

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-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization 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 so 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 51 Grants/Appropriations (48 Grants and three Appropriations) is indicated in the table below:

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	2,229.31	339.23	2,568.54	2,339.01	(-) 229.53
	II Capital	1,285.21	347.01	1,632.22	1,467.30	(-) 164.92
	III Loans and Advances	9.24	0.00	9.24	0.58	(-) 8.66
Sub-total Voted		3,523.76	686.24	4,210.00	3,806.89	(-) 403.11
Charged	IV Revenue	307.04	16.92	323.96	317.76	(-) 6.20
	V Capital	-	-	-	-	-
	VI Public Debt- Repayment	311.61	2.79	314.40	309.79	(-) 4.61
Sub-total Charged		618.65	19.71	638.36	627.55	(-) 10.81
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		4142.41	705.95	4,848.36	4,434.44	(-) 413.92

The overall saving of Rs. 413.92 crore was the result of saving of Rs. 516.79 crore in 42 grants and 3 appropriations under Revenue Section, 24 grants under Capital Section and one appropriation (Public Debt-Repayments) under Loan Section, offset by excess of Rs. 102.87 crore in seven grants under Revenue Section and seven grants under Capital Section.

The savings/excess were intimated (October 2009) to the Controlling Officers requesting them to explain the significant variations. Deputy Commissioner, Imphal West stated (November 2009) that an amount of Rs.139 lakh was saved mainly due to demand of more funds in supplementary budget in anticipation of ACP schemes. Co-operative Department stated (November 2009) that savings of Rs.53.80 lakh in their accounts was mainly due to non-encashment of fund before the financial year while State Academy of Training stated (October 2009) that an amount of Rs.11.69 lakh was saved on account of non-payment of salary and arrears of Ex-Director General of the Academy.

Directorate of Education (U), Manipur Fire Service and State Vigilance Commission attributed the savings in their accounts due to non-filling up of vacant post and non-sanction/late release of funds. Police Department stated (October 2009) that savings has occurred mainly due to non-sanction of funds (Rs.18.63 crore), non-filling up of post (Rs.8.65 crore), saving out of construction of designated camp (Rs.2.39 crore) and non-procurement of arms (Rs.2.60 crore).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 48 cases, savings exceeded Rs. one crore in each case or by more than 20 *per cent* of total provision. Details are given in **Appendix 2.1**. Against the total savings of Rs.516.79 crore, savings of Rs.400.49 crore (77.50 *per cent*) occurred in 14 cases relating to 10 grants, where savings were Rs.10 crore and above in each case. Details are indicated in the table below:

Table 2.2: List of Grants with savings of Rs. 10 crore and above

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1	7-Police	270.99	71.54	342.53	317.50	25.03
2	8-Public Works Department	145.42	49.50	194.92	166.57	28.35
3	10-Education	383.39	0.00	383.39	351.49	31.90
4	17-Agriculture	49.08	27.54	76.62	58.72	17.90
5	21-Commerce and Industries and Weights and Measures Department	44.03	1.54	45.57	30.79	14.78
6	22-Public Health Engineering	26.63	2.72	29.35	17.35	12.00
7	30-General Economic Services and Planning	61.88	0.00	61.88	46.32	15.56
8	40-Irrigation and Flood Control Department	24.11	23.59	47.70	26.11	21.59
9	44-Social Welfare Department	78.27	25.19	103.46	90.99	12.47
	Sub-total	1083.80	201.62	1285.42	1105.84	179.58
Capital-Voted						
10	8-Public Works Department	56.63	55.97	112.60	82.31	30.29
11	23-Power	124.19	36.02	160.21	89.94	70.27
12	30-General Economic Services and Planning	558.40	0.00	558.40	475.80	82.60
13	40-Irrigation and Flood Control Department	191.93	40.06	231.99	211.93	20.06
14	44-Social Welfare Department	17.69	0.00	17.69	0.00	17.69
	Sub-total	948.84	132.05	1080.89	859.98	220.91
	Total	2032.64	333.67	2366.31	1965.82	400.49

2.3.2 Persistent savings

In two cases, during the last five years there were persistent savings of more than Rs.10 lakh in each case and also by 20 per cent or more of the total grant as indicated in the table below:

Table 2.3: List of Grants indicating Persistent Savings during 2004-09

(Rupees in lakh)

Sl. No.	No. and Name of the grant	Amount of savings (per cent of savings vis-à-vis total provision)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue -Voted						
1	40 - Irrigation and Flood Control Department	1341.56 (35)	1072.37 (26)	1172.32 (28)	990.59 (27)	2158.91 (45)
Capital -Voted						
2	37 - Fisheries	50.00 (100)	39.55 (50)	233.74 (79)	294.45 (100)	59.74 (93)

Fisheries Department stated (November 2009) that persistent saving was due to non-clearance of projects/schemes by the Project Implementation Board. No reply was furnished by the Irrigation and Flood Control Department.

2.3.3 Excess Expenditure

In 11 cases, expenditure aggregating Rs.945.16 crore exceeded the approved provisions by Rs.25 lakh or more in each case or by more than 20 *per cent* of the total provisions. Details are given in **Appendix 2.2**.

2.3.4 Expenditure without provision

Expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs. 66.71 crore was incurred in 32 cases as detailed in the table below without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2008-09

(Rupees in crore)

Sl. No.	Number and Name of Grants/ Appropriations (Heads of Accounts)	Amount of Expenditure without provision	Reasons/Remarks
Grant No. 4-Land Revenue, Stamps and Registration and District Administration			
1	2029 (NP).102.02	0.01	Reasons for incurring expenditure without provisions had not been intimated.
2	2029(CSS) 102.01 (H)*	0.03	-do-
Grant No. 5-Finance			
3	7610 (NP).204.21	0.02	-do-
Grant No. 8 – Public Works Department			
4	4059 (SP).01.101.10 (V)*	0.07	-do-
5	5054 (SP) .80.800.56 (V)	0.03	-do-
6	4552 (NEC).337.15 (V)	0.02	-do-
Grant No. 10-Education			
7	2202 (SP).01.101.33 (V)	2.61	-do-
Grant No. 11 – Medical, Health and Family Welfare Services			
8	2210 (P).01.110.15 (H)	2.38	-do-
9	4210 (SP).01.110.02 (V)	32.58	-do-
10	2210 (CSS).101.12 (H)	0.51	-do-
11	2211 (CSS).001.21 (H)	1.05	-do-
12	2211 (CSS).102.29 (H)	0.02	-do-
13	2211 (CSS).103.05 (V)	0.02	-do-
Grant No. 14 – Development of Tribal and Scheduled Castes			
14	2225(SP).02.277.06 (V)	1.05	-do-
Grant No. 17 – Agriculture			
15	2401 (SP).104.35 (V)	0.10	-do-
16	2401(SP).104.37 (H)	0.03	-do-
17	2401(SP).105.14 (H)	0.01	-do-
Grant No. 18 – Animal Husbandry and Veterinary including Dairy Farming			
18	2404 (SP).102.13 (H)	0.05	-do-
Grant No. 19 – Environment and Forest			
19	2406 (CSS).01.105.04 (H)	0.86	-do-
20	2406 (CSS).02.110.22 (H)	0.92	-do-
Grant No. 21 – Commerce and Industries and Weights and Measures Department			
21	2851 (SP) .001.01(H)	0.05	-do-
Grant No. 30 – General Economic Services and Planning			
22	2235 (SP).01.200.01 (V)	0.50	-do-
23	4059 (SP).101.01 (H)	11.21	-do-
24	4215 (SP).01.101.01 (V)	8.55	-do-
25	4225 (SP).02.800.01 (V)	2.00	-do-
26	4415 (SP).01.800.01 (V)	0.35	-do-
Grant No. 37 – Fisheries			
27	4405 (CSS).800.05 (V)	0.04	-do-
Grant No. 39 – Sericulture			
28	2851 (SP).107.01 (H)	0.01	-do-
29	2851 (SP).107.12 (H)	0.02	-do-
Grant No. 44 – Social Welfare Department			
30	2235(SP).02.001.21 (H)	0.02	-do-
31	2235 (CSS).02.102.32 (H)	1.11	-do-
Grant No. 45 – Tourism			
32	3452 (SP).02.800.06 (V)	0.48	-do-
Total		66.71	

* 'H' stands for Hill and 'V' for valley

2.3.5 Drawal of funds to avoid lapse of budget grant

As per provisions of Rule 290 of Central Treasury Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned in **Appendix 2.3**, the amounts (Rs.84.94 crore) drawn at the fag end of the year were deposited into the head of account ‘8449-Other Deposits’ to avoid lapse of budget grant.

2.3.6 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for 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, 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.2,585.67 crore for the years 1997-2002 and 2007-08 was yet to be regularized as detailed in **Appendix 2.4**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in the table below:

Table 2.5: Excess over provisions relating to previous years requiring regularization

(Rupees in crore)

Year	No. of Grants	No. of Appropriation	Amount of excess	Status of Regularization
1997-98	10	2	384.57	Regularized vide 24 th PAC Report. Act awaited.
1998-99	6	2	293.66	-do-
1999-00	14	2	844.88	Regularized vide 27 th PAC Report. Act awaited.
2000-01	8	1	85.77	-do-
2001-02	6	2	895.20	-do-
2007-08	11	2	81.59	PAC Report awaited.
Total	55	11	2,585.67	

2.3.7 Excess over provisions during 2008-09 requiring regularization

The table below contains the summary of total excess in 14 grants amounting to Rs. 102.87 crore over authorization from the Consolidated Fund of the State (CFS) during 2008-09 and requires regularization under Article 205 of the Constitution.

Table 2.6: Excess over provisions requiring regularization during 2008-09

(in Rupees)				
Sl. No.	Number and title of grant/appropriation	Total provision	Expenditure	Excess
Revenue Voted (Grants)				
1	5-Finance	2,71,58,10,000	2,88,54,27,813	16,96,17,813
2	23-Power	1,82,82,18,000	1,85,32,52,579	2,50,34,579
3	25-Youth Affairs and Sports Department	15,55,34,000	15,90,93,149	35,59,149
4	27-Election	10,49,66,000	10,54,76,845	5,10,845
5	29-Sales Tax, Other Taxes/Duties on Commodities & Services	1,88,88,000	1,97,94,545	9,06,545
6	33-Home Guards	7,81,99,000	7,82,32,943	33,943
7	46-Science and Technology and Information Technology	13,85,05,000	16,05,77,216	2,20,72,216
	Sub-Total	5,04,01,20,000	5,26,18,55,090	22,17,35,090
Capital Voted (Grants)				
8	11-Medical, Health and Family Welfare Services	17,41,96,000	47,74,16,161	30,32,20,161
9	12-Municipal Administration, Housing and Urban Development	81,48,92,000	93,48,83,042	11,99,91,042
10	13-Labour and Employment	1,64,25,000	4,82,25,161	3,18,00,161
11	22-Public Health Engineering	1,53,64,36,000	1,76,86,57,215	23,22,21,215
12	39-Sericulture	62,82,18,000	73,83,09,236	11,00,91,236
13	45-Tourism	9,85,17,000	10,40,66,152	55,49,152
14	47-Welfare of Minorities and Other Backward Classes	31,76,27,000	32,16,76,000	40,49,000
	Sub-Total	3,58,63,11,000	4,39,32,32,967	80,69,21,967
	Total	8,62,64,31,000	9,65,50,88,057	1,02,86,57,057

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs.60.11 crore obtained in 13 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.5**. Fisheries Department stated (November 2009) that supplementary provision of Rs.12.46 lakh (Revenue voted) was provided in anticipation of payment of DA arrears, while supplementary provision of Rs.14 lakh (Capital voted) could not be encashed due to late submission of advice to the bank by the concerned Treasury Office. Co-operative Department stated (November 2009) that supplementary provision of Rs. eight lakh had been provided by the Planning Department without any knowledge of their department. Further, the bill could not be encashed as it was dishonoured by the concerned bank.

In 11 cases, supplementary provision of Rs.172.32 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.102.72 crore. Details are given in **Appendix 2.6**. Welfare of Minorities and Other Backward Classes Department stated (December 2009) that excess of Rs.40.49 lakh was due to wrong booking by the department and there was actually a saving of Rs.29.51 lakh, instead of excess.

2.3.9 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 insufficient and resulted in excess of Rs.131.21 crore in 39 sub-heads and excessive in 47 sub-heads resulting in savings of Rs. 165.75 crore. This resulted in overall savings of Rs.34.53 crore in these 86 sub-heads as detailed in **Appendix 2.7**.

Despite reduction of provision by re-appropriation, there was savings in 15 cases. There was a saving of Rs.71.25 crore under three heads (Rs.11.36 crore in 2202.01.800.19, Rs.43.76 crore in 4801.05.800.20 and Rs.16.13 crore in 4702.101.02) which accounted for 43 *per cent* of the total saving. In 16 cases, despite augmentation of funds by re-appropriation, there was final excess expenditure. Excess of Rs.43.08 crore in one head (2049.04.104.07) accounted for 33 *per cent* of the total excess.

2.3.10 Substantial surrenders

Substantial surrenders (amount exceeding Rs.25 lakh in each case) were made in respect of 14 sub-heads, out of which in five schemes/programmes, the whole total provision amounting to Rs. 23.43 crore was surrendered. The details are given in **Appendix 2.8**.

2.3.11 Anticipated savings not surrendered

Departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were, however, 42 grants/appropriations (59 cases) in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs.377.10 crore (73 *per cent* of the total savings of Rs.516.79 crore) (**Appendix 2.9**).

Similarly, out of total savings of Rs.500.26 crore under 28 grants/appropriations (38 cases) where savings was Rs. 1 crore and above in each case, only Rs.25.14 crore pertaining to five grants could be surrendered leaving a balance savings of Rs.475.12 crore (95 *per cent*). Details are given in **Appendix 2.10**.

Besides, in 12 cases, Rs. 33.64 crore were surrendered on 31 March 2009 (**Appendix 2.11**) indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.

2.3.12 Rush of expenditure

As per provisions of the General Financial Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 18 major heads as listed in **Appendix 2.12**, expenditure exceeding Rs.10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2009. The table below also presents the major heads

where more than 75 per cent of the expenditure was incurred during the last quarter and during the last month of the financial year.

Table 2.7: Cases of Rush of Expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sl. No.	Grant 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	5 - Finance Department / 2250	0.96	0.96	100	0.96	100
2	7 - Police / 2216	0.04	0.04	100	0.04	100
3	8 - Public Works Department/ 2216	16.13	16.09	100	16.09	100
4	8 - Public Works Department / 4210	0.36	0.30	83	0.30	83
5	8 - Public Works Department / 4216	5.09	4.69	92	4.30	84
6	8 - Public Works Department/ 5054	55.48	49.91	90	42.05	76
7	9 - Information and Publicity/4220	0.20	0.20	100	0.20	100
8	10 - Education/4202	16.77	14.85	89	13.12	78
9	11 - Medical, Health and Family Welfare Services/6211	0.24	0.24	100	0.24	100
10	13 - Labour and Employment/4250	4.82	4.62	96	4.18	87
11	14 - Development of Tribal and Scheduled Castes/4225	4.57	4.57	100	4.57	100
12	17 - Agriculture/4705	4.43	4.43	100	4.43	100
13	23 - Power/4059	1.57	1.46	93	1.40	89
14	23 - Power/4552	3.24	2.45	76	2.45	76
15	25 - Youth Affairs and Sports Department/4202	4.19	4.00	95	3.85	92
16	26 - Administration of Justice/2235	0.03	0.03	100	0.03	100
17	30 - General Economic Services and Planning/4059	38.83	36.44	94	32.10	83
18	30 - General Economic Services and Planning/4225	2.30	2.30	100	2.30	100
19	30 - General Economic Services and Planning/4250	0.50	0.50	100	0.50	100
20	30 - General Economic Services and Planning/4402	22.50	22.50	100	22.50	100
21	30 - General Economic Services and Planning/4702	7.50	7.50	100	7.50	100
22	30 - General Economic Services and Planning/4711	33.81	33.81	100	33.81	100
23	30 - General Economic Services and Planning/4801	27.74	27.74	100	27.74	100
24	30 - General Economic Services and Planning/5054	165.48	165.34	100	156.77	95
25	30 - General Economic Services and Planning/5425	10.70	10.70	100	8.78	82
26	32 - Jails/4059	1.75	1.75	100	1.75	100
27	38 - Panchayat/2515	34.74	31.80	92	31.61	91
28	40 - Irrigation and Flood Control Department/4711	30.50	28.66	94	27.12	89
29	41 - Art and Culture/6202	0.50	0.50	100	0.50	100
30	45 - Tourism/5452	10.41	9.63	93	8.97	86
31	46 - Science and Technology and Information Technology/2501	0.50	0.50	100	0.50	100
32	46 - Science and Technology and Information Technology/2552	0.64	0.64	100	0.64	100
33	47 - Welfare of Minorities and Other Backward Classes/2250	0.03	0.03	100	0.03	100
34	47 - Welfare of Minorities and Other Backward Classes/4225	32.17	32.17	100	32.17	100
	TOTAL	538.72	521.35	97	493.50	92

* Percentage figures are rounded.

In the above table, there were 20 cases in which 100 *per cent* expenditure was incurred during March 2009.

2.4 Non-reconciliation of Departmental figures

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

As per Central Treasury Rules¹, Abstract Contingent (AC) bills must be regularized by detailed countersigned contingent (DCC) bills. An AC bill should not be encashed without a certificate to the effect that DCC bills in respect of earlier AC bills drawn more than a month before the date of that bill have been submitted to the controlling officer. The controlling officers must submit the DCC bills to the Accountant General within one month from the date of receipt of the DCC bills in his office.

The total amount of DCC bills received during the period 2004-09 was Rs.193.63 crore against the amount of AC bills of Rs.1206.91 crore leading to an outstanding balance of DCC bills of Rs.1013.28 crore as on 31 March 2009. Year wise details are given in the table below:

Table 2.8: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

(Rupees in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding DCC bills
2004-05	77.01	1.85	2.40	75.16
2005-06	43.61	11.86	27.20	31.75
2006-07	148.87	34.34	23.07	114.53
2007-08	354.24	57.54	16.24	296.70
2008-09	583.18	88.04	15.10	495.14
Total	1206.91	193.63	16.04	1013.28

Department-wise pending DCC bills for the years up to 2008-09 is detailed in **Appendix 2.13**. Non-adjustment of advances for long periods is fraught with the risk of mis-appropriation and therefore, requires close monitoring by the respective DDOs. Thus, there is a need of early reconciliation of AC bills.

2.4.2 Un-reconciled 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, Financial Rules 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. 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

¹ Rule 308, Rule 309 & Note 4 under Rule 312

persist during 2008-09 also. Out of 81 controlling officers (CO), only three COs viz. Deputy Resident Commissioners, Guwahati, Delhi and Kolkata could fully reconcile their accounts with Accountant General (A & E) office.

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts is 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 eight PD accounts in two District Treasuries in operation during 2008-09. Of these accounts, three PD accounts were not closed as of 31 March 2009 and balance of Rs 1.75 crore with these accounts was not transferred back to the respective service heads. There were 16 accounts opened prior to 2008-09 that had not been closed till 2008-09.

2.6 Errors in Budgeting Process

The following lapses or errors were observed in the State budget for the year 2008-09:

Unauthorized/Incorrect heads of accounts: There were six heads of accounts in the budget which were not included in the “List of Major and Minor heads”, as listed below:

- Minor head - 000 below sub-major head (SMH) 02 - Stamp and Non-Judicial below major head (MH) - 2030 in Demand no.4;
- Minor head 104 – Community Centre below SMH 01 – Urban Health Services-Allopathy below MH - 2210 in Demand no.11;
- SMH 01 - Labour below MH - 4250-Capital Outlay on Other Social Services in Demand no.13;
- Minor head 272 – Education below SMH 80 – General below MH - 2415 in Demand no.17;
- Minor head 701 – Jawahar Rozgar Yojana below SMH 01 – National Programmes below MH - 2505 in Demand no.20; and
- Minor head 103 – Electoral Office below SMH - 00 below MH - 2015 in Demand no.27.

Non-observance of correction slip:

- Heads of accounts in respect of major, medium and minor irrigation as re-numbered and re-nomenclatured separately for “Major Irrigation”, “Medium Irrigation” and “Minor Irrigation” vide correction slip 508 -512 dated 13.5.04 has not been followed;
- SMH - 01– Government Residential Buildings including all minor heads thereunder below MH - 2216 have been deleted vide correction slip no. 535 dated 31.12.04. However, the SMH was included in the budget; and

- Modifications in respect of minor heads 191 vide correction slip 417 dated 16.1.02 was not incorporated in MH - 2217 in Demand no.12.

Incorrect allocation of provision:

- Budget allocations are made separately for hill districts and valley districts under “Hill” and “Valley” respectively. However, in 11 cases provision for hill districts was allocated under “Valley”; while in two cases, provision for valley districts was made under “Hill”.

The matter was pointed out (January 2009) to the Finance Department. However, no explanation had been furnished (January 2010).

2.7 Conclusion and Recommendations

During 2008-09, expenditure of Rs.4,434.44 crore was incurred against total budget provision of Rs.4,848.36 crore, resulting in a saving of Rs.413.92 crore. The overall savings was net result of saving of Rs.516.79 crore offset by excess of Rs.102.87 crore. The excess requires regularization under Article 205 of the Constitution of India. Excess expenditure for the period 1997-2002 is still awaiting regularization, despite recommendation of the Public Accounts Committee (PAC) to regularize the excess expenditure.

Supplementary provision aggregating to Rs.60.11 crore obtained in 13 cases was unnecessary as the expenditure did not come up to the level of original provision while in 11 cases, supplementary provision of Rs.172.32 crore proved insufficient by more than Rs.10 lakh in each case. In five sub-heads, the whole provision amounting to Rs.23.43 crore was surrendered without having incurred any expenditure.

In 34 cases involving an expenditure of Rs.538.72 crore, 75 per cent of the expenditure was incurred during the last quarter and during the last month of the financial year, indicating little control had been exercised in incurring expenditure. Out of Rs.1,206.91 crore paid through Abstract Contingent (AC) bills during 2004-09, Detailed Countersigned Contingent bills for Rs.1,013.28 crore are outstanding as of 31 March 2009. There were a number of errors in budget preparation such as inclusion of unauthorized/incorrect heads of accounts, non-observance of correction slip of the List of Major and Minor heads and incorrect allocation of provision.

The Government should regularize the excess expenditure as it is not only a violation of constitutional provision but also a disregard of the recommendations made by the PAC. Provision of funds through supplementary provisions should be used as an instrument to fine tune the flow of expenditure and should be applied in a judicious manner so that budget provisions and actual expenditure are convergent to each other as nearest as possible. A close and rigorous monitoring mechanism should be put in place by the DDOs to avoid rush of expenditure during the end of financial years and to adjust AC bills within thirty days from the date of drawal of the amount. Budget preparation, being the harbinger in prudent financial management, should be strengthened to avoid any error, savings and excess of expenditure.