

## 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 2008-2009 against 47 grants/appropriations (46 Grants and one Appropriation) was as 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 (+)
<b>Voted</b>	I Revenue	1,810.53	517.01	2,327.54	2,065.53	(-) 262.01
	II Capital	400.95	365.56	766.51	581.54	(-) 184.97
	III Loans and Advances	9.07	13.85	22.92	14.16	(-) 8.76
<b>Total Voted</b>		<b>2,220.55</b>	<b>896.42</b>	<b>3,116.97</b>	<b>2,661.23</b>	<b>(-) 455.74</b>
<b>Charged</b>	IV Revenue	224.36	27.90	252.26	248.36	(-) 3.90
	V Capital	–	–	–	–	–
	VI Public Debt-Repayment	180.12	4.43	184.55	96.29	(-) 88.26
<b>Total Charged</b>		<b>404.48</b>	<b>32.33</b>	<b>436.81</b>	<b>344.65</b>	<b>(-) 92.16</b>
<b>Appropriation to Contingency Fund (if any)</b>		–	–	–	–	–
<b>Grand Total</b>		<b>2,625.03</b>	<b>928.75</b>	<b>3,553.78</b>	<b>3,005.88</b>	<b>(-) 547.90</b>

The overall savings of Rs.547.90 crore was the result of savings of Rs.578.03 crore in 39 grants and three appropriations under Revenue Section, 18 grants and one appropriation under Capital Section offset by excess of Rs.30.13 crore in four grants and one Appropriation under Revenue Section.

The Appropriation accounts of 2008-09 included 46 Grants and one Appropriation. The reasons for savings/excess were called for by the Accountant General (A&E) in respect of 111 Heads of Accounts. Out of 111 Head of accounts, explanation for variation in respect of 107 Heads were not received (March 2009) and explanation in respect of four Heads were partially received.

## 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 16 cases, savings exceeded Rupees one crore in each case and by more than 12 per cent of total provision (**Appendix-2.1**). Against the total savings of Rs.578.03 crore, savings of Rs.386.63 crore (67 per cent)<sup>1</sup> occurred in four cases relating to three grants and one appropriations where saving were more than Rs.50 crore and above 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.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1	11-Secretariat Administration	97.74	6.89	104.63	38.55	66.08
2	14-Planning and Programme Implementation Department	130.49	9.18	139.67	27.28	112.39
<b>Capital-Voted</b>						
3	46-Urban Development and Poverty Alleviation	125.12	--	125.12	5.21	119.91
<b>Capital-Charged</b>						
4	Public Debt	180.12	4.42	184.54	96.29	88.25
<b>Total</b>		<b>533.47</b>	<b>20.49</b>	<b>553.96</b>	<b>167.33</b>	<b>386.63</b>

### 2.3.2 Persistent Savings

In two cases, during the last five years there were persistent savings of more than Rupees one crore in each case and also by more than 20 per cent or more of the total grant (**Table-2.3**).

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

**Table-2.3: List of Grants indicating 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
<b>Revenue-Voted</b>						
1.	14-Planning and Programme Implementation Department	68.72 (82)	72.40 (79)	64.56 (85)	50.77 (61)	112.39 (80)
<b>Capital-Voted</b>						
2.	9 - Finance	5.00 (100)	5.00 (100)	5.00 (100)	3.27 (65)	4.97 (50)
Figures in the parentheses indicate percentage to total provision of that grant						

### 2.3.3 Excess Expenditure

In three cases, expenditure aggregating Rs.515.34 crore exceeded the approved provisions by Rs.30.04 crore and also by more than one crore in each case or by more than 15 *per cent* (in one case) of the total provisions. Details are given in **Appendix-2.2**.

### 2.3.4 Expenditure without Provision

An amount of Rs.10.28 crore was incurred in three cases as detailed in **Table-2.4** 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)*

Number and Name of grants/appropriations	Amount of Expenditure without provision	Reasons/Remarks
45 - Public Works (Major Head 3054 800(01)) (Revenue)	0.29	Reason for incurring expenditure without provision had not been intimated. (Sept. 2009)
40 - Industries (Major Head 6851) (Capital Voted)	8.72	Reason for incurring expenditure without provision had not been intimated. (Sept. 2009)
45 - Public Works Major Head 4202 (Capital)	1.27	Reason for incurring expenditure without provision had not been intimated. (Sept. 2009)
<b>Total</b>	<b>10.28</b>	

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

As per Central Treasury Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of cases mentioned in **Appendix-2.3**, an amount of Rs.46.46 crore was drawn by various departments and credited to the Head of Account – 8443 – Civil Deposit at the fag end of the year 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 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, but the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to Rs.765.32 crore for the years 2003-04 to 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 **Table-2.5**.

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

(Rupees in crore)

Year	Number of			Amount of excess over provision
	Grants	Appropriations	Total	
2003-04	4	1	5	387.34
2004-05	5	1	6	308.98
2005-06	4	1	5	29.78
2006-07	1	1	2	25.30
2007-08	4	-	4	13.92
<b>Total</b>	<b>18</b>	<b>4</b>	<b>22</b>	<b>765.32</b>

### 2.3.7 Excess over provisions during 2008-09 requiring regularization

**Table-2.6** contains the summary of total excess in four grants amounting to Rs.30.13 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**

(Rupees in crore)

Sl. No.	Number and title of grant/appropriation		Total grant/appropriation	Expenditure	Excess
<b>Voted Grants</b>					
1.	8	Taxation	5.95	6.03	0.08
2.	9	Finance	119.98	139.65	19.67
3.	20	School Education	311.46	317.75	6.29
4.	30	Disaster Management and Rehabilitation.	53.85	57.94	4.09
<b>Total (Voted)</b>			<b>491.24</b>	<b>521.37</b>	<b>30.13</b>

### **2.3.8 Unnecessary/Excessive/Inadequate supplementary provision**

Supplementary provision aggregating Rs.43.07 crore obtained in six cases, Rs.50 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix-2.5**. In three cases, supplementary provision of Rs.99.42 crore proved insufficient by more than Rupees one crore in each leaving an aggregate uncovered excess expenditure of Rs.30.04 crore (**Appendix-2.6**).

### **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 excessive or insufficient and resulted in savings/excess of over Rs.10 lakh in 13 sub-heads and in three sub-heads (Grant no. 20) more than Rupees four crore as detailed in **Appendix-2.7**.

In three cases (*Grant numbers* 24, 28 and 42) funds were re-appropriated by reducing the allocations due to non receipt of sanction/administrative approval from the Government, re-validation of sanction for next year and non-approval/late release of fund by the Government, time constrained to get quotations etc. and due to economic measures. However, in two cases (*Grant numbers* 28 and 42), in spite of re-appropriation there was final excess expenditure. Reasons for the final excess have, however, not been intimated (September 2009).

### **2.3.10 Unexplained re-appropriations**

Scrutiny of re-appropriation orders issued by the Finance Department revealed that out of 41 items of re-appropriations for 35 items reasons for increase/decrease of provisions were not stated. (September 2009). The details are given in **Appendix-2.8**.

### **2.3.11 Substantial surrenders**

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 57 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs.251.71 crore in these 57 Schemes, Rs.224.44 crore (89 *per cent*) were surrendered, which included 100 *per cent* surrender in 46 Schemes (Rs.145.91 crore). The details of such cases are given in **Appendix-2.9**.

### **2.3.12 Surrender in excess of actual savings**

As against savings of Rs.93.11 crore, an amount of Rs.97.53 crore was surrendered (Rs.50 lakh or more in each case) resulting in excess surrender of Rs.4.42 crore. Details are given in **Appendix 2.10**. The amount surrendered was in excess of actual savings indicating lack of budgetary control in these departments.

### 2.3.13 Anticipated savings not surrendered

As per Budget Manual, the spending 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, eight grants/appropriations in which savings occurred but no part of which was surrendered by the concerned departments. The amount involved in these cases was Rs.205.51 crore (37.51 per cent of the total savings) (**Appendix-2.11**).

Similarly, out of total savings of Rs.249.56 crore under five other grants/appropriations (savings of Rupees one crore and above were indicated in each grant appropriation), savings amounting to Rs.215.64 crore (86.41 per cent of total savings) was not surrendered, details of which are given in **Appendix-2.12**.

### 2.3.14 Rush of expenditure

According to Financial Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 10 Major-heads listed in **Appendix-2.13**, expenditure exceeding Rs.10 crore (in six out of 10 Major Heads)<sup>2</sup> of the total expenditure for the year was incurred in March 2009. **Table-2.7** also presents one major head where more than 50 per cent expenditure was incurred either during the last quarter or during the last month of the financial year.

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

(Rupees in crore)

Sl. 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.	31 & 32	2401	88.79	66.23	74.59	62.35	70.22

Source : Information furnished by A.G. (A&E).

## 2.4 Reconciliation of Departmental figures

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

As per rule, every drawing officer has to certify in each abstract contingent 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 (A&E). It was noticed that the total amount of Detailed Countersigned Contingent (DCC) bills received during the period 2000-01 to 2008-2009 was only Rs.192.31 crore against the amount of Abstract Contingent (AC) bills of Rs.231.88 crore leading to an outstanding balance of DCC bills of Rs.39.58 crore as on 31 March 2009. Year wise details are given in **Table-2.8**.

<sup>2</sup> Expenditure exceeding Rs.10 crore in the Major Heads – 2055, 2202, 2210, 2215, 2235 and 2401.

**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
2000-01	1.44	0	0	1.44
2001-02	6.24	0.04	0.64	6.20
2003-04	0.47	0	0	0.47
2005-06	1.00	0	0	1.00
2007-08	0.01	0	0	0.01
2008-09	222.72	192.27	86.33	30.46
<b>Total</b>	<b>231.88</b>	<b>192.31</b>	<b>86.97</b>	<b>39.58</b>

Source : Information furnished by A.G. (A&amp;E).

Non-adjustment of advances for long periods is fraught with risk of misappropriation and therefore, requires close monitoring by the respective Drawing and Disbursing Officers (DDOs). Department-wise pending DCC bills for the years up to 2008-09 is detailed in **Appendix-2.14**.

### 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 continued to persist during 2008-09 also. Five Controlling Officers did not reconcile expenditure amounting to Rs.93.15 crore as of March 2009. Of the five controlling officers, amounts exceeding Rs.10 crore in each case remained un-reconciled during 2008-2009 in respect of the following three Controlling Officers as given in **Table-2.9**.

**Table-2.9: List of controlling officers where amounts exceeding Rupees 10 crore in each case remained un-reconciled during 2008-2009***(Rupees in crore)*

Sl. No.	Major Head	Controlling Officers	Amount not reconciled
1.	2230	Director of Labour and Employment	5.07
2.	2053	Secretary, General Administration Department *	19.53
	2070		
	3053		
3.	2408	Director, Food and Civil Supplies *	29.29
4.	2245	Director, Relief and Rehabilitation	7.19
5.	2801	Chief Engineer, Power Department *	32.07
<b>Total</b>			<b>93.15</b>

\* Amount exceeding Rs. 10 crore in each case

Source : Information furnished by A.G. (A&amp;E).

## 2.5 Outcome of Review of Selected Grants (Grant No. 16)

A review on budgetary procedure and control over expenditure in respect of Grant No.-16-Home was conducted by Audit during November 2009. Important points noticed during the review are detailed below:

Against a budget provision of Rs.248.62 crore (including supplementary provision of Rs.76.13 crore) under the Revenue Heads, there was actual expenditure of Rs.237.98 crore resulting in savings of Rs.10.64 crore of the total provision. It was, however, found that an amount of Rs.11.11 crore was surrendered in excess of the savings during the year. Reasons/source of excess surrendered of Rs.0.47 crore was not intimated to audit (September 2009).

Further, in view of the final savings of Rs.10.64 crore, the supplementary provision of Rs.76.13 crore obtained under the grant proved to be excessive.

Out of the total provision of Rs.4.41 crore under the Capital Head of accounts (4055-Capital Outlay on Police), expenditure of Rs.0.87 crore was incurred during the year resulting in saving of Rs.3.54 crore which constituted 80 *per cent* of the total provision. It was also noticed that final saving of Rs.1.75 crore, Rs.4.12 crore and Rs.2.17 crore occurred under this head during 2005-06, 2006-07 and 2007-08 respectively.

As per budget manual, the Controlling Officers are required to surrender the grants/appropriations to the Finance Department all savings anticipated in the budget under their control as soon as the certainty of non-requirement is known by 15 March at the latest for utilisation by the Finance Department for other purposes. However, no part of the available saving of Rs.3.54 crore under Capital Head was surrendered during the year for fruitful utilisation of the funds.

### 2.5.1. Excess expenditure over provisions

During audit it was noticed that in 33 cases expenditure of Rs.11.09 crore was made in excess over the budget provision. The excess expenditure was, however, offset by way of re-appropriation out of savings of Rs.34.24 crore under Salary head of 2055-001(01) within the grant. Details of the excess expenditure made over provisions are shown in **Appendix-2.15**.

### 2.5.2. Expenditure without provisions

It was noticed in Audit that an expenditure of Rs.8,885 was incurred without provisions being made in the original/supplementary demands or through re-appropriation under 2056-Jails,101(03)-Sub-Jails.

### 2.5.3 Substantial surrender of rupees one crore and above or more than 50 per cent of Budget Provision as on 31 March 2009

During review of Grant No. 16 - Home, it was noticed that there were few cases where surrender of rupees one crore or more or where the surrendered amount is more than 50 *per cent* of the provision (or both) were made on 31 March 2009. Some of these are shown below:

(Rupees in lakh)

Sl. No.	Name of the Schemes/Accounts	Provision	Amount surrendered	Remarks
1.	2055-Police 001-Direction & Administration 01- Direction (01)- Salary	4212.25	140.17	Amount more than one crore
2.	2055-Police 115- Modernization of Police Force 01- Modernization (CSS) (51)- Motor Vehicles	331.85	331.85	100 per cent as well as more than one crore
3.	2055- Police 115-Modernization of Police Force 01- Modernization (CSS) (52)- Machinery and Equipment	608.79	379.69	62 per cent as well as more than one crore
4.	2070- Other Administrative Services 107- Home Guards 02- Administration (02)- Wages	590.00	111.00	Surrendered amount more than one crore
5.	2070- Other Administrative Services 800-Other Expenditure (01)-Modernization of MRHG (CSS/NP)	82.11	57.07	70 per cent
<b>Total</b>		<b>5,825.00</b>	<b>1,019.78</b>	

#### 2.5.4 Injudicious and Unnecessary Supplementary Grant

Against the total provision of Rs.105.85 lakh<sup>3</sup> under Major Head 2056-Jails; 101(03)-Sub Jails, Rs.2.05 lakh was withdrawn through re-appropriation giving a total grant of Rs.103.80 lakh. It was, however, found that out of the total provision of Rs.103.80 lakh, only Rs.48.32 lakh had been incurred resulting in a final saving of Rs.55.48 lakh. As such, supplementary grant of Rupees seven lakh proved to be injudicious/unnecessary as even the original grant of Rs.98.85 lakh could not be appropriated.

#### 2.5.5 Injudicious surrender resulting in excess expenditure

During test check of Grant No.16-Home, it was noticed that there was injudicious surrender of Rs.192.56 lakh out of the budget provision of Rs.1,605.04 lakh resulting in excess expenditure of Rs.159.52 lakh over the provision. The details of such injudicious re-appropriation of funds are shown below:

3 (Original grant = Rs.98.85 lakh + Supplementary Grant = Rs.7.00 lakh).

(Rupees in lakh)

Sl. No.	Head of Accounts	Total provision (O+S)	Amount surrendered	Final grant	Actual expenditure	Amount of excess expenditure
1.	2055-Police 101-Criminal Investigation & Vigilance (03)-DSB, Aizawl	128.70	(-) 7.37	121.33	132.32	(+) 10.99
	(04)-DSB, Lunglei	33.70	(-) 0.68	33.02	34.33	(+) 1.31
	110-Village Police (01)-Village Defence Orgn.	7.60	(-) 0.11	7.49	8.18	(+) 0.69
2.	2056-Jails 001(01)-Direction(N/P)	145.81	(-) 12.69	133.12	156.68	(+) 23.56
	101(02)-District Jails (N/P)	416.28	(-) 13.96	402.32	505.52	(+) 103.20
	102(01)-Jail manufacturers (N/P)	8.25	(-) 3.25	5.00	5.56	(+) 0.56
3.	2070-OAS 107(03)-Direction C.T.I.	226.60	(-) 38.52	188.08	198.87	(+) 10.79
	107(02)-Administration	638.10	(-)115.98	522.12	530.54	(+) 8.42
<b>Total</b>		<b>1605.04</b>	<b>(-) 192.56</b>	<b>1412.48</b>	<b>1572.00</b>	<b>(+) 159.52</b>

### 2.5.6 Injudicious Re-appropriation of fund

Test check of the re-appropriation orders issued revealed that against 19 cases of Grant No.16 - Home, an amount of Rs.28.65 crore was re-appropriated as additional provision on budget grant of Rs.96.96 crore giving a final grant of Rs.125.61 crore. However, it was noticed that an expenditure of Rs.131.24 crore was made over and above the final grant by Rs.5.63 crore.

Further, in three other cases, an amount of Rs.45.56 crore was re-appropriated from the budget grant of Rs.68.83 crore giving a final grant of Rs.23.28 crore. Against which an amount of Rs.16.16 crore was incurred resulting in a saving of Rs.7.12 crore.

Thus, proper assessment was not taken up before re-appropriation. Details of improper assessment of re-appropriation of fund against 22 cases are given in **Appendix-2.16**.

### 2.5.7 Un-explained Re-appropriation

The reasons for re-appropriations are expected to be explained in details giving reasons for additional funds required as well as for savings in Form-'K'. Scrutiny of re-appropriation orders, however, revealed that in most of the cases reasons for re-appropriations were not explained in details and in some cases no reason was given. Details are shown in **Appendix-2.17**.

The above instances were indicative of inadequate and ineffective budgetary and expenditure control mechanism in the Department/State Government.

## 2.6. Conclusion and Recommendations

During 2008-09, expenditure of Rs.3,005.88 crore was incurred against the total grants and appropriations of Rs.3,553.78 crore, resulting in a savings of Rs.547.90 crore (**Para-2.2**). The overall savings was the net result of saving of Rs.578.03 crore which was offset by excess of Rs.30.13 crore (**Para-2.3.1**). The excess requires regularization under Article 205 of the Constitution of India (**Para-2.3.6**). At the close of the financial year 2008-09, there were eight grants/appropriations in which savings of Rs.205.51 crore (37.51 *per cent* of total savings) occurred but no part of which was surrendered by the concerned departments (**Para-2.3.13**). In four cases, Rs.97.53 crore was surrendered in excess of actual savings of Rs.93.11 crore which were more than Rs.50 lakh in each case (**Para-2.3.12**). In six other cases, as against total savings of Rs.249.56 crore, an amount of Rs.215.64 crore (86.60 *per cent*) were not surrendered (**Para-2.3.13**). Injudicious re-appropriation proved excessive or insufficient and resulted in saving excess of over Rs.10 lakh in 13 sub-heads (**Para-2.3.9**).

Rush of expenditure were noticed in respect of 10 major heads whose expenditure exceeding Rs.10 crore of the total expenditure for the year was incurred in March 2009 (**Para-2.3.14**). A.C bills (99 nos.) amounting to Rs.39.58 remained outstanding as of March 2009 for non-submission of DCC bills (**Para-2.4.1**).

Budgetary controls should be strengthened in all the Government Departments where savings/excess persisted for the last five years.

A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the abstract contingent bills within a specified period from the date of drawal of the amount.