

CHAPTER - II

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 the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-a-vis* those authorized by the Appropriation Act in respect of both charged and voted items of the budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

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

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against 83 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	2757.07	545.92	3302.99	2925.84	(-) 377.15
	II. Capital	1049.06	80.56	1129.62	932.33	(-) 197.29
	III. Loans & Advances	30.19	0.45	30.64	28.67	(-) 1.97
Total Voted		3836.32	626.93	4463.25	3886.84	(-) 576.41
Charged	IV. Revenue	583.44	2.32	585.76	545.63	(-) 40.13
	V. Capital	0.00	1.28	1.28	1.04	(-) 0.24
	VI. Public Debt	266.53	0.00	266.53	166.29	(-) 100.24
Total Charged		849.97	3.60	853.57	712.96	(-) 140.61
Grant Total		4686.29	630.53	5316.82	4599.80	(-) 717.02

(Source: Appropriation Accounts of the State)

Note: The expenditure includes the recoveries of revenue expenditure amounting to Rs 45.99 crore and capital expenditure amounting to Rs 36.31 crore adjusted as reduction of expenditure.

The overall savings of Rs 717.02 crore were the result of savings of Rs 717.05 crore in 78 grants and one appropriation under the Revenue Section, 55 grants under the Capital Section and one appropriation (Public Debt-Repayments) under the Loan Section, offset by excess of Rupees three lakh in three grants under the Capital Section.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 20 cases, savings exceeded Rupees two crore in each case or by more than 20 *per cent* of the total provision (**Appendix 2.1**). A list of grants where savings exceeded Rs 50 crore is given in **Table 2.2**.

Table 2.2: List of Grants with Savings of Rs 50 crore and above

(Rupees in crore)

Sr. No.	No. and Name of Grant	Original	Supplementary	Total	Actual Expenditure	Savings
REVENUE (VOTED)						
1	34 School Education	321.54	130.95	452.49	400.70	51.79
2	55 Municipal Administration	115.55	3.59	119.14	48.66	70.48
CAPITAL (VOTED)						
3	21 Public Works	329.59	25.00	354.59	272.99	81.60
CAPITAL (CHARGED)						
4	Appropriation for reduction of debts	266.53	-	266.53	166.29	100.24

(Source: Appropriation Accounts of the State)

The main reasons for the excessive savings were as follows:

34-School Education:- less expenditure on various schemes for school children like 'Mid-day meal' and 'Providing laptops to Higher Secondary School teachers'.

55-Municipal Administration:- non-receipt of proposals from Goa State Urban Development Agency (GSUDA) for release of funds under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and non-release of funds of Compensation to municipalities in lieu of octroi due to implementation of the election code of conduct etc.

21-Public Works:- non-implementation of schemes.

Appropriation for reduction of debts:- non-availing of ways and means advances from RBI.

2.3.2 *Persistent Savings*

In four cases, during the last five years, there were persistent savings of more than Rupees two crore in each case (**Table 2.3**) and also by 10 *per cent* or more of the total grant.

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

(Rupees in crore)

Sr. No.	No. and Name of grant	Amount of savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue - Voted						
1	7-Settlement & Land Records	3.86	2.38	6.00	3.94	2.54
2	64-Agriculture	3.06	3.51	2.48	-	5.99
3	65-Animal Husbandry	6.31	4.28	-	2.49	5.15
Capital - Voted						
4	70-Civil Supplies	9.27	6.55	-	7.02	5.71

(Source : Appropriation Accounts of the State)

The main reasons for persistent savings were as under:-

Settlement and Land Records:- A Government decision to discontinue the scheme of strengthening the revenue administration and updating land records.

Agriculture:- Less material purchases, decrease in the support price due to increase in market price of coconuts etc.

Animal Husbandry:- Poor response from farmers to avail of benefits under various schemes.

Civil Supplies:- Non-receipt of bills for subsidy for supply of rice to APL families.

2.3.3 *Excess over provisions 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 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 done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to Rs 861.24 crore for the years 2003-2008 was still to be regularized. The year-wise amounts of excess expenditure pending regularization for grant/appropriations are summarised in **Table 2.4**.

Table 2.4: Excess over provisions relating to previous years requiring regularization

(Rupees in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grants	Appropriation		
2003-04	1	1	549.59	PAC discussions completed. Recommendations awaited
2004-05	1	1	293.85	
2005-06	1	1	17.68	
2006-07	2	-	0.09	Yet to be discussed
2007-08	1	-	0.03	
Total	6	3	861.24	

(Source: Appropriation Accounts of the State)

2.3.4 Excess over provisions during 2008-09 requiring regularization

Table 2.5 contains a summary of the total excess in three grants amounting to Rupees three lakh over authorisation from the Consolidated Fund of the State (CFS) during 2008-09, requiring regularisation under Article 205 of the Constitution.

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

(Amount in Rupees)

Sr. No.	Number and title of		Total grant	Expenditure	Excess
Voted Grants-					
1	26	Fire & Emergency Services	12200000	12327134	127134
2	38	Government Polytechnic Bicholim	4430000	4481707	51707
3	43	Art & Culture	100000000	100122193	122193
Total			116630000	116931034	301034

(Source: Appropriation Accounts of the State)

2.3.5 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provisions aggregating Rs 51.36 crore obtained in 23 cases of Rs 10 lakh or more in each case during the year, proved unnecessary as the expenditure did not come upto the levels of the original provisions as detailed in **Appendix 2.2**.

2.3.6 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. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over Rs 10 lakh in 40 sub-heads as detailed in **Appendix 2.3**.

In grant No. 47 under Urban Health Services, withdrawal of Rs 7.82 lakh by re-appropriation proved unnecessary due to excess expenditure of

Rs 1.74 crore. In the same grant, under ‘Strengthening of Administration of Goa Medical College’, augmentation of funds through re-appropriation (Rs 69.79 lakh) proved unnecessary due to final savings of Rs 1.74 crore.

In grant No. 65, withdrawal of Rs 1.09 crore under ‘Sixth Pay Commission arrears lumpsum provision’ by re-appropriation proved insufficient on account of final savings of Rs 3.23 crore.

2.3.7 Unexplained re-appropriations

In the re-appropriation statement, the reasons for the additional expenditure and the savings should be explained and general expressions such as “due to economy measures”, “due to less expenditure than anticipated” etc. should be avoided. However, a scrutiny of re-appropriation orders issued by various departments revealed that in respect of 104 out of 563 items (18.5 *per cent*), the reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature.

2.3.8 Substantial surrenders

Substantial surrenders amounting to Rs 99.31 crore were made in respect of 10 sub-heads on account of either non-implementation or slow implementation of schemes/programmes, out of the total provision of Rs 161.27 crore. The details of such cases where the surrenders were more than 50 *per cent* of the provisions are given in **Appendix 2.4**.

The reasons for substantial surrenders as stated by the departments were as under:

1. **1-Legislature Secretariat** - 7610 - Loans to Government Servants:- Non-claiming of house building advances and motor cycle advances by MLAs.
2. **7-Settlement & Land Records** - 4059 - Capital Outlay on Public Works:- Surrendering of token provision.
3. **17-Police** - 4055 - Capital Outlay on Police:- Non-tendering of works by PWD under Modernisation of Police Force and Coastal Security Police Force.
4. **18-Jail** - 4059 - Capital Outlay on Public Works:- Slow progress of construction of new central jail at Colvale.
5. **31-Panchayats** - 4216 - Capital Outlay on Other Rural Development Programmes:- Non-utilization of funds by PWD, Water Resources and Electricity departments.
6. **33-Revenue** - 4059 - Capital Outlay on Public works:- Non-approval of rehabilitation project to be undertaken by Goa Rehabilitation Board.
7. **36-Technical Education** - 4202 - Capital Outlay on Education and Sports:- Non-execution of developmental works.
8. **47-Goa Medical College** - 4210 – Capital Outlay on Medical and Public Health:- Less number of works undertaken and less purchase of equipment.

9. **50-Goa College of Pharmacy** - 4210 - Capital Outlay on Medical and Public Health:- Non-utilisation of funds by PWD and postponement of purchase of equipment.
10. **55-Municipal Administration** - 2217 - Urban Development:- Non-receipt of proposal from GSUDA for release of funds.

2.3.9 Surrender in excess of actual savings

In six cases, the amounts surrendered (Rs 10 lakh or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these departments. As against savings of Rs 104.59 crore, the amount surrendered was Rs 108.22 crore, resulting in excess surrender of Rs 3.63 crore. Details are given in **Appendix 2.5**.

2.3.10 Anticipated savings not surrendered

The spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there were, however, seven grants/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 7.24 crore (**Appendix 2.6**). Similarly, out of total savings of Rs 304.10 crore under 24 other grants/appropriations (savings of Rs 10 lakh and above) Rs 176.20 crore was not surrendered, details of which are given in **Appendix 2.7**. Besides, in 15 cases, (surrender of funds in excess of Rupees five crore), Rs 375.83 crore was surrendered on the last working day of March 2009 (**Appendix 2.8**) indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.11 Rush of expenditure

In order to ensure proper financial discipline, rush of expenditure in the closing months of the financial year should be avoided. Contrary to this, in respect of the five major heads listed in **Appendix 2.9**, expenditure exceeding Rupees five crore and also more than 50 per cent of the total expenditure was incurred in March 2009. **Table 2.6** presents the major heads where more than 50 per cent of expenditure was incurred either during the last quarter or during the last month of the financial year. Uniform flow of expenditure is a primary requirement of budgetary control which was not maintained.

Table 2.6: Cases of rush of expenditure towards the end of financial year 2008-09

(Rupees in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of Total expenditure	Amount	Percentage of Total Expenditure
1	2029	6.25	3.43	54.88	2.21	35.36
2	2048	30.00	30.00	100.00	25.00	83.33
3	2401	27.92	14.74	52.79	9.85	35.28
4	2405	15.42	8.16	52.92	5.77	37.42
5	2505	8.38	4.43	52.86	1.59	18.97
6	2515	50.37	26.17	51.96	13.22	26.25
7	2852	23.24	21.81	93.85	0.89	3.83
8	4059	40.54	35.52	87.62	33.46	82.54
9	4202	52.91	30.48	57.61	16.91	31.96
10	4210	20.38	14.28	70.07	11.39	55.89
11	4701	109.71	74.80	68.18	48.28	44.01
12	4702	36.72	19.24	52.40	13.71	37.34
13	4711	35.67	26.17	73.37	17.90	50.18
14	4801	167.35	103.47	61.83	88.67	52.98
15	5452	13.71	7.53	54.92	7.18	52.37
Total		638.57	420.23	65.81	296.03	46.36

(Source: Directorate of Accounts)

2.4 Non-reconciliation of departmental figures

2.4.1 Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

As per Rules 309 and 310 of Central Treasury Rules, Detailed Contingent (DC) bills are to be submitted against Abstract Contingent (AC) bills within one month from the date of drawal.

It was observed that 237 AC bills involving an amount of Rs 10.19 crore, drawn by various departments upto March 2009, were pending adjustment as on 30 June 2009. Year-wise details are given in **Table 2.7**.

Table 2.7: Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

Year	No. of AC bills Pending	Amount (Rupees in crore)
Upto 2004-2005	27	0.35
2005-2006	29	0.71
2006-2007	16	0.80
2007-2008	89	5.00
2008-2009	76	3.33
Total	237	10.19

(Source: Directorate of Accounts)

Department-wise pending DC bills of above Rupees five lakh for the years upto 2008-09 are detailed in **Appendix 2.10**.

2.4.2 Unreconciled expenditure

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, departmental officers are required to reconcile periodically and before the close of the accounts of a year, the departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). 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 2008-09 also. During 2008-09, out of 85 BCAs, 25 had not carried out such reconciliations for the entire year in respect of 323 units under their control, involving Rs 163.74 crore and 33 BCAs had not carried out such reconciliations for part of the year in respect of 1,310 units under their control, involving Rs 692.46 crore. The unreconciled periods in case of the partially reconciled units ranged from one to 11 months. The details of the major BCAs, who did not reconcile the expenditure are detailed in **Table 2.8**.

Table 2.8: Budget Controlling Authorities who did not reconcile their figures

(Rupees in crore)

Sr. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Collector, South Goa	17.56
2	Director of Higher Education	71.78
3	Director of Civil Supplies and Consumer Affairs	10.46
4	Director of Planning, Statistics & Evaluation	18.56
5	Director of Transport	11.19
6	Director General of Police	21.54
7	Director of Education	291.75
8	Principal, Government Polytechnic, Mayem	15.13
9	Dean, Goa Medical College & Hospital	23.77
10	Director of Social Welfare	63.04
11	Director of Women and Child Development	10.93
12	Director of Agriculture	16.26
13	Chief Engineer, Water Resources Department	135.64
14	Director of Tourism	28.90
15	Director of Information & Technology	22.26
	Total	758.77

(Source : Directorate of Accounts)

2.4.3 Non-adjustment of temporary advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure, travelling allowances, leave travel concessions etc. As of June 2009, advances aggregating Rs 6.58 crore were

pending adjustments by DDOs in the records of the Director of Accounts. An age-wise analysis of pending advances is given in **Table 2.9**.

Table 2.9: Age-wise Analysis of Pending Advances

(Rupees in lakh)

Sr. No.	Year	No. of advances	Amount
1	Upto 2004-05	169	41.72
2	2005-06	76	27.52
3	2006-07	62	29.28
4	2007-08	104	128.70
5	2008-09	149	430.78
	Total	560	658.00

(Source: Directorate of Accounts)

2.5 Advances from Contingency Fund

The Contingency Fund of the State of Goa was established under the Goa Contingency Fund Act, 1988 in terms of the provision under Article 267 of the Constitution of India. The Fund was established with the objective of meeting expenditure of an unforeseen and emergent character, the postponement of which till its authorization by the Legislature would not be desirable.

The fund was in the nature of an imprest with legislative approval, with a corpus of Rs 30 crore, which was temporarily raised to Rs 70 crore on 5 January 2009 by issue of an ordinance. During the year, advances of Rs 61.44 crore were drawn from the Fund by issuing 104 sanctions. During 2008-09, advances drawn but not recouped to the Fund amounted to Rs 6.20 lakh. The closing balance of the Fund as on 31 March 2009 was Rs 29.94 crore.

The PAC in its 62nd Report, observed (28 March 2008) that the Contingency Fund was utilised for pay and allowances, maintenance work etc. which could not be considered as unforeseen and unanticipated and warned of the recurrence of such irregularities in future. However, in 12 cases involving Rs 13.18 crore, the department drew advances from the Contingency Fund, though the expenditure was foreseeable (**Appendix 2.11**).

2.6 Personal Deposit Accounts

Personal Deposit (PD) Accounts are created for parking funds by debit to the Consolidated Fund of the State and are required to be closed at the end of the financial year by minus debit to the relevant service heads. There were 127 PD accounts in 11 Taluka Treasury offices in the State. A total balance of Rs 21.44 crore lying with these accounts was not transferred back to the respective service heads. Of these 127 accounts, nine accounts were not operated during 2008-09. It was also found that 27 PD accounts remained inoperative for more than 10 years.

2.7 Conclusion

During 2008-09, expenditure of Rs 4,599.80 crore was incurred against total grants and appropriations of Rs 5,316.82 crore, resulting in savings of Rs 717.02 crore. The overall savings were the net result of savings of Rs 717.05 crore, offset by excess of Rupees three lakh. This excess requires regularisation under Article 205 of the Constitution of India. In six cases, the amounts surrendered (Rs 10 lakh or more) were in excess of the actual savings, indicating inadequate budgetary control in these departments. As against savings of Rs 104.59 crore, the amount surrendered was Rs 108.22 crore. There were seven grants/appropriations in which total savings of Rs 7.24 crore were observed but the same were not surrendered by the concerned departments. Similarly, out of the total savings of Rs 304.10 crore (savings of Rs 10 lakh and above in each grant) under 24 grants/appropriations, only Rs 127.90 crore was surrendered, leaving Rs 176.20 crore as unsurrendered funds. An amount of Rs 375.83 crore was surrendered on the last working day of March 2009.

2.8 Recommendations

-  Budgetary controls should be strengthened in all the Government departments. Last minute release of funds and issue of re-appropriation/surrender orders at the fag end of the year should be avoided.