

## 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 charged appropriations 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 and indicate the 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. The Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

**2.1.2** Audit of the 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 in the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

#### 2.2 Summary of the Appropriation Accounts

The summarized position of actual expenditure vis-à-vis budgetary provisions during 2012-13 for the total 30 grants/appropriations is given in the **Table 2.1**.

**Table 2.1: Summarized position of actual expenditure vis-à-vis original/supplementary provisions**

*(₹ in crore)*

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	34373.64	4499.18	38872.82	32780.27	(-)6092.55
	II Capital	5815.27	679.70	6494.97	2040.92	(-)4454.05
	III Loans and Advances	60.54	189.27	249.81	197.53	(-)52.28
<b>Total Voted</b>		<b>40249.45</b>	<b>5368.15</b>	<b>45617.60</b>	<b>35018.72</b>	<b>(-)10598.88</b>
Charged	IV Revenue	6793.03	384.03	7177.06	7011.99	(-)165.07
	V Capital	0	0	0	0	0
	VI Public Debt- Repayment	10605.79	4056.12	14661.91	15115.79	(+)453.88
<b>Total Charged</b>		<b>17398.82</b>	<b>4440.15</b>	<b>21838.97</b>	<b>22127.78</b>	<b>(+)288.81</b>
Appropriation to Contingency Fund		0	0	0	0	0
<b>Grand Total</b>		<b>57648.27</b>	<b>9808.30</b>	<b>67456.57</b>	<b>57146.50</b>	<b>(-)10310.07</b>

*Source: Appropriation Accounts*

*Note: The expenditure includes the recoveries of ₹334.31 crore adjusted as reduction of expenditure under Revenue and ₹125.10 crore under Capital.*

The actual expenditure during 2012-13 was ₹ 57,146.50 crore against the original budgetary provisions of ₹ 57,648.27 crore. The supplementary

provisions of ₹ 9,808.30 crore were, thus, found unnecessary. The overall saving of ₹ 10,310.07 crore (15.28 per cent of total budget provision) was the result of total savings of ₹ 11,079.67 crore in all the 30 grants (*Appendix 2.1*) set off by excess of ₹ 769.60 crore in four grants (**Table 2.5**). On being pointed out (September 2013), the Finance Department stated (October 2013) that necessary action was being taken by the State Government to prepare accurate budget estimates and also ensured to take corrective measures in future.

## 2.3 Financial accountability and budget management

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

The outcome of audit of grants and appropriations reveals that in 17 cases (12 out of the total 30 grants), the savings (excluding surrenders) exceeded by ₹ 100 crore and also by more than 10 per cent of the total provision in each case. Details are given in Table-2.2.

**Table 2.2: List of grants having large savings**

(₹ in crore)							
Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrenders	Savings excluding surrender	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	<b>(Revenue-Voted)</b> 1-Agriculture and Forests	1005.27	767.24	238.03	51.40	186.63	18.57
2.	5-Education	7072.21	6046.69	1025.52	9.99	1015.53	14.36
3.	9-Food and Supplies	843.58	343.49	500.09	5.78	494.31	58.60
4.	11-Health and Family Welfare	2359.07	1822.64	536.43	0.92	535.51	22.70
5.	13-Industries	200.50	72.22	128.28	0	128.28	63.98
6.	15-Irrigation and Power	7074.13	6127.17	946.96	146.71	800.25	11.31
7.	17-Local Government, Housing and Urban Development	576.70	193.99	382.71	0	382.71	66.36
8.	22-Revenue and Rehabilitation	1320.96	931.16	389.80	221.49	168.31	12.74
9.	23-Rural Development and Panchayats	1830.92	1022.25	808.67	0	808.67	44.17
10.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	2905.23	2011.16	894.07	6.33	887.74	30.56
11.	<b>(Capital-Voted)</b> 5-Education	427.89	102.73	325.16	97.77	227.39	53.14
12.	8-Finance	1072.02	52.11	1019.91	0	1019.91	95.14
13.	11-Health and Family Welfare	404.44	92.50	311.94	70.64	241.30	59.66
14.	15-Irrigation and Power	988.98	545.26	443.72	205.32	238.40	24.11
15.	17-Local Government, Housing and Urban Development	1103.01	131.36	971.65	0	971.65	88.09
16.	21-Public Works	887.67	627.75	259.92	58.81	201.11	22.66
17.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	803.10	204.33	598.77	210.93	387.84	48.29
	<b>Total</b>	<b>30875.68</b>	<b>21094.05</b>	<b>9781.63</b>	<b>1086.09</b>	<b>8695.54</b>	<b>28.16</b>

Source: Appropriation Accounts

Some of the departments having huge savings were Education, Finance, Irrigation and Power, Local Government, Housing and Urban Development, Rural Development and Panchayats and Social and Women's Welfare and welfare of Scheduled Castes and Backward Classes. Such large savings in these grants reflect weak budgetary control. On this being pointed out to the concerned departments (September 2013); no reply was received (November 2013).

### 2.3.2 Persistent savings

In seven cases, during the last five years, there were persistent savings of ₹ five crore or more in each case. The details are given in **Table 2.3**. At Sr. No. 4 and 7, there was saving ranging from 95 per cent to 100 per cent during all the last five years, which shows non-implementation of schemes as well as weak financial control.

**Table 2.3: List of grants having persistent savings during 2008-13**

(₹ in crore)

Sr. No.	Number and Name of the grant/Head of Account/Schemes	Amount of savings (percentage of savings in bracket)				
		2008-09	2009-10	2010-11	2011-12	2012-13
<b>Revenue-voted</b>						
1	05-Education 2202-General Education 02-Secondary Education 105-Teachers Training 01-Teachers Education Establishment of (DIETS) (CSS)	13.96 (75.05)	42.86 (89.74)	29.34 (83.26)	21.08 (73.65)	18.14 (67.97)
2	12-Home Affairs and Justice 2055-Police 109-District Police 01-District Police (Proper)	18.39 (1.82)	30.23 (2.54)	24.37 (1.72)	28.36 (1.59)	24.70 (1.08)
3	15-Irrigation and Power 2700-Major Irrigation 01-Sirhind Canal System (Commercial) 001-Direction and Administration 01-Direction and Administration	60.12 (27.15)	58.26 (20.69)	50.84 (17.09)	58.65 (16.94)	47.16 (12.72)
4	15-Irrigation and Power 2701-Medium Irrigation 80-General 001-Direction and Administration 01-Direction	82.02 (95.31)	96.75 (97.41)	110.92 (99.99)	131.61 (99.26)	148.81 (100.00)
5	21-Public Works 2215-Water Supply and Sanitation 01-Water Supply 001- Direction and Administration	71.89 (32.60)	54.53 (23.69)	80.54 (29.57)	83.08 (23.18)	128.92 (29.60)
6	22-Revenue and Rehabilitation 2245-Relief on Account of National Calamities 02-Floods, Cyclones etc. 101-Gratuitous Relief 01-Gratuitous Relief	42.10 (59.30)	43.81 (87.62)	5.54 (10.45)	5.30 (8.15)	17.76 (88.80)
<b>Capital-Voted</b>						
7	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects-01-Flood Control 103-Civil Works 08-Works Expenditure Counter Protective Measures on Left Side of River Ravi (CSS)	8.00 (100.00)	7.00 (100.00)	5.00 (100.00)	5.00 (100.00)	5.00 (100.00)

Source: Appropriation Accounts

The matter was taken up with the concerned administrative secretaries (September 2013); no reply was received (November 2013).

### 2.3.3 Excess over provisions requiring regularization

Article 205(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be laid before the House or the Houses of the Legislature of the State, another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

Audit observed that excess expenditure amounting to ₹ 4,592.57 crore for the year 2007-12 had yet not been regularized under the provision of Article 205(b) of the Constitution of India. The year-wise detail of excess expenditure requiring regularization is summarized in **Table 2.4**.

**Table 2.4: Excess over provisions requiring regularization**

(₹ in crore)

Year	Total number of Grants/ Appropriations	Grant/ Appropriation number	Amount of excess over provision
2007-08	6	8, 9, 12, 15, 19, 21	895.34
2008-09	4	3, 8, 12, 21	506.14
2009-10	4	3, 5, 8, 21	460.77
2010-11	6	8, 11, 18, 21, 22, 28	1828.96
2011-12	3	8, 12, 21	901.36
	<b>Total</b>		<b>4592.57</b>

Source: Appropriation Accounts

The excess expenditure of ₹ 769.60 crore in four grants (**Table 2.5**) during the year 2012-13 also require regularization under the above mentioned provisions.

**Table 2.5: Excess over provisions requiring regularization during 2012-13**

(₹ in crore)

Sr. No.	Number and title of grant		Total Grant/ Appropriation	Expenditure	Excess
<b>Voted Grants</b>					
1	8	Finance (Revenue)	5863.88	6083.21	219.33
2	21	Public Works (Revenue)	1339.94	1421.88	81.94
<b>Charged Appropriation</b>					
3	7	Excise and Taxation (Revenue)	2.32	4.33	2.01
4	8	Finance (Capital)	14661.91	15115.78	453.87
5	12	Home Affairs and Justice	87.79	100.24	12.45
		<b>Total</b>	<b>21955.84</b>	<b>22725.44</b>	<b>769.60</b>

Source: Appropriation Accounts

On being pointed out (September 2013), the Finance Department stated (October 2013) that all out efforts were being made by the State Government to get the excess expenditure regularised during the ensuing budget session.

### 2.3.4 Persistent excess expenditure

In seven cases (Table 2.6), there was persistent excess expenditure of more than ₹ five crore in each case during the last five years. Under five schemes (Sr. No. 2, 3, 4, 5 and 6), there was 100 per cent or more excess expenditure during the last five years.

**Table 2.6: List of grants having persistent excess expenditure during 2008-13**

Sr. No.	Number and Name of the grant/schemes	Amount of excess expenditure (percentage of excess expenditure in brackets)				
		2008-09	2009-10	2010-11	2011-12	2012-13
(₹ in crore)						
<b>Revenue-Voted</b>						
<b>08-Finance</b>						
1	2071-Pensions and other Retirement benefits 01-Civil 105-Family Pensions	54.71 (24.28)	31.31 (9.98)	144.34 (35.45)	100.80 (16.93)	57.82 (7.90)
<b>21-Public Works</b>						
2	2059-Public Works 80-General 799-Suspense	167.91 (100.00)	184.98 (100.00)	219.13 (100.00)	157.79 (100.00)	52.28 (100.00)
3	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Work done by that Department	22.02 (100.00)	27.29 (100.00)	45.73 (100.00)	45.23 (100.00)	52.34 (100.00)
4	2215-Water Supply and Sanitation 01-Water Supply 799-Suspense	176.18 (100.00)	149.38 (100.00)	106.37 (100.00)	73.19 (100.00)	58.78 (100.00)
5	2215-Water Supply and Sanitation 01-Water Supply 800-Other Expenditure 01-Maintenance of Works	100.10 (301.51)	107.98 (325.24)	127.08 (385.09)	118.88 (312.84)	99.30 (202.65)
6	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	42.62 (100.00)	74.72 (100.00)	6.29 (100.00)	91.27 (100.00)	102.94 (100.00)
7	2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits	198.93 (12.73)	221.41 (11.19)	644.93 (26.27)	570.86 (19.03)	81.58 (2.25)

Source: Appropriation Accounts

Reasons for excess expenditure were called for from the concerned administrative secretaries (September 2013). However, no reply was received as of November 2013.

### ***2.3.5 Expenditure without making provision of funds***

As per Para 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was, however, observed that an expenditure of ₹ 611.12 crore, was incurred in 37 cases (₹ one crore or more in each case) under 10 grants during 2012-13 (***Appendix 2.2***) without making any provision in the original estimates/supplementary demands and without issuing any re-appropriation orders to this effect. On being pointed out (September 2013), the Finance Department stated (October 2013) that the State Government would look into the matter and get it regularized in Vidhan Sabha.

### ***2.3.6 Unnecessary supplementary provisions***

Supplementary provisions of ₹ one crore or more in each case, aggregating to ₹ 1,372.38 crore obtained in 17 cases, during the year 2012-13 proved unnecessary as the expenditure did not come up to the level of the original provisions (***Appendix 2.3***). Some of the departments which obtained huge amount of unnecessary supplementary provisions (exceeding ₹ 200 crore) were Health and Family Welfare, Public Works, Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes. The matter was taken up with the concerned administrative secretaries (September 2013); no reply was received as of November 2013.

### ***2.3.7 Unnecessary/Injudicious 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. During the year 2012-13, 25 re-appropriation orders for ₹ 3,026.88 crore were issued. Out of these nine re-appropriation orders for ₹ 1,657.44 crore were issued on 31 March, 2013.

During 2012-13, under 26 cases out of 36 (***Appendix 2.4***, excluding Sr. No. 6, 10, 11, 14, 17, 18, 20, 28, 30 and 36), re-appropriation orders for ₹ five crore or more in each case effected by the departments proved unnecessary because expenditure did not come even up to the level of budget provisions. In 10<sup>1</sup> cases, reduction of provisions through re-appropriation proved injudicious as there was excess expenditure under these cases. On being pointed out (September 2013), the Finance Department stated (October 2013) that the matter would be looked into and corrective measures would be taken in future.

### ***2.3.8 Anticipated savings not surrendered***

As per Rule 17.20 of the Punjab Financial Rules, 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

---

<sup>1</sup> Sr. No. 6, 10, 11, 14, 17, 18, 20, 28, 30, and 36.

the year 2012-13, in 16 cases, savings of ₹ 3,723.81 crore (33.61 per cent of overall savings of ₹ 11,079.67 crore) (**Appendix 2.5**) ranging between ₹ 11.16 crore and ₹ 1,019.91 crore, was not surrendered by the concerned departments. Local Government, Housing and Urban Development, Finance and Rural Development and Panchayats were some of the departments which had not surrendered the huge anticipated savings (more than ₹ 800 crore) which indicate the inadequate budgetary control and the fact is that these funds could not be utilized for other developmental purposes.

Similarly, in 25 cases, after effecting partial surrender (₹ 1,326.20 crore out of ₹ 7,215.93 crore), savings aggregating to ₹ 5,889.73 crore were not surrendered (**Appendix 2.6**). Moreover, all the surrenders have been made in the month of March 2013 i.e. last month of the financial year. Had the amount been surrendered as and when it was anticipated, it could have been utilized for other purposes. Some of the departments which surrendered the savings partially were Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes, Education, Irrigation and Power and Health and Family Welfare. On being pointed out (September 2013), the Finance Department stated (October 2013) that appropriate action would be taken to avoid such situation in future.

### **2.3.9 Surrender in excess of the actual savings**

Under Grant No. 22- Revenue and Rehabilitation (Capital-Voted), the amount surrendered (₹ 6.31 crore) was in excess of the actual savings (₹ 1.18 crore) indicating inadequate budgetary control in the Department. Moreover, in Grant No. 21-Public Works, an amount of ₹ 191.95 crore (Revenue-Voted) had been surrendered even though there was an excess of ₹ 81.94 crore. No reasons for surrender in excess of the actual savings were furnished (November 2013) by the department.

### **2.3.10 Rush of expenditure**

According to para 18.15 of the Manual of Instructions of the Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Audit scrutiny of expenditure incurred by the State Government in the year 2012-13 revealed that in 11 cases (**Table 2.7**), the expenditure incurred during the 4<sup>th</sup> quarter of the year ranging between 61.17 and 100 per cent and the expenditure incurred during the month of March 2013 alone constituted 57.93 per cent of the total expenditure under the concerned head of accounts (except Sr. no. 11) during the year. Further, it was also observed that under five head of accounts (Sr. No. 5 to 8 and 11), entire expenditure was incurred during 4<sup>th</sup> quarter. Of which, in four cases (Sr. No. 5 to 8) entire expenditure was incurred in the month of March alone in contravention of the Rule *ibid*.

**Table 2.7: Rush of expenditure towards the end of the financial year 2012-13**

(₹ in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2013	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2075-Misc. General Services	85.67	54.37	63.46	48.68	56.82
2.	2225-Welfare of SC/ST & BC	396.53	242.56	61.17	216.45	54.59
3.	3054-Roads and Bridge	290.09	189.07	65.18	154.68	53.32
4.	4055-Capital Outlay on Police	25.74	18.67	72.53	13.73	53.34
5.	4058-Capital Outlay on Printing and Stationary	0.20	0.20	100.00	0.20	100.00
6.	4216-Capital Outlay on Housing	8.64	8.64	100.00	8.64	100.00
7.	4235-Capital Outlay on Social Security and Welfare	3.16	3.16	100.00	3.16	100.00
8.	4401-Capital Outlay on Crop Husbandry	5.00	5.00	100.00	5.00	100.00
9.	4515-Capital Outlay on Other Rural Development	122.04	116.74	95.66	91.33	74.84
10.	4702--Capital Outlay on Minor Irrigation	21.68	15.14	69.83	14.11	65.08
11.	5425-Capital Outlay on Other Scientific & Environment	0.93	0.93	100.00	0.00	0.00
	<b>Total</b>	<b>959.68</b>	<b>654.48</b>	<b>68.20</b>	<b>555.98</b>	<b>57.93</b>

Source: Monthly Accounts compiled by the Pr. A.G. (A&E)

On being pointed out (September 2013), the Finance Department stated (November 2013) that various contra entries such as interest on GPF and GIS, unspent balances of disaster relief fund etc. were effected in the month of March and receipts of share in Central taxes and grants were also on higher side in March as compared to other months of the financial year. These factors led to higher figure of expenditure in the fourth quarter of the financial year. Reply is not convincing as the provisions under Manual of Instructions of Finance Department were not adhered to.

### 2.3.11 Wrong classification of Head of Account

(a) Disbursement of Grant-in-aid under Capital Heads of expenditure as per budget provision is against the rule provided in Indian Government Accounting Standard-2 (IGAS-2) issued by Government of India in May 2011. An amount of ₹ 187.03 crore under 12 cases (*Appendix 2.7*) was disbursed by the State Government from capital heads instead of revenue heads. Budgetary allocation of Grant-in-aid under capital heads violates the provisions of IGAS -2. On being pointed out (September 2013), the Finance Department stated (October 2013) that necessary instructions had been issued to all the departments.



(b) In Grant No. 12, funds of ₹ 5.20 crore (*Appendix 2.8*) were provided in the revised budget estimates for the year 2012-13 under head “4055-Capital Outlay on Police” to meet with the expenditure of purely revenue nature<sup>2</sup> items, in contravention of the provisions of Punjab Budget Manual. The matter was taken up with the concerned Administrative Secretaries (September 2013); no reply was received (November 2013).

## 2.4 Outcome of review of selected grants

A review of budgetary procedure and control over expenditure in two test checked grants i.e. Grant No. 13-Industries and Grant No. 19-Planning revealed the following audit observations:

### 2.4.1 Unrealistic budget provisions

Audit scrutiny of the records revealed that under Grant No. 13-Industries and Grant No.19-Planning, the departments either made unrealistic budget provisions or did not disburse the amount during 2012-13, as savings of more than ₹ one crore in each case aggregating ₹ 97.83 crore were found in 13 minor heads/schemes (*Appendix 2.9*). Thus, the original budget provisions proved excessive/unnecessary. Moreover, the departments did not take any action to use the funds at all.

### 2.4.2 Excess over provisions requiring regularization

Article 205(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause that to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

The excess expenditure of ₹ 0.16 crore and ₹ 1.78 crore (**Table 2.8**) incurred under grant No. 13 and grant No. 19 respectively during the year 2012-13 require regularization under the above mentioned provisions.

---

<sup>2</sup> Clothing & Tentage, Minor Works & Maintenance and Material & Supplies for manufacturing.

**Table 2.8: Excess expenditure over budget provisions**

(₹ in crore)

Sr. No.	Head of account	Total provision	Expenditure	Excess
	<b>Grant No.-13</b>			
1	2851-Village and Small Industries, 105- Khadi and Village Industries, 01- Assistance to Khadi and Village Industries Board - Rebate on the State of Khadi	6.10	6.26	0.16
	<b>Grant No.-19</b>			
2	3454- Census Surveys and Statistics,02- Surveys and Statistics, 204- Central Statistical Organisation,25- 13th Finance Commission (grants-in-aid) for improvement of Statistical System at State and District level	0.00	1.78	1.78
	<b>Total</b>	<b>6.10</b>	<b>8.04</b>	<b>1.94</b>

Source: Appropriation Accounts

#### 2.4.3 Withdrawal of budget provision through re-appropriation

Under Grant-19, in three minor heads/schemes, budget provision amounting to ₹ 5.82 crore was withdrawn (Table 2.9) through re-appropriation. Thus, withdrawal of budget provision made through re-appropriation dilutes the process of budget making and control over expenditure.

**Table 2.9: Withdrawal of budget provision through re- appropriation**

(₹ in crore)

Sr. No.	Minor head/Scheme	Original Provision	Re-appropriation
1	3451- Secretariat -Economic Services. 101-Planning Commission/Planning Board, 29-Incentive for issuing UID in Punjab(Plan)	3.07	3.06
2	3451- Secretariat -Economic Services. 101-Planning Commission/Planning Board,07-Construction of LIC and Yojana Bhavan at Chandigarh (Plan)	2.00	2.00
3	3454- Census surveys and Statistics, 02- Surveys and Statistics, 204- Central Statistical Organization, 26- Construction /Formulation of room for MPs at District level (Plan)	0.76	0.76
	<b>Total</b>	<b>5.83</b>	<b>5.82</b>

Source: Appropriation Accounts

#### **2.4.4 Unnecessary Supplementary grant/Re-appropriation**

Supplementary provisions aggregating ₹ 12.52 crore obtained in three cases (Sr.No. 1 to 3) and re-appropriation amounting to ₹ 7.86 crore in two cases (Sr.No. 3 and 4) (*Appendix 2.10*), during the year 2012-13 proved unnecessary as the expenditure was less than or equal to the original provisions.

#### **2.4.5 Entire provision remained unutilized**

Under grant No. 13, entire budget provision in 10 minor heads/schemes amounting to ₹ 119.70 crore (*Appendix 2.11*) remained unutilized resulting in denial of intended benefits to the general public. On being pointed out (September 2013), the Finance Department stated (October 2013) that appropriate action would be taken to avoid such situation in future.

### **2.5 Outcome of review on working of treasuries**

The office of the Pr. Accountant General (A&E), Punjab conducted the review on the working of Treasuries in the State for the year ended 31 March 2013 and the following deficiencies were reported:-

#### **2.5.1 Excess payment of gratuity and pension**

**2.5.1.1** During inspection of Treasuries in the State for the year ended 31 March 2013 by the office of the Principal Accountant General (A&E), Punjab, it was observed that in eight cases, an amount of ₹ 2.86 lakh was paid in excess as gratuity by various District Treasury Officers/Treasury Officers (DTOs/TOs) (*Appendix 2.12*).

**2.5.1.2** As per agreement executed by the Punjab Government, the Public Sector Banks were made responsible to disburse the pension to all Punjab Government pensioners. All DTOs in the State were assigned the duty to conduct the audit of the pension paying branches of Public Sector Banks. During test check of records, it was observed that an amount of ₹ 1.54 crore was paid in excess on account of pension resulting in loss to the State exchequer.

#### **2.5.2 Irregular drawl of funds from Personal Ledger Account**

As per Rule 2.10 of Punjab Financial Rules (PFR) volume I, every DDO incurring or sanctioning expenditure from the Government revenue should be guided with high standard of financial propriety. It is the responsibility of the DDO to keep a track on the flow of expenditure especially in the month of March to ensure that no fund should be withdrawn to avoid lapse of grant.

Under Rule 16(2) of Punjab Treasury Rules (PTR), unless expressly authorized by the Accountant General, DTO shall not permit withdrawal for any purpose other than specifically authorized to the DDO for keeping cash in chest or separate bank account. Further, Note I below Rule 181 states that drawing cheques and deposit them in the separate bank account is a serious irregularity and as per Rule 5(7) of the PTR, the irregularity should be reported to the Accountant General and the Finance Department, Punjab.

Audit scrutiny of records, however, revealed that an amount of ₹ 5.07 crore, as shown in **Table 2.10**, was irregularly withdrawn from Personal Ledger Account (PLA) of the District Welfare Officer/District Social Security Officers in the Month of March 2012, by debiting to concerned Revenue Heads of the State and the amount so drawn was placed in the private banks to avoid lapse of funds in contravention of the rules and Government instructions. The DTOs did not report the irregularity to the Accountant General/ State Government.

**Table 2.10: Irregular Drawl of Amount from PLA**

*(₹ in crore)*

Sr. No.	Name of District Treasury	Cheque No. and Date	Amount	Issuing Authority
1	Ludhiana	505501/30-03-2012	0.18	Axis Bank Ltd.
2	Gurdaspur	671229/29-03-2011	0.60	Gramin Bank Gurdaspur
3	-do-	671270/31-03-2011	0.46	-do-
4	-do-	671272/31-03-2011	0.50	-do-
5	-do-	671266/19-03-2011	1.33	-do-
6	-do-	671273/31-03-2011	2.00	-do-
<b>Total</b>			<b>5.07</b>	

Source: Annual review on the working of Treasuries by Pr. A.G. (A&E)

### 2.5.3 Non-closure of inoperative Personal Ledger Account

As per instructions issued by the State Government from time to time, PLAs remained inoperative for more than three complete years are required to be closed by crediting the amount to the concerned receipt heads of the department concerned. Audit scrutiny of records, showed that PLA of Zila Parishad, Mansa having balance of ₹ 18.23 lakh was inoperative since 31 March 2007. However, this account was not closed and the outstanding balance was not credited to the Government Account even after the lapse of more than six years.

### 2.5.4 Irregular drawal of funds to avoid lapse of grant

In terms of Rule 358 of PTR, the system of letter of credit was introduced to regulate the drawl of funds through cheque by the officers of PWD. It further states that the cheques issued by the officers of PWD shall be encashed by the DTOs/TOs before encashment at Bank. Further, under Rule 16(2), unless expressly authorized by the Accountant General, TO shall not permit withdrawal for any purpose other than specified in Rule 16(1), which do not allow withdrawal for keeping cash in chest or separate bank account by Divisional Officer. Further Note 1 below Rule 181 states that it is a serious irregularity to draw cheques and deposit them in the cash chest at the close of the year for the purpose of showing the full amount of grant as utilized.

A test check of records showed that in 29 cases, above provisions and instructions were not adhered to and were violated by the DTOs as 29 cheques amounting to ₹ 42.63 crore, as shown in **Table 2.11**, were encashed by agent banks and funds were parked outside the government account.

**Table 2.11: Irregular withdrawal by PWD officers***(₹ in crore)*

Sr.No	Name of the Branch	Amount of self Cheques
1	Building and Roads	41.10
2	Water Supply and Sanitation	1.53
<b>Total</b>		<b>42.63</b>

Source: Annual review on the working of Treasuries by Pr. A.G. (A&E)

On being pointed out (September 2013), the Finance Department stated (October 2013) that the Director (T&A) had already been directed to look into the matter to take corrective measures and instructions regarding PLA had been issued to all the departments.

## 2.6 Conclusions

During 2012-13, expenditure of ₹ 57,146.50 crore was incurred against total grants and appropriations of ₹ 67,456.57 crore resulting in savings of ₹ 10,310.07 crore. The supplementary provisions of ₹ 9,808.30 crore proved unnecessary as the total expenditure did not come up to the level of original budget provisions (₹ 57,648.27 crore). The expenditure of ₹ 4,592.57 crore incurred during 2007-12 in excess of budget provision requires regularization. An expenditure of ₹ 611.12 crore was incurred without making any budget provision. Re-appropriation orders effected by various departments under 36 cases proved unnecessary/injudicious. Anticipated savings of ₹ 9,613.54 crore were not surrendered, indicating inadequate budgetary control in various Government departments. Annual review on working of treasuries showed excess payment of gratuity and pension, irregular drawal of funds to avoid lapse of grant and non-closure of in-operative personal ledger accounts.

## 2.7 Recommendations

*The Government may consider:*

- *strengthening budgetary control in all the Government departments, particularly in those departments where savings/excesses have been observed regularly.*
- *preparing budget estimates with due care and on realistic basis so that there are no huge savings/surrenders or excesses over the budget estimates.*
- *surrendering anticipated savings as and when these are expected so that the amount could be got utilized on other schemes.*
- *getting the expenditure incurred in excess of the budget expenditure regularized from legislature.*