	28
8	59	Irrigation and Flood Control	116.60	0.00	116.60	23.76	92.84	80
9	60	Water Supply	223.06	0.00	223.06	122.47	100.59	45
Revenue (Charged)								
10	75	Servicing of Debt	1052.20	0	1052.20	902.76	149.44	14
Total			4102.51	355.64	4458.15	3085.42	1372.73	31

Source: Appropriation Accounts.

The reasons for savings had not been intimated (December 2018) by the departments mentioned above. However, the Government accepted (December 2018) the facts pointed out by Audit.

Recommendation (7): The budget should be more realistic, savings should be worked out and surrendered before the close of the financial year for its effective utilisation.

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 2013-18

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Amount of Savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
Capital-Voted						
1	27-Planning Machinery	480.45	815.84	318.68	300.65	156.21
2	59-Irrigation and Flood Control	35.71	21.25	132.48	186.89	92.84
3	60-Water Supply	0.15	48.44	112.74	57.74	100.59

Source: Appropriation Accounts of respective years.

During the five years period 2013-14 to 2017-18, there were persistent savings in the Capital section of the above three Grants which was indicative of poor budgeting or shortfall in performance or both as funds could not be utilised as estimated on activities planned by the departments concerned. The accountability of the executive responsible for persistent over estimation of requirement of funds in the above Grants should be fixed for failure in making budgeting assumptions more realistic under the respective heads.

On this being pointed out, the reasons for persistent savings had not been intimated by any department (December 2018).

Recommendation (8): *The cases of persistent savings should be analysed by the Government for making the budgetary assumptions more realistic under the respective Grants in order to avoid such instances in future.*

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds under the budget. It was, however, noticed that an expenditure of ₹ 6.97 crore was incurred in three 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 2017-18

(Rupees in crore)

Number and Name of		Amount of Expenditure without provision
Grants	Head of Account	
33-Youth Resources and Sports	2552-33-104-01 Contribution to Dr. T. Ao tournament	0.50
37-Municipal Administration	2217-80-191-02 Performance grants	1.02
48-Agriculture	2401-00-001-01 Direction and Administration	5.45
Total		6.97

Source: Appropriation Accounts.

The Government accepted (December 2018) the facts pointed out by Audit.

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 ₹ 709.18 crore for the years 2012-13 to 2016-17 was not regularised till December 2018 (**Appendix 2.2**).

The persistent excess expenditure over Grants/appropriation is a serious matter. Such repeated excess expenditure over grants approved by the State Legislature are in violation of Article 204 of the Constitution which provides that no money shall be drawn from the Consolidated Fund except under appropriations made by law. As this vitiates the basic principle of legislative financial control, the State Legislature needs to view such cases of financial irregularity/indiscipline seriously. Thus, all the cases of the excess expenditure of ₹ 709.18 crore pertaining to the year 2012-13 to 2016-17 are needed to be got regularised at the earliest under Article 205 of the Constitution of India. The responsibility of the executive on account of persistent excess expenditure over Grants/appropriation 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 cases (s) of dire and extreme emergency, the amount of which can not be met from the Contingency Fund.

2.3.5 Excess over provision during 2017-18 requiring regularisation

Appendix 2.3 contains the summary of total excess in nine grants amounting to ₹ 14.51 crore over authorization from the Consolidated Fund of the State during 2017-18 requiring regularisation under Article 205 of the Constitution of India.

2.3.6 Appropriateness of supplementary provision

Supplementary provision aggregating ₹ 57.65 crore obtained by 10 Departments during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the subsequent supplementary provision was not utilised by the departments concerned as detailed in **Appendix 2.4**.

In two cases, supplementary provision of ₹ 112.41 crore proved insufficient by ₹ one crore or more in each case leaving an aggregate uncovered excess expenditure of ₹ 11.53 crore (**Appendix 2.5**).

While accepting (December 2018) the facts, the Government stated that the cases would be reviewed by them.

2.3.7 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 of funds made during the year 2017-18 proved either excessive or insufficient (by ₹ 10 lakh or more) resulting in savings of ₹ 29.67 crore in 24 sub-heads and excess of ₹ 36.36 crore in 24 sub-heads as detailed in **Appendix 2.6**.

The Government while accepting (December 2018) the facts, stated that the cases will be reviewed by them for future guidance in this regard.

2.3.8 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 78 grants (95 *per cent*) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds. This re-appropriation on last day of the financial year resulted in unnecessary savings in some grants on the one hand and excess in some grants on the other hand which was avoidable as discussed in **Para 2.3.7** above.

The Government accepted (December 2018) the facts pointed out by Audit and stated that it would be more vigilant during the course of re-appropriation of funds to be carried out in future.

2.3.9 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 174 Sub Heads. Out of the total provision amounting to ₹ 2374.80 crore in those Sub Heads, ₹ 1951.73 crore (82.19 *per cent*) was surrendered, which included cent *per cent* surrender under 101 Sub Head (₹ 681.65 crore). The details of such cases are given in **Appendix 2.7**.

While accepting (December 2018) the facts, the Government stated that provisions were kept in some of the projects in anticipation of assistance out of North East Council/ Centrally Sponsored Scheme. However, due to non-receipt of the same, the funds had been shown as surrendered.

2.3.10 Inadequate Budgetary control

During the year 2017-18, of the budgetary allocation of ₹ 5294 crore under developmental expenditure, there was a saving of ₹ 1406 crore (27 *per cent*) registered, after deducting salary/establishment expenditure, at the end of the year. This was indicative of the fact that the State Government failed to utilise the funds earmarked in the budget optimally for the development/creation of assets.

In five cases, the amount surrendered (₹ one crore or more in each case) was in excess of actual savings which resulted in excess expenditure over the provisions under the respective Grants/appropriation. As against savings of ₹ 297.56 crore, the amount surrendered was ₹ 369.86 crore resulting in excess expenditure of ₹ 72.30 crore over the provisions which needed regularisation. Such action was indicative of lack of, or inadequate budgetary control in those departments. Details are given in **Appendix 2.8**.

While accepting the facts, the Government stated that it would furnish the clarification shortly, which was awaited (December 2018).

2.3.11 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 2017-18, savings in six grants (amounting to ₹ 27.54 crore) occurred which had not been surrendered by the departments concerned (**Appendix 2.9**) as was required.

Besides, in 24 cases (surrender of funds for ₹ 10.00 crore and above), ₹ 2315.32 crore (**Appendix 2.10**) were surrendered on the last two working days of March 2018 indicating inadequate financial control. As a result, those funds could not be utilised for other developmental activities during the year and purpose of surrender of funds was defeated in those cases.

The Government accepted (December 2018) the facts pointed out by Audit.

Recommendation (9): Financial control may be strengthened so that anticipated savings may be surrendered well in time for their effective utilisation in other programme/activities.

2.3.12 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure particularly in the closing months of the Financial year shall be regarded as breach of financial propriety and should be avoided. Contrary to this, in respect of 54 grants listed in **Appendix 2.11**, the expenditure incurred 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. This indicated that the departments concerned did not maintain the uniform pace of expenditure.

Besides, in 15 cases, the expenditure in the last month or last quarter of the financial year was up to 100 *per cent* of the total expenditure which indicated lack of effective financial control and violation of financial rules.

The Government stated (December 2018) that sectoral allocation could not be done in time due to late receipt of Central Assistance by them.

The reply of the Government was not based on facts as majority of the expenditure incurred, as mentioned in **Annexure 2.11**, pertained to State Schemes.

Recommendation (10): Responsibility may be fixed against the Controlling Officers for breach of financial discipline.

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

As per rule 309 of Central Treasury Rules, every drawing officer is required to certify in each Abstract Contingent (AC) bill that detailed bills for all contingent charges drawn by him/her 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 up to the period 2017-18 was only ₹ 359.18 crore (47.55 *per cent*) against ₹ 755.32 crore drawn on AC bills leading to pendency of DCC bills of ₹ 396.14 crore as on 31 March 2018. Year wise details are given in **Table 2.5**:

Table 2.5: Pendency in submission of Detailed Countersigned Contingent bills against Abstract Contingent bills

(Rupees in crore)

Year	AC bills drawn		DCC bills submitted		Outstanding DCC bills	
	Number	Amount	Number	Amount	Number	Amount
Up to 2015-16	327	439.38	228	300.26	99	139.12
2016-17	99	149.68	31	56.01	68	93.67
2017-18	103	166.26	08	2.91	95	163.35
Total	529	755.32	267	359.18	262	396.14

Source: Principal Accountant General (A&E).

As on 31 March 2018, there were 262 AC bills which remained unadjusted involving ₹ 396.14 crore drawn by various Departments. Details are given in **Appendix 2.12**. Out of 95 bills (₹ 163.35 crore) drawn through AC bills pending for submission of DCC bills at the end of 2017-18, 32 bills (₹ 19.77 crore) were drawn in the last month of the financial year. However, the situation of pendency of unadjusted AC bills had improved as 43 AC bills involving ₹ 36.98 crore had been adjusted through submission of DCC bills during the period from 01 April 2018 to 31 December 2018, leaving 219 AC bills remaining unadjusted involving ₹ 359.16 crore (Up to 2015-16: 94 AC bills- ₹ 137.86 crore; 2016-17: 52 AC bills- ₹ 75.42 crore and 2017-18: 73 AC bills- ₹ 145.88 crore) (December 2018).

The above details clearly indicate that the Drawing & Disbursing Officers and Treasury Officers concerned failed to ensure compliance of the extant Central Treasury Rules and that AC Bills were drawn without adjustment of previously drawn AC Bills. Thus, there was an environment of financial indiscipline, which calls for action against the officers responsible for the lapse in this regard.

An analysis of pending AC bills in respect of Home Department showed that 117 AC bills amounting to ₹ 71.04 crore were pending regularization as per details given in **Table 2.6**:

Table 2.6: Pendency of DCC bills in respect of Home Department as on 31 March 2018

(Rupees in crore)

Year	Number of Vouchers	Amount
Up to 2015-16	45	32.44
2016-17	33	13.04
2017-18	39	25.56
Total	117	71.04

As can be seen from the above table, out of pending DCC bills of 117 vouchers of ₹ 71.04 crore as on March 2018, maximum number of pending AC bills pertained to 2017-18 involving 39 vouchers (33 per cent) of ₹ 25.56 crore (35.98 per cent).

The situation of pendency of unadjusted AC bills relating to the Home Department had however, improved as 13 AC bills involving ₹ 11.11 crore had been adjusted through submission of DCC bills during the period from 01 April 2018 to 31 December 2018, leaving 104 AC bills remaining unadjusted involving ₹ 59.93 crore (Up to 2015-16: 44 AC bills- ₹ 31.96 crore; 2016-17: 31 AC bills- ₹ 12.69 crore and 2017-18: 29 AC bills- ₹ 15.28 crore) (December 2018).

Non-submission of DCC bills within prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices and therefore, needed to be monitored closely for ensuring their submission timely.

While accepting (December 2018) the facts, Government stated that it would take up the matter with the departments concerned to regularize the pending AC bills expeditiously.

Recommendation (11): Monitoring mechanism may be put in place to ensure that DC Bills are submitted within the prescribed time. Disciplinary action should be initiated against the Drawing & Disbursing Officers and Treasury Officers for not complying with provisions of extant rules by allowing subsequent AC Bills without ensuring submission of DC Bills against already drawn AC Bills.

2.5 Reconciliation of Receipts and Expenditure

During the year 2017-18, all the 82 Controlling Officers (COs) had reconciled their figures (both receipt & expenditure) in full with the books of Accountant General (A&E) of the State.

2.6 Un-spent balances lying in Personal Deposit Account

Personal Deposit (PD) Accounts are created for discharging the liabilities of the Government arising out of special enactment. Such accounts should be closed at the end of the financial year and the unspent balance should be transferred to the Consolidated Fund. The amount credited to these accounts will be debited to the Consolidated Fund of the State and booked as expenditure of the year.

As on 01 April 2017, there was only one PD account with a balance of ₹ 0.02 crore and no transaction was done during the year 2017-18. Thus, on 31 March 2018, one PD account involving ₹0.02 crore which was required to be closed, was still in existence.

Non-reconciliation of balance in the PD account periodically and not transferring the un-spent balance lying in the PD account to Consolidated Fund before the closure of the financial year, entails the risk of misuse of public fund, fraud and misappropriation and therefore, the PD account *ibid*; should be considered for prompt closure.

2.7 Outcome of the Review of Selected Grant

A review of Grant No.55- Power was conducted mainly to assess the efficiency in the process of budgeting and consequent control over expenditure both for the Revenue and Capital heads of the grant during the year 2017-18.

2.7.1 Budget and expenditure

The summarised position of budget provision and actual expenditure there against during 2017-18 in respect of Grant No.55- Power is given in **Table 2.7**.

Table 2.7: Summarised position of budget provision and actual expenditure

(Rupees in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	433.86	11.85	445.71	448.20	(+) 2.49
Capital	13.50	75.79	89.29	25.97	(-) 63.32
Total	447.36	87.64	535.00	474.17	(-) 60.83

Source: Appropriation Accounts of respective year.

The above table shows that during the year 2017-18, there was overall saving of ₹ 60.83 crore representing 11 *per cent* of the total budget provision as a result of saving under Capital Head (₹ 63.32 crore) offset by the excess under Revenue Head (₹ 2.49 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 ₹ 63.15 crore out of the savings of ₹ 63.32 crore under Capital Head during the year 2017-18.

An analysis of the expenditure *vis-à-vis* the budget provision under the Revenue Section revealed that there was an overall excess of ₹ 2.49 crore under the section. This was mainly due to the fact that the Department expended ₹ 9.00 crore in excess under the Transmission Execution sub head, offset by the savings of ₹ 0.18 crore under Distribution and Revenue Execution sub head and surrendered ₹ 6.33 crore through the final grant under the Major Heads 2045 and 2801.

2.7.2 Injudicious supplementary provision and surrender of funds

It was noticed that during 2017-18, against the total provision of ₹ 443.97 crore (Original: ₹ 432.35 crore and Supplementary: ₹ 11.62 crore) under the Major Head 2801 (Power), an expenditure of ₹ 446.53 crore was incurred. As the expenditure was more than the total provision, the supplementary provision of ₹ 11.62 crore proved to be insufficient by ₹ 2.56 crore. Despite the shortage of funds, the department further surrendered ₹6.26 crore from the major head injudiciously.

2.8 Advances from Contingency Fund

The advances taken from the Contingency Fund are to be drawn 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 functional major head concerned 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, had not been recouped till the end of the year 2017-18.

The Government accepted (December 2018) the facts pointed out by Audit.

2.9 Conclusion

The overall savings of ₹ 2507.64 crore in 2017-18 were the result of savings of ₹ 2522.15 crore in 67 grants and six Appropriations under Revenue Section and 41 grants under Capital Section which were offset by excess of ₹ 14.51 crore in five grants under Revenue Section and four grants under Capital Section and one appropriation (Public Debt-Repayments). However, the amount surrendered exceeded overall savings by ₹ 63.96 crore.

There was an excess expenditure of ₹ 14.52 crore in nine grants during 2017-18. This excess expenditure together with the excess expenditure of ₹ 709.18 crore pertaining to the years 2012-13 to 2016-17 required regularisation by the Legislature under Article 205 of the Constitution of India.

Rush of expenditure was noticed in 54 grants. Expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter or last month of 2017-18 against the spirit of financial regulations as uniform pace of expenditure was not maintained under those grants. In some cases, very significant expenditure was incurred in the month of March 2018 alone. There were 219 AC Bills involving ₹ 359.16 crore which were awaiting adjustment (December 2018) due to non-submission of DCC Bills for long periods by the respective departments. The non-submission of DCC Bills was fraught with the risk of misappropriation and thus, the Government should take up the matter with the departments concerned to get the DCC bills submitted without any further delay to regularize the AC bills promptly.