

CHAPTER 2

Financial Management and Budgetary Control

➤ 2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Acts. These Accounts show the original budget estimates, supplementary grants, surrenders and re-appropriations 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 the 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 authorizations given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

➤ 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2008-09 against 75 grants/ appropriations is given in **Table 2.1**:

Table 2.1: Summarized Position of Actual Expenditure vis-à-vis Original/Supplementary Provisions
(Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure*	Saving (-) / Excess (+)
Voted	I Revenue	12,788.55	2,275.71	15,064.26	12,614.97	(-)2,449.29
	II Capital	3,954.07	189.19	4,143.26	2,941.77	(-)1,201.49
	III Loans and Advances	503.72	67.69	571.41	490.75	(-)80.66
Total Voted		17,246.34	2,532.59	19,778.93	16,047.49	(-)3,731.44
Charged	IV Revenue	1,462.42	2.28	1,464.70	1,372.44	(-)92.26
	V Capital	0.56	0.00	0.56	0.48	(-)0.08
	VI Public Debt-Repayment	683.10	0.00	683.10	489.36	(-)193.74
Total Charged		2,146.08	2.28	2,148.36	1,862.28	(-)286.08
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		19,392.42	2,534.87	21,927.29	17,909.77	(-)4,017.52

(Source: Appropriation Accounts 2008-09)

* Actual expenditure includes the amount incurred under the Suspense head (Rs 22.02 crore) and transferred to 8443-Civil Deposits (Rs 93.83 crore).

The overall savings of Rs 4,017.52 crore were the result of savings of Rs 4,132.78 crore in 63 grants and 23 appropriations under the Revenue Section, 44 grants and three appropriations under the Capital Section and one appropriation (Public Debt) under the Loan Section, offset by excess of Rs 115.26 crore in four grants under the Revenue Section and five grants under the Capital Section.

The savings/excesses in all grants/appropriations were intimated (28 November 2008) to the Finance Department requesting them to explain the significant variations. The Accountant General (Accounts and Entitlement) again requested (23 January 2009) the Secretary, Finance to furnish reasons for excesses/savings. All the Controlling Officers were also requested to furnish the reasons (7 July 2009). Out of 994 sub-heads, explanations for variations were not received (July 2009) in respect of 958 sub-heads (Savings: 775 sub-heads and Excess: 183 sub-heads).

➤ 2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit reveals that in 21 cases, savings exceeded Rs 10 crore in each case and also by more than 20 per cent of the total provisions (**Appendix-2.1**). Against the total savings of Rs 4,132.78 crore, savings of Rs 1298.95 crore (31.43 per cent) occurred in just 11 cases relating to 10 grants as indicated in **Table 2.2**.

Table 2.2: List of grants with savings of Rs 50 crore and above

(Rupees in crore)

Sl. No.	Grant no.	Name of grant	Original	Supplementary/ Surrender (-)	Total	Expenditure	Savings (excluding surrender)
1	2	3	4	5	6	7	8
Revenue-Voted							
1	19	Public Health and Family Welfare	365.07	33.55	398.62	292.51	106.11
2	38	Grant-in-aid received on recommendation of the Twelfth Finance Commission	134.00	64.87/(-) 0.89	197.98	105.88	92.10
Revenue voted							
3	69	Urban Administration and Development Department-Urban Welfare	350.56	0.00	350.56	11.34	339.22
4	79	Expenditure pertaining to Medical Education Department	170.80	2.00	172.80	90.73	82.07
Capital-Voted							
5	11	Expenditure pertaining to Commerce and Industry Department	75.30	0.00	75.30	16.52	58.78

1	2	3	4	5	6	7	8
6	24	Public Works-Roads and Bridges	500.19	12.00/(-) 50.00	462.19	326.77	135.42
7	38	Grant-in-aid received on recommendation of the Twelfth Finance Commission	71.88	44.73/(-)0.01	116.60	22.84	93.76
8	42	Public Works relating to Tribal Areas Sub-Plan-Roads and Bridges	400.14	0.00	400.14	260.23	139.91
9	64	Special Component Plan for Scheduled Castes	407.66	0.00/(-) 19.97	387.69	264.87	122.82
10	67	Public Works-Buildings	250.40	10.67/(-) 8.00	253.07	199.75	53.32
11	68	Public Works relating to Tribal Area Sub-Plan-Buildings	102.08	35.48/(-)7.00	130.56	55.12	75.44
		Total	2828.08	203.30/(-)85.87	2945.51	1646.56	1298.95

(Source: Appropriation Accounts 2008-09)

Reasons for savings called for (July 2009) from the State Government were awaited (December 2009).

2.3.2 Persistent Savings

In eight cases during the last five years, there were persistent savings of more than Rs 10 crore in each case and were five *per cent* or more of the total grants (Table 2.3).

Table 2.3: List of grants having persistent savings during 2004-09

(Rupees in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6	7
Revenue Voted						
1	06 - Expenditure pertaining to Finance Department	131.12	307.07	251.49	393.06	142.68
2	14 - Expenditure pertaining to Animal Husbandry Department	10.47	15.12	12.24	21.71	30.33
3	19 - Public Health & Family Welfare	27.96	46.77	86.12	99.97	106.10
4	20 - Public Health Engineering	31.81	26.55	17.78	20.29	21.92
5	27 - School Education	57.75	82.51	52.88	82.57	197.58
6	41-Tribal Areas Sub-Plan	137.79	94.58	124.79	238.89	258.32
7	64-Special Component Plan for Scheduled Castes	14.66	25.09	36.52	116.76	80.44
Capital Voted						
8	41 - Tribal Areas Sub – Plan	46.53	59.40	90.57	69.34	116.26

(Source: Appropriation Accounts 2008-09)

Reasons for persistent savings had not been intimated (July 2009).

2.3.3 Expenditure without provision

According to paragraph 126 (Chapter XI) of the Chhattisgarh Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 2.63 crore was incurred in three cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demands and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2008-09

(Rupees in crore)

Number and name of		Amount of expenditure without provision	Reasons/ Remarks
Grants	Scheme		
08-Land Revenue and District Administration	2216-03-102-0101-State Plan Schemes (Normal)-7298-Housing schemes for families affected by Naxals	0.50	Reasons have not been intimated
41-Tribal Sub-plan	2202-03-796-102-0102-Tribal Area Sub-Plan 7289-Surguja University	0.80	
41-Tribal Sub-plan	2202-03-796-102-0102-Tribal Area Sub-Plan 7290-Bastar University	1.33	
Total		2.63	

(Source: Appropriation Accounts 2008-09)

Reasons for expenditure without provision called (July 2009) for from the State Government were awaited (December 2009).

2.3.4 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get excesses over grants/appropriations regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is to be done after the completion of discussion of the Appropriation Accounts and the connected Audit Reports by the Public Accounts Committee (PAC). However, excess expenditure amounting to Rs 1,009.57 crore for the years 2000-08 were still to be regularized as detailed in **Appendix-2.2**.

2.3.5 Excess over provisions during 2008-09 requiring regularization

Table 2.5 contains a summary of total excess over provision of funds in nine grants amounting to Rs 115.26 crore during 2008-09, requiring regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2008-09

(Rupees in crore)

Sl. No	Number and name of grant/appropriation		Total grant/appropriation	Expenditure	Excess
Revenue Voted					
1	24	Public Works-Roads and Bridges	278.64	315.38	36.74
2	40	Expenditure pertaining to Ayacut Department	3.30	3.53	0.23
3	67	Public Works-Buildings	184.42	187.31	2.89
4	80	Financial Assistance to three tier Panchayati Raj Institutions	741.89	805.51	63.62
Capital Voted					
5	6	Expenditure pertaining to Finance Department	1.41	2.49	1.08
6	23	Water Resources Department	283.74	287.36	3.62
7	75	NABARD aided projects pertaining to Water Resources Department	54.50	55.00	0.50
8	76	Externally aided projects pertaining to Public Works Department	300.00	306.34	6.34
9	82	Financial Assistance to three tier Panchayati Raj Institutions under Tribal Area Sub-Plan	41.27	41.31	0.04
Capital Charged					
10	23	Water Resources Department	0.20	0.40	0.20
Total			1,889.37	2,004.63	115.26

(Source: Appropriation Accounts 2008-09)

Reasons for excess over provisions called (July 2009) for from the State Government were awaited (December 2009).

2.3.6 Unnecessary/Inadequate supplementary provisions

Supplementary provisions aggregating Rs 860.59 crore obtained in 41 cases (Rs 50 lakh or more in each case) during the year 2008-09, proved unnecessary as the expenditure did not even come up to the level of original provisions as detailed in **Appendix-2.3**.

In four cases, supplementary provisions of Rs 110.81 crore proved insufficient by more than Rs one crore in each case, leaving an aggregate uncovered excess expenditure of Rs 106.87 crore (**Appendix-2.4**).

2.3.7 Excessive/unnecessary re-appropriation of funds

A re-appropriation is a transfer of funds within a grant from one unit of appropriation, where savings are anticipated to another unit where additional funds are needed. Excessive re-appropriation in 125 sub-heads resulted in savings of Rs 334.50 crore while insufficient re-appropriation in 54 sub-heads led to excess expenditure of Rs 259.02 crore. The excesses/savings were more than Rs one crore in 86 sub-heads as detailed in **Appendix-2.5**.

In Grant No. 3, under general expenditure, re-appropriation of Rs 2.98 crore proved unnecessary as the final expenditure exceeded the total grant by Rs 38.54 crore.

In Grant No. 23, under dam and appurtenant work, re-appropriation of Rs 1.90 crore proved unnecessary as the final expenditure exceeded the total grant by Rs 61.18 crore.

In Grant No. 24, under construction of rural roads under basic minimum services, re-appropriation of Rs 40.00 crore proved unnecessary as the final expenditure exceeded the total grant by Rs 27.74 crore.

In Grant No. 27, under higher secondary schools, re-appropriation of Rs 3.81 crore proved insufficient as the final savings were Rs 25.30 crore.

2.3.8 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provisions) were made in respect of 21 schemes on account of non-implementation or slow implementation. Out of the total provision amounting to Rs 427.31 crore for these schemes, Rs 311.37 crore (73 *per cent*) was surrendered which included cent *per cent* surrender in two schemes (Rs 45.37 crore) **Appendix-2.6**.

2.3.9 Surrender in excess of actual savings

In seven cases, the amounts surrendered (Rs 50 lakh or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control. As against savings of Rs 441.23 crore, the amount surrendered was Rs 650.04 crore, resulting in excess surrender of Rs 208.81 crore. Details are given in **Appendix-2.7**. The concerned departments did not furnish reasons/explanations regarding surrender in excess of the actual savings.

2.3.10 Anticipated savings not surrendered

According to paragraph 131 of the Chhattisgarh Budget Manual, a statement of anticipated savings should be submitted by all controlling officers so as to reach the Finance Department not later than 15 January each year. At the close of the year 2008-09, there were, however, 25 grants and three appropriations in which savings occurred but no part of them had been surrendered by the concerned departments. The total amount involved in these cases was Rs 1,557.55 crore (38 *per cent* of the total savings) (**Appendix-2.8**).

Similarly, out of the savings of Rs 1754.39 crore under 19 other grants (savings of Rs one crore and above in each grant), amounts aggregating Rs 1,150.29 crore (66 *per cent* of total savings) were not surrendered. Details are given in **Appendix 2.9**.

Besides, in 21 cases (surrender of funds in excess of Rs 10 crore in each case), Rs 1,523.43 crore was (**Appendix-2.10**) surrendered on the last day of March 2009, indicating weak financial control. As a result, these funds could not be utilized for other developmental purposes. The departments did not furnish reasons/explanations regarding surrender of savings on the last day of the financial year.

2.3.11 Rush of expenditure

According to Rule 69 of the General Financial Rule, rush of expenditure particularly in the closing month of the financial year should be avoided. Contrary to this, in 15 Major Heads expenditure exceeded Rs 10 crore and in six cases even more than 50 *per cent* of the total expenditure during the last month of the financial year as detailed in **Appendix-2.11**.

➤ 2.4 Non-reconciliation of Departmental figures

2.4.1 *Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills*

As per the rules, every drawing officer has to certify in each Abstract Contingent (AC) bill that Detailed Countersigned Contingent (DCC) bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. DCC bills for only Rs 6.39 crore were received during the period 2004-2009 against AC bills for Rs 19.80 crore, leading to an outstanding balance of DCC bills for Rs 13.41 crore as on 31 March 2009. Year-wise details are given in **Table 2.6**.

Table 2.6: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

(Rupees in crore)

Year	Opening balance	Amount of AC bills received during year	Amount of DCC bills during the year	Outstanding AC bills
2004-05	0	2.94	0	2.94
2005-06	2.94	0.91	0	3.85
2006-07	3.85	5.82	0.35	9.32
2007-08	9.32	1.43	3.50	7.25
2008-09	7.25	8.70	2.54	13.41
Total		19.80	6.39	

Major Head-wise pending DCC bills for the years up to 2008-09 are detailed in **Appendix-2.12**.

2.4.2 *Unreconciled Expenditure*

To enable controlling officers of the departments to exercise effective control over expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, paragraphs 108 and 109 of the State Budget Manual stipulate that expenditure recorded in their books be reconciled by them every month 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 the Audit Reports, lapses on the part of controlling officers in this regard continued to persist during 2008-09. Thus 77 out of 124 controlling officers did not reconcile expenditure figures amounting to Rs 11,539.44 crore as of March 2009.

➤ 2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established in pursuance of clause (1) of Articles 267 and 283 (2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature, would be undesirable. The Fund is in the nature of an imprest and its corpus is Rs 40 crore. The following instances were observed in audit where expenditure was incurred from the Contingency Fund though the expenditure was foreseeable in nature:-

- 1) An amount of Rs 3.08 crore was sanctioned (6 May 2008) as advance for purchase of vehicles (three bullet proof Ambassadors and four bullet proof Safaris) for security of VVIPs.
- 2) An amount of Rs 18.50 lakh was sanctioned (15 May 2008) as advance for purchase of equipments for establishment of a State Dairy Laboratory.
- 3) An amount of Rs 1.77 crore was sanctioned (22 May 2008) as advance for purchase of vehicles (one bullet proof Safari, one bullet proof Ambassador car and 15 Ambassador cars) for security of VVIPs.
- 4) An amount of Rs 10.50 lakh was sanctioned (13 October 2008) as advance for purchase of furniture/equipment for the staff of the State Election Commission.
- 5) An amount of Rs five crore was sanctioned (23 November 2008) as advance to the Maharashtra and Andhra Pradesh State Road Transportation Corporations for providing vehicles for transporting security staff during the State election in 2008.
- 6) An amount of Rs 52 lakh was sanctioned (23 March 2009) as advance for purchase of vehicles (four Toyota Corollas), for Judges of the High Court.

➤ **2.6 Personal Deposit Accounts**

Personal Deposit (PD) Accounts are created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 459 PD Accounts in 18 district treasuries and 44 sub-treasuries in operation. These PD Accounts were not closed as of March 2009 and the balance amount of Rs 29.27 crore was not transferred back to their respective Service Heads. During test check of the records of treasuries, 64 PD Accounts involving Rs 15.35 crore were not operated for more than five years. Of these, one PD Account having a balance of Rs 15.01 crore, was inoperative since April 2001.

➤ **2.7 Conclusion**

During 2008-09, expenditure of Rs 17,909.77 crore was incurred against total grants and appropriations of Rs 21,927.29 crore, resulting in savings of Rs 4,017.52 crore. The overall savings were the net result of savings of Rs 4,132.78 crore, offset by excess of Rs 115.26 crore. The excess required regularization under Article 205 of the Constitution of India. In 21 cases, surrender of funds amounting to Rs 1523.43 crore were made on the last working day of the financial year, while in 25 grants and three appropriations, savings amounting to Rs 1557.55 crore were not surrendered. In seven cases, a total amount of Rs 208.81 crore was surrendered in excess of the actual savings. Similarly, out of total savings of Rs 1754.39 crore (savings of Rs one crore and above) under 19 other grants, only Rs 604.10 crore was surrendered.

➤ **2.8** **Recommendation**

Budgetary control should be strengthened in all the Government departments. Issuance of re-appropriation/surrender orders at the end of the financial year should be avoided.