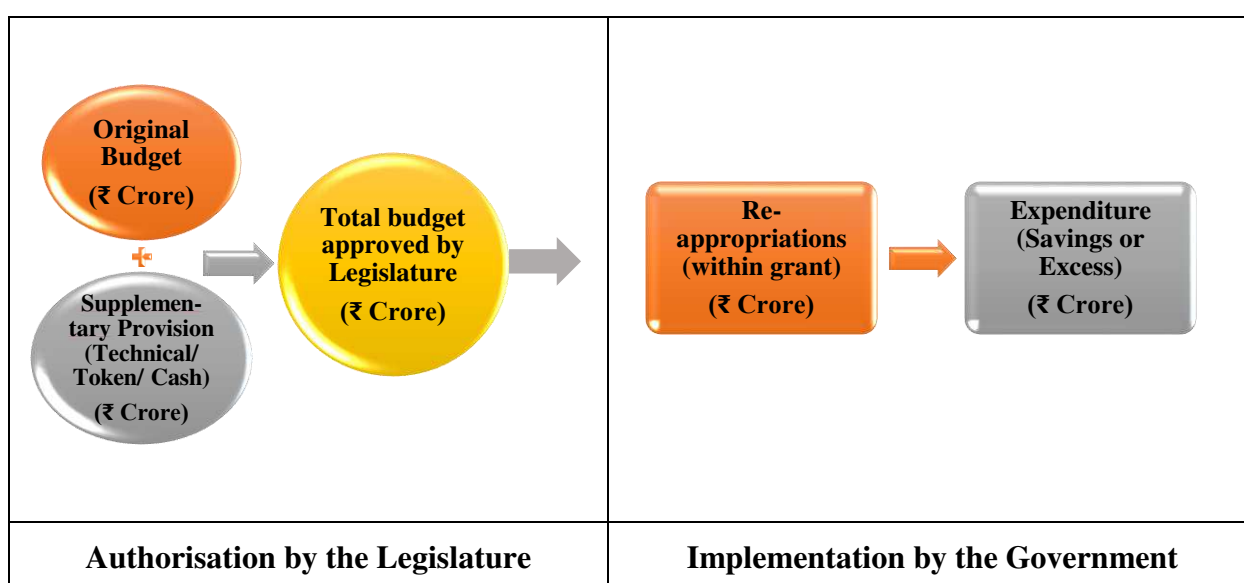


Chapter III

Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. The various components of the budget are depicted in the chart below:



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings during financial year

A summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is shown in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during 2019-20

(₹ in crore)

	Total Budget Provision		Disbursements		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	1,55,203	34,405	1,33,655	31,890	23,961	2,517	2,413	2
Capital	32,872	50,259	19,171	40,417	13,746	9,843	45	Nil
Total	1,88,075	84,664	1,52,826	72,307	37,707	12,360	2,458	2

Source: Appropriation Accounts

Analysis of the budget provision, disbursements and savings/excess during 2019-20 revealed that:

- Revenue (Voted) section had savings of 15.44 *per cent*. This was mainly due to savings of ₹ 6,290 crore in Grant No. 21-Food and Supply which accounted for 26.25 *per cent* of the savings under this section.
- Revenue (Charged) section had savings of 7.32 *per cent*. This was mainly due to savings of ₹ 2,442 crore in Grant No. 18-Finance which accounted for 97.02 *per cent* of the savings under this section.
- Capital (Voted) section had savings of 41.82 *per cent*. This was mainly due to savings of ₹ 2,065 crore in Grant No. 72-Urban Development and Municipal Affairs which accounted for 15.02 *per cent* of the savings under this section.
- Capital (Charged) section had savings of 19.58 *per cent*. This was mainly due to savings of ₹ 9,820 crore in Grant No. 18-Finance which accounted for 99.77 *per cent* of the savings under this section.
- Revenue (Voted) section had excess of 1.55 *per cent*. This was mainly due to excess of ₹ 869 crore in Grant No. 74-Women & Child Development and Social Welfare which accounted for 36.01 *per cent* of the excess
- Capital (Voted) section had excess of 0.14 *per cent*. This was mainly due to excess of ₹ 26 crore in Grant No. 8-Cooperation which accounted for 57.78 *per cent* of the excess under this section.

3.1.2 Charged and voted disbursements

Charged and voted expenditure during 2015-20 including trend analysis of savings and excess is discussed in **Table 3.2**.

Table 3.2: Details of disbursement, savings and excess (charged and voted) for the last five years

(₹ in crore)

Year	Disbursements		Net Savings		Net Excess	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	1,12,197	43,740	15,906	20,606	Nil	Nil
2016-17	1,22,244	38,513	18,881	31,535	Nil	Nil
2017-18	1,38,908	53,456	22,394	24,816	Nil	Nil
2018-19	1,56,129	75,346	11,324	Nil	Nil	2,818
2019-20	1,52,826	72,307	35,249	12,358	Nil	Nil

Source: Appropriation Accounts;

Note: Net Savings (-)/Excess (+) arrived at after deducting the gross savings from the gross excess

During 2015-20, net savings under Voted section ranged from ₹ 11,324 crore to ₹ 35,249 crore while net savings under Charged section ranged between ₹ 12,358 crore and ₹ 31,535 crore, excepting 2018-19. Net excess under Charged section

stood at ₹ 2,818 crore during 2018-19. Reasons for savings/excess have been explained below.

Major savings in Voted section occurred owing to savings of ₹ 1,134 crore, ₹ 2,052 crore and ₹ 2,544 crore respectively in the 'Sarva Shiksha Abhiyan' under Grant No. 15- School Education in 2015-16, 2016-17 and 2017-18. Savings of ₹ 438 crore in the scheme 'Nirmal Bharat Abhiyan' under Grant No. 40-Panchayat and Rural Development is attributable to the savings during 2018-19. In the current year, savings in this section was largely driven by the departments of Food and Supplies (Grant No. 21), Urban Development and Municipal Affairs (Grant No. 72) and Agriculture (Grant No. 5). Savings in the following major schemes contributed to savings in these departments during 2019-20:

- In the scheme 'Supply of rice to APL/BPL families in the TPDS at subsidised rate' under Grant No. 21-Food & Supplies department, against the budget provision of ₹ 4,930 crore, expenditure was ₹ 1,877 crore leading to savings of ₹ 3,053 crore.
- In the scheme 'Pradhan Mantri Awas Yojana-Urban' under Grant No. 72-Urban Development and Municipal Affairs department, against the provision of ₹ 580 crore, expenditure was ₹ 137 crore leading to savings of ₹ 443 crore.

Major savings in the Charged section happened due to savings of ₹ 15,613 crore, ₹ 22,772 crore and ₹ 18,585 crore respectively in 'Ways and Means Advances from the RBI-Special' during 2015-16, 2016-17 and 2017-18 under Grant No.18-Finance. In the current year also, high percentage of savings in this section was largely driven by the Finance Department (₹ 12,262 crore), reasons for which are discussed below.

- No new loan was taken during 2019-20 under 'Market Loans (Administrative Expenditure): 8.00% West Bengal Loan (New Loan)'. Hence, there was no payment of interest under the sub-head 'Interest on Market Loans (Administrative Expenditure): 8.00% West Bengal Loan (New Loan)', though budget provision of ₹ 2,215 crore had been made for the purpose under Grant No. 18-Finance;
- Similarly, under 'Special Securities issued to NSSF of the Central Government (Administrative Expenditure)- 9.50 % Government of West Bengal (NSSF) (Non-Transferable) Special Securities, 2008' under Grant No. 18-Finance, against the budget provision of ₹ 653 crore, expenditure was only ₹ 52 crore.

During 2018-19, excess in Charged section was owing to excess of ₹ 824 crore and ₹ 725 crore in 'Ways and Means Advances from the Reserve Bank of India –Overdraft' and '9.50 per cent Government of West Bengal (NSSF) Special Securities 2016' respectively under 18-Finance.

3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of the Budgetary and Accounting Process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article 204 of the Constitution. Expenditure on a new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It can be seen from **Table 3.3** below that expenditure of ₹ 29.08 crore was incurred for two new schemes under two head of accounts without budget provision.

Table 3.3: Summary of Expenditure without Budget Provision

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
21	2408	0.17	1
65	4225	28.91	1
Total		29.08	2

Source: Appropriation Accounts

In the following major schemes, expenditure was incurred without budget provision:

- Infrastructure development project (₹ 28.91 crore) under Grant No 65- Tribal Development; and
- Maintenance of office premises (₹ 0.17 crore) under Grant No.21- Food and Supplies.

Incurring such expenditure without budget provision (original or supplementary) not only undermines the authority of the Legislature but is also a violation of the will of the Legislature.

3.3.2 Misclassification of capital expenditure as revenue expenditure and charged expenditure as voted expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements.

Audit noticed that ₹ 415.62 crore to be booked as Revenue Expenditure was incorrectly booked as Capital Expenditure as shown in **Table 3.4** below.

Table 3.4: Revenue Expenditure misclassified as Capital Expenditure

Sl. No.	Object of Expenditure	Head of account as per voucher	Head of account in which the amount was to be booked	Amount (₹ in crore)
1.	Procurement of Lab equipment for Science & Engineering Department of Aliah University (a Grantee Institution)	4202	2202	11.70
2.	Purchase of hospital consumables	4210	2210	20.48
3.	Maintenance of Bituminous Roads	4217	2217	2.69
4.	Implementation of projects sanctioned under SAAP-III under AMRUT			322.22
5.	Newtown Kolkata Smart City Mission			58.00
6.	Emergent repair of roads and payment of wages	5054	3054	0.53
Total				415.62

Source: Finance Accounts

Due to the above misclassifications, revenue deficit was understated by ₹ 415.62 crore as discussed in **Table 1.7** and **Paragraph 2.9**.

3.3.3 Unnecessary or excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. Unnecessary supplementary grants (₹ 200 crore or more in each case) is shown in **Table 3.5**.

Table 3.5: Details of cases where supplementary provision (₹ 200 crore or more in each case) proved unnecessary

Sl. No.	Name of the Grant	Original provision	Supp. Provision	Total Provision	Actual Expenditure	Savings out of Provision
(₹ in crore)						
Revenue (Voted)						
1.	05-Agriculture	5,421	270	5,691	2,922	2,769
2.	15-School Education	26,955	2,483	29,438	26,866	2,572
3.	21-Food & Supplies	7,894	5,442	13,336	7,046	6,290
4.	38-Minority Affairs & Madrasah Education	2,417	700	3,117	1,954	1,163
5.	40-Panchayats & Rural Development	18,653	1,282	19,935	18,529	1,406
Total		61,340	10,177	71,517	57,317	14,200

Sl. No.	Name of the Grant	Original Provision	Supp. Provision	Total Provision	Actual Expenditure	Savings out of Provision
Capital (Voted)						
1.	38-Minority Affairs & Madrasah Education	1,600	454	2,054	971	1,083
2.	72-Urban Development and Municipal Affairs	3,362	948	4,310	2,245	2,065
Total		4,962	1,402	6,364	3,216	3,148
Capital (Charged)						
1	18-Finance	45,974	4,205	50,179	40,358	9,821
Total		45,974	4,205	50,179	40,358	9,821
Grand Total		1,12,276	15,784	1,28,060	1,00,891	27,169

Source: Appropriation Accounts

It can be seen from **Table 3.5** that in all the above cases, actual expenditure was less than the original provisions and hence the supplementary provisions were unnecessary. As such, further supplementary provisions of ₹ 10,177 crore, ₹ 1,402 crore and ₹ 4,205 crore in Revenue (Voted), Capital (Voted) and Capital (Charged) sections respectively proved unnecessary. As actual expenditure was only 89.86 per cent of the original provision, there was no need to augment the fund through supplementary provision. Thus the supplementary provision of ₹ 15,784 crore (14.06 per cent of original provision) proved unnecessary.

3.3.4 Re-appropriations undertaken require prior Legislative authorisation

Re-appropriation means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. The provisions relating to re-appropriation are laid down in individual State Budget Manuals. However, there are certain broad instructions that are universally applicable:

1. Limitation for Executive:
 - (i) No re-appropriation is permissible from Capital to Revenue & vice versa.
 - (ii) No re-appropriation is permissible from Voted to Charged & vice versa.
 - (iii) No re-appropriation is permissible from one Grant to another.

During 2019-20, there was re-appropriation amounting to ₹ 2,047 crore in respect of 607 sub-heads constituting 51 grants. However, despite re-appropriation, there was savings of ₹ 2,069 crore in respect of 96 sub-heads and excess of ₹ 8,662 crore in respect of 78 sub-heads. Audit scrutiny further revealed that there were three cases of savings (₹ 70.58 crore) and one case of excess expenditure (₹ 66.19 crore) even after re-appropriation on the last working day.

Lapses noticed in re-appropriation cases are discussed in subsequent paragraphs.

3.3.5 Unnecessary, excessive or insufficient re-appropriation

- In 37 grants, re-appropriation amounting to ₹ 494 crore proved unnecessary in respect of 136 sub-heads.
- In 23 grants, re-appropriation amounting to ₹ 223 crore proved excessive in respect of 53 sub-heads.
- In 17 grants, re-appropriation amounting to ₹ 532 crore proved insufficient in respect of 40 sub-heads.

3.3.6 Irregular re-appropriation of funds

Rule 380 (VI) (A) of West Bengal Financial Rule (WBFR) proscribes transfer of funds from Revenue head to Capital head or vice-versa within the Grant.

It was, however, noticed that in two grants, re-appropriation involving ₹ 75.16 crore was made from Revenue head to Capital head in violation of WBFR.

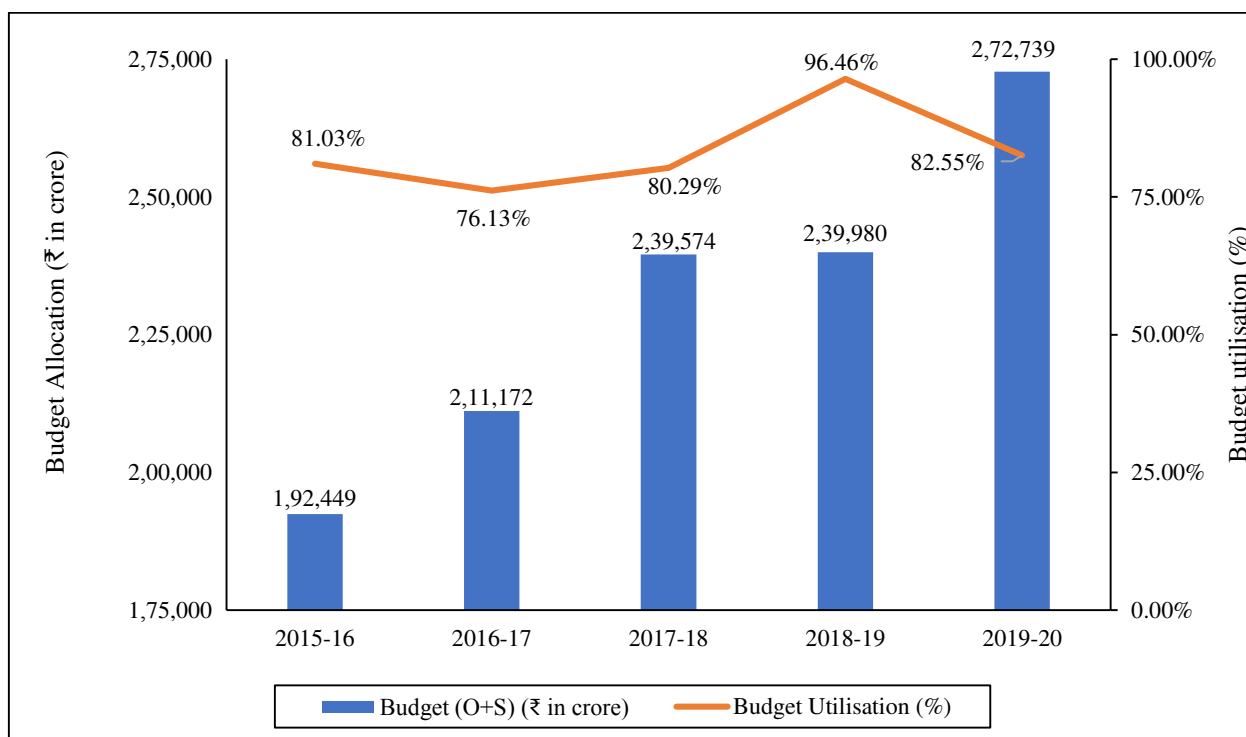
3.3.7 Unspent amount and surrendered appropriations and/or large savings/ surrenders

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls etc., promote release of funds towards the end of the financial year, and increase the propensity of the departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other departments of the funds which they could have utilised. During 2019-20, of the total savings of ₹ 50,067 crore, only ₹ 9,561 crore (19.10 *per cent* of savings) was surrendered leaving a balance of ₹ 40,506 crore. Again, of the surrendered amount of ₹ 9,561 crore, ₹ 374 crore was surrendered on the last day of the financial year (3.91 *per cent*). The above instances indicate inadequate financial management on the part of the controlling officers.

Out of savings of ₹ 38,170 crore (in respect of grants having savings exceeding ₹ 1,000 crore), only ₹ 7,087 crore, was surrendered (18.57 *per cent*) leaving a balance of ₹ 31,083 crore. In Grant No. 5 – Agriculture, the surrendered amount (₹ 2,920 crore) exceeded the savings (₹ 2,769 crore) by ₹ 151 crore (5.45 *per cent*). Un-surrendered savings (81.43 *per cent*) as well as excess surrender over savings indicate ineffective budgetary control.

Budget Utilisation during 2015-16 to 2019-20 has been shown in **Chart 3.1**.

Chart 3.1: Budget Utilisation during 2015-16 to 2019-20



Source: Appropriation Accounts

Budgetary allocations during 2015-20 increased at a CAGR of 9.11 per cent. Budget utilisation during that period ranged between 76 and 96 per cent. In the current year, 17.45 per cent of budget allocation remained un-utilised whereas in the year 2018-19 it was only 3.54 per cent. Such instances of budgetary provisions remaining unutilised clearly indicates lacuna in the budget preparation process.

3.3.8 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Although no time limit for regularisation of excess 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). Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

In 2019-20, in nine grants, excess expenditure of ₹ 2,459.76 crore over provisions is yet to be regularised (**Table 3.6**).

Table 3.6: Summary of excess disbursements over grants/appropriations during 2019-20

(₹ in crore)

Grant- Name of Department	Revenue		Capital		Total
	Voted	Charged	Voted	Charged	
08- Cooperation	-	-	26.47	-	26.47
24- Health & family Welfare	775.56	-	-	-	775.56
25- Public Works	63.37	-	-	-	63.37
33- Correctional Administration	-	-	18.45	-	18.45
37- Law	0.76	-	-	-	0.76
58- Paschimanchal Unnayan Affairs	4.50	-	-	-	4.50
72- Urban Development and Municipal Affairs	-	1.62	-	-	1.62
73-Disaster Management & Civil Defence	700.12	-	-	-	700.12
74-Women & Child Development and Social Welfare	868.91	-	-	-	868.91
Total	2,413.22	1.62	44.92	-	2,459.76

Source: Appropriation Accounts

3.3.8.1 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. **Table 3.7** shows that in Revenue (Voted) section under Health and Family Welfare, excess expenditure persistently occurred from 2015-16 to 2019-20.

Table 3.7: Persistent excess of the department of Health & Family Welfare for 2015-20

Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
24-Health & Family Welfare (Revenue-Voted)	(₹ in crore)				
Total Provision	5,165	6,720	7,519	8,203	9,337
Actual Expenditure	5,896	6,888	7,894	8,383	10,112
Excess Expenditure	731	168	375	180	775

Source: Appropriation Accounts

On scrutiny, it was noticed that excess expenditure persistently occurred in the scheme 'Special Programme under NRHM (State share)' against the Head of Account '2210-03-800-013'. Such repeated excess over grants under Revenue-Voted category, approved by the State legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly and, therefore, needs to be viewed seriously.

3.3.8.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. In 45 grants, excess expenditure of ₹ 36,464.49 crore for the period covering 2009-19 is yet to be regularised. For this purpose, the departments concerned are required to submit explanatory notes for excess expenditure to PAC through the Finance Department.

PAC, based on such explanatory notes and after due discussion with departmental heads in presence of Principals Accountant General (A&E) and Audit-I, recommended⁴⁶ regularisation of excess expenditure under both voted grants and charged appropriations for the financial years 2009-14. However, the Government is yet to regularise the excess expenditure pertaining to the years 2009-14 as of February 2021.

3.3.9 Grant-in-aid for creation of capital assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India. Misclassification of GIA as Capital Outlay and its impact on Revenue deficit is given in **Table 3.8**.

Table 3.8: Extent of classification of GIA as Capital Outlay

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
GIA booked as Capital Outlay	NIL	875	1,072	4,734	322
Total Capital Outlay	12,420	11,336	19,368	23,717	15,971
Share of GIA in Capital Outlay (in per cent)	NIL	7.72	5.53	19.96	2.02
Impact on Revenue Deficit (-) / Revenue Surplus (+), if expenditure from GIA is treated as Revenue Expenditure	NIL	RD (₹ 16,086 cr.) understated by ₹ 875 cr.	RD (₹ 9,807 cr.) understated by ₹ 1,072 cr.	RD (₹ 10,399 cr.) understated by ₹ 4,734 cr.	RD (₹ 19,661 cr.) understated by ₹ 322 cr.

Source: Notes to Accounts of Finance Accounts (2015-20)

Table 3.8 shows that due to booking of Grants-in-aid as Capital Outlay during 2016-20, Revenue Deficit was understated to that extent.

⁴⁶ Recommendation for the years 2009-12 and 2012-14 given in November 2019 and February 2021, respectively

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism and weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. A summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year is given in **Table 3.9**.

Table 3.9: Summarised position of Actual Expenditure *vis-à-vis* Budget (Original/Supplementary) provisions during the financial year

Nature of expenditure		Original Grant/App.	Supplementary Grant/App.	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	Per cent
(₹ in crore)								
Voted	I. Revenue	1,33,737	21,466	1,55,203	1,33,655	21,548	3,651	16.94
	II. Capital	27,187	4,063	31,250	17,905	13,345	2,107	15.79
	III. Loans & Advances	938	684	1,622	1,266	356	50	14.05
	Total	1,61,862	26,213	1,88,075	1,52,826	35,249	5,808	16.48
Charged	I. Revenue	31,799	2,606	34,405	31,890	2,515	0	0
	II. Capital	9	2	11	3	8	0	0
	III. Public Debt- Repayment	46,032	4,216	50,248	40,413	9,835	0	0
	Total	77,840	6,824	84,664	72,306	12,358	0	0
Appropriation to Contingency Fund (if any)		Nil						
Grand Total		2,39,702	33,037	2,72,739	2,25,132	47,607	5,808	12.20

Source: Appropriation Accounts

Table 3.9 shows that net savings (₹ 47,607 crore) was 17.46 *per cent* of the total provision. Of the 9,147 schemes, variations in savings or excess occurred in 2,252 (25 *per cent*) schemes. Amongst these cases, explanations were received only in 13 cases which represented 0.58 *per cent*. Short receipt of explanations violates the basic norms approved by the PAC of West Bengal Legislature, adopted for comments on the Appropriation Accounts.

During 2019-20, in nine new schemes (₹ 100 crore or more), ₹ 5,048 crore was initially allotted which was further revised to ₹ 6,828 crore. However, no expenditure was incurred against these schemes.

3.4.2 Rush of expenditure

Rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management.

During 2019-20, in four grants constituting four sub-heads (₹ 100 crore and above), 100 per cent expenditure was incurred in the month of March 2020. Details are given in **Table 3.10**.

Table 3.10: Sub-Head (Schemes) where entire expenditure was incurred in March 2020

Sl. No.	Grant No.	Head of Account (upto Sub-head)	100 per cent expenditure during March 2020 (₹ in crore)
1.	40	4515-00-103-001-Road works under Pradhan Mantri Gram Sadak Yojana (PMGSY) (Central Share)	150
2.	24	2210-05-105-034-Human Resource in Health and Medical Education (Central Share)	143
3.	15	2202-01-108-004-Printing of Nationalised Text Books for Children at Primary Stage	131
4.	73	2245-02-282-001-Expenses on Public Health Measures	100

Source: Appropriation Accounts

3.5 Recommendations

1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanism to curtail savings/excess expenditure.
2. The State Government may consider writing back balance under Deposit Accounts to the respective Major/Minor Heads at the close of the year to ensure legislative scrutiny.
3. Excess expenditure over grants approved by the Legislature are in violation of the will of the Legislature. It therefore, needs to be viewed seriously and regularised at the earliest.
4. State Governments needs to formulate a realistic budget based on reliable assumptions of the needs of the departments and their capacity to utilise the allocated resources.
5. An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/Appropriations are controlled, and anticipated savings are identified and surrendered within the specified timeframe.