

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 authorised 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 provision 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 authorisation given under the Appropriation Act and that the expenditure required to be charged under the provision 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 2011-2012 against 82 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provision

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	4172.15	588.06	4760.21	4464.17	(-) 296.04
	II Capital	1435.44	338.82	1774.26	1249.39	(-) 524.87
	III Loans and Advances	3.91	2.37	6.28	2.75	(-)3.53
	Total Voted	5611.50	929.25	6540.75	5716.31	(-)824.44
Charged	IV Revenue	480.07	2.70	482.77	460.32	(-)22.45
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	816.42	0.00	816.42	798.57	(-)17.85
	Total Charged	1296.49	2.70	1299.19	1258.89	(-) 40.30
	Appropriation to Contingency Fund (if any)	0.00	0.00	0.00	0.00	0.00
	Grand Total	6907.99	931.95	7839.94	6975.20	(-)864.74

The overall saving of ₹ 864.74 crore was the result of saving of ₹ 919.69 crore in 63 grants and 4 appropriations under Revenue Section, 45 grants and 1 appropriation (Public

Debt-Repayments) under Capital Section, offset by excess of ₹ 54.95 crore in 10 grants under Revenue Section and 8 grants under Capital Section.

The savings/excess (Detailed Appropriation Accounts for the year 2011-12) were intimated to all concerned Controlling Officers during July 2012 requesting them to explain the significant variations. Besides, regular reminders at the level of Deputy Accountant General (Accounts and Entitlement) were also issued to concerned Controlling Officers extending the last date of submission of their replies. Around 50 per cent of the replies were not obtained from various Controlling Officers of the State excepting replies from 40 (forty) Controlling Officers before finalization of the Appropriation Accounts 2011-12.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 57 cases, savings exceeded rupees one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 864.74 crore, savings of ₹ 378.33 crore (43.75 per cent) occurred in three grants¹² as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(Rupees in crore)

Sl. No	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1	11- District Administration & Special Welfare Schemes	124.61	39.53	164.14	98.93	65.21
Capital-Voted						
2	27-Planning Machinery	327.88	0.00	327.88	67.33	260.55
3	36-Urban Development	121.29	0.00	121.29	68.72	52.57
Total		573.78	39.53	613.31	234.98	378.33

The reason for savings had not been intimated by any department.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 50 lakh in each case and also by 10 per cent or more of the total grant in seven cases during the last five years (**Table 2.3**)

¹² Exceeding ₹ 50 crore in each case.

Table 2.3: List of Grants indicating Persistent Savings during 2007-2012*(Rupees in crore)*

Sl. No.	No. and Name of the grant	Amount of savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
Capital-Voted						
1	27-Planning Machinery	121.36	118.85	256.99	65.27	260.55
2	35- Medical, Public Health and Family Welfare	7.93	37.61	14.23	5.49	7.68
3	36- Urban Development	17.07	60.37	116.83	104.62	52.57
4	43-Social Security and Welfare	9.01	19.28	102.12	7.95	45.20
5	45- Co-operation	11.94	14.71	28.34	1.26	4.16
6	55- Power Projects	66.63	18.28	30.61	27.73	20.65
7	65- State Council of Education Research and Training	4.06	1.20	1.46	0.85	2.33

The reasons for persistent savings had not been intimated by any department.

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of ₹ 51.88 crore was incurred in 18 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 2011-12*(Rupees in crore)*

Number and Name of		Amount of Expenditure without provision	Reasons/Remarks
Grants	Head of Account		
5 – Election	2015 – 00 -103 – 02 Printing	0.35	Not indicated
43 – Social Security & Welfare	2235 – 02 – 107 – 03 Grants-in-aid to Nagaland SSW Advisory Board	1.15	Not indicated
48- Agriculture	2401-00-800-12 Farm Water Management Scheme (CSS)	0.89	Not indicated
48 – Agriculture	2415-01-004-09 State Agriculture Research Station Substation, Tuli	1.20	Not indicated
51 – Fisheries	2552 – 05 – 101 – 02 Integrated Fisheries Programme Development	1.45	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-01-101-05 Non-Timber Forest Produce, Medicinal Plant and Plantation	0.16	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-01-101-06 Maintenance of Forest under TFC Award	2.52	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-02-111-10 Zoological Park	0.02	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-02-800-04 Rangapahar Zoological Park, Central Zoo Authority	0.88	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2406-02-800-17 Development of National Park and Sanctuaries	0.05	Not indicated
52 – Forest, Ecology, Environment and Wildlife	2415-06-800-07 Eco-Tourism	0.10	Not indicated
53 – Industries	2851 – 00 -102 -01 Model Pilot Unit	0.34	Not indicated

Number and Name of		Amount of Expenditure without provision	Reasons/ Remarks
Grants	Head of Account		
55 – Power	4801-05-800-00 Other Expenditure (Null)	23.43	Not indicated
58 – Roads and Bridges	3054 – 01 -337- 01 Maintenance of NH – 61	9.16	Not indicated
58 – Roads and Bridges	3054 – 80 – 799 – 01 Stock (Dr.)	0.21	Not indicated
58 – Roads and Bridges	3054 – 80 – 799 – 03 Misc. Advance (Dr.)	0.01	Not indicated
60 – Water Supply	2215 – 01 – 799 – 02 Stock(Dr.)	9.80	Not indicated
78 – Technical Education	2203 – 00 – 105 -12 Women Polytechnic	0.16	Not indicated
Total		51.88	

2.3.4 Excess over provision 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 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 (PAC). However, the excess expenditure amounting to ₹ 447.10 crore for the years 2000-01 and 2005-06 to 2010-11 was not regularised till October 2012 (**Appendix 2.2**).

2.3.5 Excess over provision during 2011-2012 requiring regularisation

Appendix 2.3 contains the summary of total excess in 13 grants amounting to ₹ 54.94 crore over authorisation from the Consolidated Fund of the State during 2011-2012 requiring regularisation under Article 205 of the Constitution.

2.3.6 Excess expenditure over approved provision by more than ₹1 crore or 20 per cent of the total provision.

Expenditure aggregating ₹ 1205.03 crore in 8 cases exceeded the approved provision by ₹ 52.67 crore which was more than rupees one crore or 20 per cent of the total provision in each case. Details are given in **Table 2.5**.

Table 2.5: Statement of various grants/appropriations where Expenditure was more than ₹ 1 crore each or more than 20 per cent over the total provision

<i>(Rupees in crore)</i>					
Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Expenditure	Percentage of Excess Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
Revenue (Voted)					
1.	18	Pensions & Other Retirement Benefits	581.59	586.68	1
2.	35	Medical, Public Health & Family Welfare	235.15	239.41	2
3.	42	Rural Development	120.81	122.20	1
Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Expenditure	Percentage of Excess Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
4.	51	Fisheries	26.26	27.88	6
5.	58	Roads and Bridges	146.80	173.77	18
Capital (Voted)					
6	31	School Education	22.56	26.04	15
7	50	Animal Husbandry & Dairy Development	17.29	26.55	54
8	67	Home Guards	1.90	2.50	32
Total			1152.36	1205.03	

Government did not furnish any reason/explanation for the excess expenditure (October 2012).

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 122.83 crore obtained in 17 cases, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure either did not come up to the level of original provision or the supplementary provision remained unspent as detailed in **Appendix 2.4**. In 7 cases, supplementary provision of ₹ 76.51 crore proved insufficient by ₹ one crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 48.59 crore (**Appendix 2.5**).

2.3.8 Excessive/unnecessary/Insufficient 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 resulting in savings of ₹ 662.14 crore in 131 sub-heads and excess of ₹ 611.43 crore in 91 sub-heads as detailed in **Appendix 2.6**.

2.3.9 Unexplained re-appropriations

According to Financial Rules, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, re-appropriation was

done in 63 grants (77 per cent) without stating specific reasons for withdrawal of provision or additional provision.

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 169 Sub Heads. Out of the total provision amounting to ₹ 1155.03 crore in these Sub Heads, ₹ 956.87 crore (82.84 per cent) were surrendered, which included cent per cent surrender under 100 Sub Heads (₹ 304.56 crore). The details of such cases are given in **Appendices 2.7**.

2.3.11 Surrender in excess of actual saving

In 8 cases, the amount surrendered (₹ 1 crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 98.96 crore, the amount surrendered was ₹ 190.44 crore resulting in excess surrender of ₹ 91.48 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.12 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 2011-2012, there were 9 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 45.29 crore. (**Appendix 2.9**).

An amount of ₹ 163.36 crore being savings in 12 grants, ₹ 2 crore and above in each case, were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 13 cases (surrender of funds for ₹ 10 crore and above), ₹ 666.98 crore (**Appendix 2.11**) were surrendered on the last two working days of March 2012 indicating inadequate financial control. Thus, these funds could not be utilised for other developmental purposes.

2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 50 grants listed in **Appendix 2.12**, the expenditure exceeded ₹ 10 crore or more than 50 per cent of the total expenditure for the year either during the last quarter or during the last month of the financial year.

The expenditure in the month of March/last quarter of the financial year was upto 100 per cent of the total expenditure in many cases which indicates lack of effective financial control and violation 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 309 of Central Treasury Rules, 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 (Accounts & Entitlement). The total amount of DCC bills received during the period 2009-12 was only ₹ 26.25 crore (24.42 per cent) against ₹ 107.49 crore drawn on AC bills leading to pendency of DCC bills of ₹ 81.24 crore as on 31 March 2012. Year wise details are given in **Table 2.6**.

Table 2.6: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

Year	Amount of AC bills	Amount of DCC bills	(Rupees in crore)	
			DCC bills as percentage of AC bills	Outstanding AC bills
Up to 2008-09	17.24	6.68	38.75	10.56
2009-10	10.13	6.57	64.86	3.56
2010-11	14.43	1.96	13.58	12.47
2011-12	65.69	11.04	16.81	54.65
Total	107.49	26.25	24.42	81.24

As on 31 March 2012, there were 118 numbers of unadjusted AC bills involving ₹ 81.24 crore drawn by various Departments. Details are given in **Appendix 2.13**.

Non submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

2.4.2 Un-reconciled expenditure

As per General Financial Rules, all the Controlling Officers are required to reconcile the receipts and expenditure booked by them every month during the financial year with that recorded in the books of the Accountant General (Accounts & Entitlement). During the year 2011-12, two grants out of 82 Grants involving expenditure of ₹ 446.56 crore were not reconciled by the departments with the expenditure booked in the books of the Accountant General (Accounts & Entitlement). The details are shown in **Table 2.7**.

Table No 2.7: Grant-wise un-reconciled expenditure

Grant No.	Name of Department	(Rupees in crore)	
		Revenue	Capital
53	Industries & Commerce	45.81	24.06
55	Power	294.32	82.37
Total		340.13	106.43

2.5 Non-utilisation of funds

The details of funds drawn, its utilisation and funds kept in civil deposit/current bank accounts is presented in the **Table 2.8**.

Table 2.8: Non-utilisation of funds during the year 2011-12

(Rupees in crore)

Sl No	Name of Department	Amount drawn	Expenditure incurred	Amount kept in civil deposit	Amount kept in current bank account
1	Directorate of Economics and Statistics	0.48	-	0.48	-
2	Directorate of Prisons	3.45	-	-	3.45
3	Directorate of Sericulture	2.28	-	-	2.28
4	Directorate of Employment and Craftsmen Training	2.05	-	2.05	-
5	Directorate of New & Renewable Energy	0.80	-	0.80	-
6	Directorate of Land Resources	1.30	-	-	1.30
7	Directorate of Horticulture	58.71	39.58	-	19.13
8	Directorate of Higher Education	10.78	-	-	10.78
9	Chief Electoral Officer	4.05	-	-	4.05
10	Directorate of Technical Education	1.22	-	1.22	-
11	Directorate of Evaluation	1.17	-	0.63	0.54
12	Transport Commissioner	24.94	23.62	-	1.32
	Total	111.23	63.20	5.18	42.85

The table above shows that an amount of ₹ 111.23 crore was drawn by 12 departments during the year 2011-12 for implementation of different schemes, construction of office buildings, purchase of vehicle etc.. Out of the amount drawn the departments utilised an amount of ₹ 63.20 crore (56.82 per cent) only in the current financial year. The remaining amount was kept in Civil Deposit ₹ 5.18 crore (4.66 per cent) and Current Bank Account ₹ 42.85 crore (38.52 per cent).

2.6 Outcome of the Review of Selected Grant

A review of Grant No 43-Social Security and Welfare was conducted mainly to assess the efficiency in the process of budgeting and consequent control of expenditure for both the Revenue and Capital heads during the year 2011-2012.

The summarised position of budget provision and actual expenditure there against during 2011-2012 in respect of Grant No. 43 is given in **Table 2.9**.

Table 2.9: Summarised Position of budget provision and actual expenditure*(Rupees in crore)*

Nature of Expenditure	Budget Provision				Total	Actual Expenditure			Saving(-)/ Excess(+)
	Original		Supplementary			Non-Plan	Plan	Total	
	Non-Plan	Plan	Non-Plan	Plan					
Revenue	10.00	124.48	-	0.69	135.17	10.37	87.97	98.34	(-)36.83
Capital	-	17.66	-	-	17.66	-	9.29	9.29	(-)8.37
Total	10.00	142.14	-	0.69	152.83	10.37	97.26	107.63	(-)45.20

The above table shows that during the year 2011-2012 there was overall savings of ₹ 45.20 crore representing 30 per cent of the total budget provision under both revenue expenditure (₹ 36.83 crore) and capital expenditure (₹ 8.37 crore). As per Financial Rules, the spending departments are required to surrender the anticipated savings to the Finance Department as and when occurred. The Department however, surrendered ₹ 23.08 crore (₹ 16.29 crore under revenue section and ₹ 6.79 crore under capital section) during the year 2011-12 out of total savings of ₹ 45.20 crore.

By making unrealistic budget provision, the Department was left with a savings of ₹ 45.20 crore and by not surrendering the whole of the unspent amount in time, the needy departments were deprived from utilising the same through re-appropriation.

An analysis of the expenditure vis-à-vis the budget provision revealed that out of total savings of ₹ 45.20 crore, ₹ 23.08 crore was surrendered. The savings in the revenue account was mainly due to the fact that the Department was unable to spend the Centrally Sponsored Scheme funds of about ₹ 18.52 crore.

Audit Review also disclosed persistent savings ranging between ₹ 7.95 crore and ₹ 102.12 crore during 2007-12 as detailed in **Table 2.10**.

Table 2.10: Persistent savings during 2007-11*(Rupees in crore)*

Year	Budget			Expenditure			Savings(-) / Excess(+)
	Revenue	Capital	Total	Revenue	Capital	Total	
2007-08	58.62	14.26	72.88	59.32	4.55	63.87	(-)9.01
2008-09	67.67	12.21	79.88	58.21	2.39	60.60	(-)19.28
2009-10	139.09	18.50	157.59	55.17	0.30	55.47	(-)102.12
2010-11	123.38	21.92	145.30	126.13	11.22	137.35	(-)7.95
2011-12	135.17	17.66	152.83	98.34	9.29	107.63	(-)45.20

The occurrence of persistent savings which had not been surrendered within the due dates indicates that budgetary control was deficient in the Department.

2.7 Conclusion

There was saving of ₹ 919.69 crore and excess expenditure of ₹ 54.95 crore under 82 grants during 2011-12. This excess expenditure together with an excess expenditure of ₹ 447.90 crore pertaining to 2000-01 & 2005-06 to 2010-11 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was noticed in 51 grants in which expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter of 2011-12 and in some cases in the month of March 2012. There were 118 numbers of ACC Bills involving ₹ 81.24 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore, was fraught with the risk of misappropriation.