

## 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 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 reappropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of the budget. 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 authorisation given under the Appropriation Acts and that 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 the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2008-2009 against 26 grants/appropriations is given in **Table 2.1**:

**Table 2.1:** Summarised 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 (+)
<b>Voted</b>	I Revenue	17,824.64	2,913.60	20,738.24	18,212.51	(-)2,525.73
	II Capital	5,501.46	355.34	5,856.80	6,090.22	(+)233.42
	III Loans and Advances	391.67	78.00	469.67	332.31	(-)137.36
<b>Total Voted</b>		<b>23,717.77</b>	<b>3,346.94</b>	<b>27,064.71</b>	<b>24,635.04</b>	<b>(-)2,429.67</b>
<b>Charged</b>	IV Revenue	2,614.94	10.76	2,625.70	2,422.18	(-)203.52
	V Capital	44.00	3.50	47.50	58.65	(+)11.15
	VI Public Debt-Repayment	2,389.14	-	2,389.14	1,291.83	(-)1,097.31
<b>Total Charged</b>		<b>5,048.08</b>	<b>14.26</b>	<b>5,062.34</b>	<b>3,772.66</b>	<b>(-) 1,289.68</b>
<b>Appropriation to Contingency Fund (if any)</b>		NIL	NIL	NIL	NIL	NIL
<b>Grand Total</b>		<b>28,765.85</b>	<b>3,361.20</b>	<b>32,127.05</b>	<b>28,407.70</b>	<b>(-) 3,719.35</b>

**Note:** The expenditure shown above includes gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (Rs 99.95 crore) and Capital Heads (Rs 1,647.20 crore).

Supplementary provisions of Rs 3,361.20 crore obtained during the year constituted 12 *per cent* of the original provision as against eight *per cent* in the previous year.

The overall savings of Rs 3,719.35 crore were the result of savings of Rs 4,021.98 crore in 22 grants under the Revenue Section, 10 grants under the Capital Section and one appropriation (Public Debt-Repayments) under the Loan Section, offset by excess of Rs 302.63 crore in three grants under the Revenue Section and three grants under the Capital Section. The excess of Rs 302.63 crore requires regularisation under Article 205 of the Constitution.

The savings/excesses (Detailed Appropriation Accounts) were intimated between 30 June 2009 and 27 July 2009 to the Controlling Officers, requesting them to explain the significant variations. The Controlling Officers were again requested demi-officially on 3 August 2009 to furnish reasons for the excesses/savings but their explanations were not received (October 2009). Finance, Buildings and Roads, Education, Social Welfare and Rehabilitation, Agriculture and Rural Development were the departments having substantial savings/excess expenditure.

## 2.3 Financial accountability and budget management

### 2.3.1 Appropriation vis-à-vis allocative priorities

The outcome of appropriation audit revealed that savings in 18 cases exceeded Rs 10 crore in each case or were more than 20 *per cent* of the total provision (**Appendix 2.1**). Against the total savings of Rs 4,021.98 crore, savings of Rs 3,870.80 crore (98 *per cent*) occurred in 12<sup>1</sup> cases relating to 10 grants and one appropriation as indicated in **Table 2.2**.

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

(Rupees in crore)

Sr. No.	Number and name of the grant	Original	Supplementary	Total	Actual expenditure	Savings
<b>Revenue-Voted</b>						
1.	4-Revenue	384.50	Nil	384.50	226.98	157.52
2.	6-Finance	1,833.22	Nil	1,833.22	1,650.42	182.80
3.	7-Other Administrative Services	1,249.73	Nil	1,249.73	59.54	1,190.19
4.	8-Buildings and Roads	695.14	94.03	789.17	702.99	86.18
5.	9-Education	3,329.46	684.84	4,014.30	3,854.30	160.00
6.	13-Social Welfare and Rehabilitation	1245.99	Nil	1245.99	1193.48	52.51
7.	15-Irrigation	3,407.78	686.49	4,094.27	3,677.16	417.11
8.	17-Agriculture	460.54	99.66	560.20	495.67	64.53
9.	21-Community Development	800.55	381.29	1,181.84	1,053.70	128.14
<b>Capital-Voted</b>						
10.	25-Loans and Advances by State Government	391.67	78.00	469.67	332.31	137.36
<b>Revenue-Charged</b>						
11.	6-Finance	2,583.49	Nil	2,583.49	2,386.34	197.15
<b>Capital-Charged</b>						
12.	Public Debt	2,389.15	Nil	2,389.15	1,291.84	1,097.31
<b>Total</b>		<b>18771.22</b>	<b>2024.31</b>	<b>20795.53</b>	<b>16924.73</b>	<b>3870.80</b>

<sup>1</sup> Exceeding Rs 50 crore in each case.

Savings exceeding Rs 100 crore in each case are discussed as under:

***i Grant number '4-Revenue' (Savings Rs 157.52 crore)***

Savings occurred mainly under '2245-Relief on account of Natural Calamities-Transfer to Reserve Funds and Deposit Accounts, Calamity Relief Fund-State Contribution'. The savings (Rs 72.00 crore) were due to non-receipt of instalment from the Government, (Rs 39.09 crore) due to less demand of funds by Deputy Commissioners and (Rs 41.11 crore) due to non-occurrence of floods in the State during the year.

***ii Grant number '6-Finance' (Savings Rs 182.80 crore)***

Savings occurred mainly under, '2071-Pensions and other Retirement Benefits', (Rs 185.04 crore). The savings were due to receipt of lesser number of cases of superannuation, gratuities, commuted value of pension and family pension than anticipated. The Financial Commissioner and Principal Secretary to the Government of Haryana, Finance Department intimated (September 2009) that the State Government could decide on 17 April 2009, the implementation of revised pension during 2008-09.

***iii Grant number '7-Other Administrative Services' (Savings Rs 1,190.19 crore)***

Savings occurred mainly under, '2075-Miscellaneous General Services', where a reserve of Rs 1,200 crore was kept with the Finance Department for unforeseen expenditure/revision of pay scales. Reasons for non-utilisation of the provision were not intimated by the Government (August 2009).

***iv Grant number '9-Education' (Savings Rs 160.00 crore)***

Savings occurred mainly under '2202-General Education-Secondary Education' (Rs 116.46 crore), 'Elementary Education' (Rs 93.85 crore), 'University and Higher Education' (Rs 61.02 crore) and 'Adult Education (Rs 52.62 crore). They were mainly due to non-receipt of guidelines/modalities under, 'Sarva Shiksha Abhiyan' from GOI, non-clearance of departmental proposals, non-implementation of schemes, injudicious provision of funds for vacant posts in primary and middle school classes, receipt of less number of claims for medical reimbursement and leave travel concession, etc.

***v Grant Number '15-Irrigation' (Savings Rs 417.11 crore)***

Savings occurred mainly under '2701-Medium Irrigation-Improvement of Old/Existing Channels under NABARD' (Rs 157.52 crore) and '2700-Major Irrigation-Western Jamuna Canal Project (Commercial)', Loharu Canal Project (Commercial) and Multi Purpose River Project (Commercial) (Rs 452.16 crore).

**vi Grant number '21-Community Development' (Savings Rs 128.14 crore)**

Savings occurred mainly under '2515-Other Rural Development Programmes' (Rs 76.75 crore). Funds kept for providing residential plots to Scheduled castes and below poverty line people were surrendered due to enforcement of the code of conduct and less engagement of safaiwalas under the Employment Generation Programme for Scheduled Castes. Savings also occurred under, '3604-Compensation and Assistance to Local Bodies and Panchayati Raj Institutions' (Rs 64.71 crore) due to non-finalisation of schemes. Reasons for non-finalisation of schemes have not been intimated by the Government (August 2009).

**vii Grant number '6-Finance' (Savings Rs 197.15 crore)**

Savings occurred mainly under '2049-Interest Payments-Interest on Internal Debt' (Rs 170.42 crore). The savings were mainly due to less payment of interest due to availing of lesser market borrowings during 2008-09 and lower rates of interest fixed by the Reserve Bank of India.

**viii Grant number '25-Loans and Advances by State Government' (Savings Rs 137.36 crore)**

Savings occurred mainly under '7610-Loans to Government Servants, etc.' (Rs 135.68 crore). The savings were due to less demands for loans from Government employees.

**ix Appropriation-'Public Debt' (Savings Rs 1,097.31 crore)**

Savings occurred mainly under '6003-Internal Debt of the State Government' (Rs 1,166 crore). They were due to less repayment of loans during the years and receipt of less loans from the State Bank of India for cash credit limit.

**2.3.2 Persistent savings**

During the last five years, the grants for Public Debt showed persistent savings of more than Rs 10 crore, and which were also by 10 per cent or more of the total grants (Table 2.3).

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

Sr. No.	Number and name of the grant	Percentage of savings to total provision (Amount of savings)				
		2004-05	2005-06	2006-07	2007-08	2008-09
<b>Capital (Charged)</b>						
1.	<b>Public debt</b>	40 (2005.86)	38 (473.43)	38 (684.02)	62 (1,375.17)	46 (1,097.31)

The savings occurred due to less repayment of loans and less receipt of loans from State Bank of India for cash credit limit.

### 2.3.3 Excess expenditure

In six cases, expenditure aggregating Rs 299.49 crore exceeded the approved provisions by Rs 10 crore or more in each case or by more than 20 per cent of the total provisions. Details are given in **Appendix 2.2**. Of these, in the case of grant number “15 – Irrigation” (**Table 2.4**), excess expenditure of more than 10 crore and also more than 10 per cent has been observed consistently for the last five years:

**Table 2.4: List of grants indicating persistent excess expenditure during 2004-09**

(Rupees in crore)

Sr. No.	Numer and name of the grant	Percentage of savings to total provision (Amount of excess expenditure)				
		2004-05	2005-06	2006-07	2007-08	2008-09
<b>Capital-Voted</b>						
	15-Irrigation	12(48.89)	19(118.60)	17(182.81)	20(278.72)	12(171.01)

Excess expenditure during 2008-09 occurred mainly under the head “Major and Medium Irrigation-Rehabilitation/Improvement of Old/Existing Channels/ Drainage Systems”, reasons for which were not intimated (August 2009) by the concerned departments.

### 2.3.4 Expenditure without provision

As per the Budget Manual, no expenditure is to be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 78.68 crore was incurred in four cases as detailed in **Table 2.5** without any provision in the original estimates/supplementary demands and without any reappropriation orders to this effect.

**Table 2.5: Expenditure incurred without provision during 2008-09**

(Rupees in crore)

Number and name of grants	Amount of expenditure without provision	Reasons/remarks
8-Buildings and Roads	13.81	The expenditure was incurred under the head “5054-Capital Outlay on Roads and Bridges 03-State Highways-80-General- 800-Other Expenditure”. Reasons have not been intimated by the Government.
15-Irrigation	0.46	The expenditure was incurred under the head “2700-Major Irrigation-01-Multipurpose River Project (Commercial)-101-Maintenance and Repair-001-Direction and Administration-99-Chief Engineer”. Reasons have not been intimated by the Government.
	0.41	The expenditure was incurred under the head “2700-Major Irrigation- 18-Non-Commercial Irrigation Projects-001-Direction and Administration-95-Special Revenue Staff”. Reasons have not been intimated by the Government.
21-Community Development	64.00	Though a provision of Rs 64.71 crore was made in the budget, it was judiciously withdrawn. The expenditure subsequently was incurred under the head “3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions-200-Other Miscellaneous Compensations and Assignments-92-Assignment of Local Area Development Tax (LADT) proceeds to Panchayati Raj Institutions”. The original provisions were reduced through reappropriation due to non-finalisation of the scheme.
<b>Total</b>	<b>78.68</b>	

### 2.3.5 *Drawal of funds to avoid lapse of budget grant*

As per provisions contained in Rule 2.10 (6) (5) of Punjab Financial Rules, also applicable to Haryana, no money should be drawn from the treasury unless it is required for immediate disbursement. Seventeen Drawing and Disbursement Officers, the audit of whose offices was conducted during 2008-09 had drawn a total amount of Rs 166.48<sup>2</sup> crore as detailed in **Appendix 2.3**, which was neither fully spent for specific purposes nor remitted to Government accounts before the closure of financial year.

It was further noticed that the funds drawn during the last quarter or on the last day of the financial year were kept in chest or in bank accounts only to avoid the lapse of budget grants.

### 2.3.6 *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 excesses over grants/appropriations 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. However, excess expenditure amounting to Rs 1315.33 crore for the years 2005-06, 2006-07 and 2007-08 was still to be regularised as detailed in **Appendix 2.4**. Year-wise amount of excess expenditure pending regularisation for grants/appropriations are summarised in **Table 2.6**.

**Table 2.6: Excess over provisions relating to previous years requiring regularisation**

(Amount in rupees)

Year	Number of grants	Amount of excess over provision	Status of regularisation
2005-06	3,8,10 and 15	2,68,86,50,000	Appropriation Accounts have not been discussed by PAC.
2006-07	3, 6, 10, 15 and 20	6,16,73,66,040	
2007-08	3, 8, 10, 15 and 24	4,29,72,47,782	
<b>Total</b>	<b>14</b>	<b>13,15,32,63,822</b>	

### 2.3.7 *Excess over provisions during 2008-09 requiring regularisation*

**Table 2.7** contains the summary of total excesses in six grants/appropriation amounting to Rs 302.63 crore over authorisations from the Consolidated Fund of the State during 2008-09 which require regularisation under Article 205 of the Constitution.

<sup>2</sup> 2006-07: Rs 12.76 crore; 2007-08: Rs 64.28 crore and 2008-09: Rs 89.44 crore.

Table 2.7: Excess over provisions requiring regularisation during 2008-09

(Amount in rupees)

Sr. No.	Number and title of grant/appropriation	Total grant/ appropriation	Expenditure	Excess
<b>Revenue (Voted)</b>				
1.	3-Home	12,33,67,47,000	12,45,13,34,266	11,45,87,266
2.	10-Medical and Public Health	13,64,80,29,000	13,84,61,88,137	19,81,59,137
3.	20-Forest	1,90,96,51,000	1,92,73,26,027	1,76,75,027
<b>Sub total</b>		<b>27,89,44,27,000</b>	<b>28,22,48,48,430</b>	<b>33,04,21,430</b>
<b>Revenue (Charged)</b>				
1.	3-Home	22,03,20,000	23,39,00,389	1,35,80,389
2.	10-Medical and Public Health	16,60,000	18,55,831	1,95,831
<b>Sub-Total</b>		<b>22,19,80,000</b>	<b>23,57,56,220</b>	<b>1,37,76,220</b>
<b>Capital (Voted)</b>				
1.	8-Buildings and Roads	10,28,78,38,000	11,14,83,12,019	86,04,74,019
2.	15-Irrigation	14,41,70,00,000	16,12,71,14,868	1,71,01,14,868
3.	22-Co-operation	34,35,46,000	34,35,46,750	750
<b>Sub Total</b>		<b>25,04,83,84,000</b>	<b>27,61,89,73,637</b>	<b>2,57,05,89,637</b>
<b>Capital (Charged)</b>				
1.	8-Buildings and Roads	2,50,00,000	4,26,80,622	1,76,80,622
2.	15-Irrigation	45,00,00,000	54,38,21,512	9,38,21,512
<b>Sub-Total</b>		<b>47,50,00,000</b>	<b>58,65,02,134</b>	<b>11,15,02,134</b>
<b>Grand-Total</b>		<b>53,63,97,91,000</b>	<b>56,66,60,80,421</b>	<b>3,02,62,89,421</b>

Reasons for excess expenditure were called for from the Government in June/July 2009. Reply had not been received (September 2009).

### 2.3.8 *Unnecessary/excessive/inadequate supplementary provision*

Supplementary provisions aggregating Rs 78.51 crore obtained in two cases, during the year proved unnecessary as the expenditure was equal to the original provision or did not come up to the level of the original provision as detailed in *Appendix 2.5*. In seven cases, supplementary provisions totaling Rs 716.92 crore proved insufficient by more than Rupees one crore in each case, leaving an aggregate uncovered excess expenditure of Rs 131.61 crore (*Appendix 2.6*).

In one case, addition to the budget provision through supplementary estimates (Rs 50.61 lakh) to cover more expenditure on salaries and dearness allowances on account of revision of pay scales was surrendered through reappropriation due to non-finalisation of pay scales of staff of the Haryana Electricity Regulatory Commission. In another case, supplementary provision of Rs 78 crore proved excessive in view of the overall savings of Rs 137.36 crore.

### 2.3.9 *Excessive/unnecessary reappropriation of funds*

Reappropriation 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 reappropriation proved excessive or insufficient and resulted in savings of over Rs 10,361 crore under 51 sub-heads and excesses of over Rs 888.29 crore in 40 sub-heads by more than Rupees one crore in each case. Excesses/Savings were more than Rs 10 crore under 39 sub-heads as detailed in **Appendix 2.7**. In 14<sup>3</sup> cases, the reappropriation of funds proved excessive as the savings were more than the funds provided through reappropriation. Similarly, in 15<sup>4</sup> cases, reduction of provisions through reappropriation proved injudicious as the excess expenditure was more than the provisions reduced through reappropriations.

In 20<sup>5</sup> cases, injudicious reappropriation of funds resulted in excesses/savings by more than Rs 25 crore in each case.

### **2.3.10 Surrenders in excess of actual savings**

In nine 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 in these departments. As against savings of Rs 1,305.39 crore, the amount surrendered was Rs 1,651.75 crore resulting in excess surrender of Rs 346.36 crore. Details are given in **Appendix 2.8**. In four cases (Sr. No. 1, 4, 5 and 9 of **Appendix 2.8**), the expenditure incurred was in excess of the total grants/appropriations but even then, the funds were surrendered.

### **2.3.11 Anticipated savings not surrendered**

As per paragraph 13.2 of the Punjab Budget Manual also applicable to Haryana, spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2008-09, there was, however, one grant {8-Buildings and Roads- Revenue (Charged)} in which savings occurred but no part of it was surrendered by the concerned department. The amount involved in this case was Rs 0.14 crore.

Similarly, out of total savings of Rs 2,285.94 crore under 11 other grants/appropriations (savings of Rupees one crore and above were indicated in each grant/appropriation), amounts totaling to Rs 626.89 crore (27 per cent of the total savings) were not surrendered, details of which are given in **Appendix 2.9**. Besides, in 27 cases (surrender of funds in excess of Rs 10 crore in each case), Rs 3,624.62 crore was (**Appendix 2.10**) surrendered on the last two working days of March 2009, indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

### **2.3.12 Rush of expenditure**

Financial rules require that Government funds should be evenly spent throughout

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<sup>3</sup> Sr. No. 3, 14, 30, 33, 34, 36, 44, 46, 71, 75, 76, 77, 79 and 88 of Appendix 2.6.

<sup>4</sup> Sr. No. 8, 17, 23, 50, 61, 62, 64, 65, 66, 68, 69, 70, 84, 87 and 89 of Appendix 2.6.

<sup>5</sup> Sr. No. 4, 6, 9, 15, 17, 18, 50, 51, 55, 64, 65, 66, 69, 70, 71, 87, 88, 89, 90 and 91 of Appendix 2.6.

the year. Rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 13 sub-heads listed in **Appendix 2.11**, expenditure exceeding Rs 10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. **Table 2.8** presents the major heads where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.

**Table 2.8: Cases of rush of expenditure towards the end of the financial year 2008-09****(Rupees in crore)**

Sr. No.	Grant Number	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.	3	2055-Police 101-Criminal Investigation and Vigilance-(Non Plan)	43.81	38.00	87	27.00	62
2.	9	2202-General Education 01-Elementary Education-(Non Plan)	776.31	513.00	66	414.00	53
3.	9	2202-General Education 01-Elementary Education-(Shared Centre Plan Scheme)	29.00	19.00	66	17.00	59
4.	9	2202-General Education 02-Secondary Education-(State Plan)	35.11	33.00	94	28.00	80
5.	9	2203- Technical Education 105- Polytechnics-Development of Kurukshetra University (Non Plan)	17.70	12.00	68	12.00	68
6.	9	2203- Technical Education 105- Polytechnics- 89-Setting up of new Government Polytechnic in States (State Plan)	89.98	70.00	78	64.00	71
7.	10	2210- Medical and other Public Health (State Plan)	14.39	14.00	97	14.00	97
8.	11	2217- Urban Development 800- Other Expenditure- (State Plan)	147.95	122.00	82	122.00	82
9.	15	4701- Capital Outlay on Medium Irrigation 800-Other Expenditure- (State Plan)	28.48	20.00	70	15.00	53
10.	17	2401- Crop Husbandry 109- Extension and Farmers Training- (State Plan)	60.23	58.00	96	58.00	96
11.	21	2515- Other Rural Development Programme 101- Panchayati Raj (State Plan)	79.45	78.00	98	78.00	98
12.	21	3604- Compensation and Assignments to Local Bodies and Panchayati Raj Institutions 200-Other Misc. Components and Assignments (Non Plan)	15.43	14.00	91	11.00	71
13.	23	5053- Capital outlay on Civil Aviation 052-Machinery and Equipments (State Plan)	37.20	37.00	99	37.00	99
<b>Total</b>			<b>1,375.04</b>	<b>1,028.00</b>	<b>75</b>	<b>897.00</b>	<b>65</b>

Further scrutiny revealed that out of the expenditure of Rs 1,375.04 crore incurred on 10 major heads under eight grants during 2008-09, expenditure of

Rs 1,028 crore (75 per cent) was incurred during the last quarter of the year, of which Rs 897 crore (65 per cent) was spent during the month of March 2009. Of these 13 sub-heads, five were under Non-Plan, seven were under Plan and one was under Centrally sponsored schemes. Rush of expenditure during the last quarter, specially during the month of March, was a breach of financial rules.

## 2.4 Non-reconciliation of departmental figures

### 2.4.1 Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

As per Rule 4.49 (4) of the Subsidiary Treasury Rule, every drawing officer is to certify in each Abstract Contingent (AC) bill that detailed 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. The total amount for which Detailed Countersigned Contingent (DC) bills were received during the years 2006-07 and 2008-09 was only Rs 2.92 crore against the amount of AC bills for Rs 4.60 crore, leading to an outstanding balance of eight DC bills of Rs 1.68 crore as on 31 March 2009. Year-wise details are given in **Table 2.9**.

**Table 2.9: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills**

(Rupees in lakh)				
Year	Amount of AC bills	Amount of DC bills	DC bills as percentage of AC bills	Outstanding AC bills
2006-07	3.00	2.91	97	1
2008-09	1.60	0.01	1	7
<b>Total</b>	<b>4.60</b>	<b>2.92</b>		<b>8</b>

Department-wise pending DCC bills for the years up to 2008-09 are shown in **Appendix 2.12**. Genuineness of expenditure of Rs 1.68 crore drawn through eight contingent bills could not be verified as the DC bills were not submitted (September 2009).

## 2.5 Errors in budgeting process

In the process of budgeting by the State Government, the following errors were observed:

- Nineteen cases (**Appendix 2.13**) of defective budgeting on account of defective reappropriation orders issued by the Finance Department involving expenditure of Rs 2,244.58 crore were noticed.
- Out of these, in seven cases, reduction of provisions (Rs 154.12 crore) through reappropriations proved injudicious as there was excess expenditure

of Rs 165.08 in these cases. In 12 cases involving an expenditure of Rs 1,972.80 crore, augmenting of funds (Rs 92.30 crore) through reappropriations proved injudicious as there were savings of Rs 96.16 crore under these heads.

- In three<sup>6</sup> cases involving two grants (grant numbers 6 and 10), expenditure of Rs 2.76 crore, which was to be treated as ‘New Service/New Instrument of Service’, was met without the approval of the Legislature.
- As per note 2 below “Major Head 2700-Major Irrigation” in the list of Major and Minor Heads of Accounts of the Union and State, ‘Interest on capital’ is required to be opened as a sub-head under each project. However, in the budget estimates, the provision was made under the minor head “Other Expenditure”. During 2008-09, against total provisions of Rs 98.40 crore<sup>7</sup>, expenditure of Rs 602.92 crore was incurred under this minor head, but no reasons were given for the excess expenditure.
- Under the system of gross budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and include all credits and recoveries. These are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. In respect of grant number ‘14-Food and Supplies’, the actual recoveries. The adjusted in reduction of expenditure (Rs 54.53 crore) exceeded the estimated recoveries (Rs 30.90 crore) by Rs 23.63 crore. Though no recovery was provided in the budget estimates in respect of grant number ‘15-Irrigation’ for the year 2008-09, recovery of Rs 17.18 crore was made. Further, in respect of eight grants<sup>8</sup>, the actual recoveries (Rs 1,675.44 crore) were less than the estimated recoveries (Rs 2,313.97 crore) by Rs 638.53 crore. Details of recoveries are given in the appendix to the Appropriation Accounts. Huge variations between the estimated recoveries and actual realisation indicated faulty budgeting.

## 2.6 Conclusion

During 2008-09, expenditure of Rs 28,407.70 crore was incurred against total grants and appropriations of Rs 32,127.05 crore. Overall savings of Rs 3,719.35 crore were the result of savings of Rs 4,021.98 crore, which were offset by excess of Rs 302.63 crore, which requires regularisation. In nine cases, a total amount of Rs 346.36 crore surrendered (more than Rs 50 lakh or more in each case) were in excess of the actual savings indicating lack of or inadequate budgetary control in these departments. There were savings of Rs 2,284.94 crore in 11 grants/

<sup>6</sup> Sr. Nos.: 24, 25 and 26 of Appendix 2.13.

<sup>7</sup> Sr. Nos.: 20 to 23 of Appendix 2.13.

<sup>8</sup> 4-Revenue, 8-Buildings and Roads, 10-Medical and Public Health, 14-Food and Supplies, 17-Agriculture, 22-Co-operation, 23-Transport and 25-Loans and Advances by State Government.

appropriations in which savings of Rs 626.89 crore were not surrendered. In 27 cases, a total amount of Rs 3,624.62 crore was surrendered in the last two working days of the financial year. There were also cases of injudicious reappropriations.

## **2.7 Recommendations**

Budgetary control should be strengthened in all the Government Departments where savings/excesses have been observed for the last five years regularly. Last minute fund releases at the end of the year should be avoided.