

CHAPTER - II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

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 amount of voted Grants and Appropriations charged for different purposes as specified in Schedules appended to the Appropriation Accounts. These Accounts list the original budget estimate, 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 Accounts in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and Accounts.

2.1.2 Audit of appropriation 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 in 2013-14 against 73 Grants/Appropriations is given in **Table 2.1** below:

Table - 2.1
Summarized position of Actual Expenditure vis-à-vis Original/Supplementary Provisions

<i>(₹ in crore)</i>						
	Name of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure ¹	Savings (-)/ Excess (+)
Voted	I - Revenue	4277.65	1662.96	5940.61	5387.76	(-) 552.85
	II - Capital	3377.89	1823.25	5201.14	1680.29	(-) 3520.85
	III - Loans & Advances	4.12	6.39	10.51	18.53	(+) 8.02
TOTAL VOTED		7659.66	3492.60	11152.26	7086.58	(-) 4065.68
Charged	IV - Revenue	356.81	25.36	382.17	343.63	(-) 38.54
	V - Capital	-	-	-	-	-
	VI - Public Debt- Repayment	227.41	15.68	243.09	169.07	(-)74.02
TOTAL CHARGED		584.22	41.04	625.26	512.70	(-) 112.56
Appropriation to Contingency Fund (if any)		-	-	-	-	-
GRAND TOTAL		8243.88	3533.64	11777.52	7599.28	(-) 4178.24

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Capital Expenditure (₹58.43 lakh).

The overall savings of ₹ 4178.24 crore was the result of savings of ₹ 4244.11 crore in 61 Grants and 1 Appropriation under Revenue Section, 39 Grants and 1 Appropriation under Capital Section, offset by excess of ₹ 65.87 crore in 10 Grants under Revenue and 7 Grant under Capital Section.

Savings/Excess (detailed in the Appropriation Accounts) were intimated (July 2014) to Controlling Officers, with a request to give reasons for significant variations. Out of 159 Major Heads, explanations for variations were received for 90 Major Heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 28 cases, savings exceeded ₹ 1 crore in each case - more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 4244.10 crore, savings of ₹ 4137.26 crore (97.46 per cent) exceeding ₹ 10 crore in each case occurred in 30 Grants as indicated in **Table 2.2**.

Table - 2.2
List of Grants with Savings of ₹ 10 crore and above

(₹ in crore)						
Sl. No	Number and Name of Grant	Original Provision	Supplementary Provision	Total	Actual Expenditure	Savings
REVENUE – VOTED						
1.	6 - District Administration	312.90	109.66	422.56	318.87	103.69
2.	8 - Police	328.65	193.29	521.94	472.37	49.57
3.	11 - Social Welfare	101.87	37.56	139.43	129.59	10.84
4.	14 - Education	618.59	129.40	747.99	729.58	18.41
5.	15 - Health & Family Welfare	268.64	73.13	341.77	311.93	29.84
6.	21 - Food Storage & Warehousing	16.77	25.63	42.40	15.11	27.29
7.	23 - Forest	141.83	82.46	224.29	161.66	62.63
8.	24 - Agriculture	123.46	2.01	125.47	100.83	24.64
9.	26 - Rural Works	89.09	40.88	129.97	96.03	33.34
10.	27 - Panchayat	111.56	33.62	145.18	54.76	90.42
11.	38 - Water Resources Dept.	192.32	14.61	206.93	167.85	39.08
12.	45 - Civil Aviation	19.70	2.82	22.52	6.62	15.90
13.	50 - Secretariat Economic Service	9.99	27.95	37.94	11.49	26.45
REVENUE-CHARGED						
14.	97 - Public Debt	348.84	27.01	370.85	332.51	38.34
CAPITAL – VOTED						
15.	8 - Police	10.92	20.25	31.17	10.29	20.88
16.	14 - Education	14.27	61.11	75.38	64.62	10.76
17.	15 - Health & Family Welfare	14.22	34.98	49.20	28.24	20.96
18.	23 - Forest	.95	121.01	121.96	0.18	121.78
19.	26 - Rural Works	29.94	88.20	118.14	99.42	18.72
20.	31 - Public Works	33.70	195.21	228.91	138.16	90.75
21.	32 - Roads & Bridges	164.26	576.59	740.85	547.44	193.41
22.	33 - North Eastern Areas	60.90	27.52	88.42	69.04	19.38
23.	34 - Power	39.58	88.67	128.25	89.29	38.96
24.	38 - Water Resources Department	1.15	39.15	40.30	20.30	20.00
25.	50 - Secretariat Economic Services	2721.37	-	2721.37	4.27	2717.10
26.	52 - Sports & Youth Services	0.41	24.22	24.63	14.60	10.03
27.	56 - Tourism	30.16	26.80	56.96	32.81	24.15
28.	57 - Urban Development	121.03	288.97	410.00	260.66	149.34
29.	74 - Social Justice, Empowerment & Tribal Affairs	48.92	41.47	90.39	53.81	36.58
CAPITAL – CHARGED						
30.	97 - Public Debt	227.41	15.68	243.09	169.07	74.02
TOTAL		6203.40	2450.86	8647.86	4511.40	4137.26

2.3.2 Persistent Savings

In 11 cases (Table 2.3) during the last 5 years, there were persistent savings of more than ₹ 1 crore each and by 10 per cent or more of the total Grant.

Table - 2.3

List of Grants indicating Persistent Savings during 2008-13

(₹ in crore)

Sl. No.	No. and Name of Grant	Amount of Savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
REVENUE – VOTED						
1.	24 - Agriculture	12.11 (15)	16.76 (20)	26.64 (27)	36.70 (23)	24.64 (20)
2.	45 - Panchayat	29.82 (38)	18.63 (34)	42.13 (57)	73.76 (69)	90.42 (62)
3.	45 - Civil Aviation	7.31 (22)	6.56 (30)	16.95 (50)	14.00 (62)	9.63 (42)
4.	47 - Administration of Justice	0.43 (14)	16.37 (80)	15.71 (78)	16.07 (78)	15.90 (71)
5.	50 - Secretariat Economic Services	784.95 (99)	663.43 (99)	228.76 (97)	2.99 (30)	26.45 (27)
CAPITAL – VOTED						
6.	33-North-Eastern Areas	31.94 (32)	41.93 (25)	35.59 (25)	30.22 (26)	19.38 (22)
7.	34 - Power	62.52 (27)	12.62 (12)	45.14 (27)	49.22 (31)	38.96 (30)
8.	38 - Water Resources Dept.	35.95 (49)	21.80 (19)	40.79 (40)	66.83 (75)	20.00 (50)
9.	56 - Tourism	6.19 (17)	19.47 (37)	7.18 (16)	33.92 (56)	24.15 (42)
10.	57 - Urban Development	83.84 (53)	55.57 (32)	61.29 (58)	116.30 (55)	149.34 (36)
CAPITAL – CHARGED						
11.	97 - Public Debt	88.38 (44)	104.77 (55)	83.49 (38)	64.51 (28)	74.02 (30)

(Figures in parentheses indicate percentage of savings to total provision)

Two Grants - 'Secretariat-Economic Services' and 'Water Resources Department' - posted large savings persistently for the last 5 years. There were also instances of inadequate provision of funds and unnecessary/excessive/re-appropriations, indicating poor budgeting and inadequate control over allocations.

2.3.3 Excess Expenditure

In one case, expenditure aggregating ₹ 404.37 crore exceeded the approved budget provision by ₹ 1 crore or more or by more than 20 per cent of the total provisions (Table 2.4).

Table - 2.4

Details of Grants/Appropriations where excess expenditure was more than ₹ 1 crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No.	Grant No.	Name of Grant/Appropriation	Total Grant/Appropriation	Total Expenditure	Percentage of Excess Expenditure
REVENUE – VOTED					
1.	13	Directorate of Accounts	340.98	404.37	18.59
TOTAL			340.98	404.37	18.59

2.3.4 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. However, it was noticed that expenditure of ₹ 18.66 crore was incurred in 7 Grants and 1 Appropriation, as detailed in **Appendix - 2.2**, without any provision in the Original Estimates/Supplementary Demand and without any Re-Appropriation Orders to that effect. Significant cases of such expenditure involving expenditure in excess of ₹ 1 crore, are given in **Table 2.5**.

Table - 2.5
Expenditure incurred without provision during 2013-14

Grant/Appropriation Number - Major Head of Account - Sub Head - Detailed Head	Expenditure Without Provision
06-2053-093-05-District Innovation fund	5.47
14-4202-800-05-school building	1.80
18-4202-04-800-01-Creation of Assets	3.90
33-2552-800-84-Anti-Erosion & Protection Works at Raks and Hiya Villages	1.79
33-2552-800-75 - Setting up NEC Information Cell at Capital	1.04
36-3454-01-800-01- Population Census	2.01

2.3.5 Excess over provisions relating to previous year requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get any excess over a Grant/Appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Constitution, the regularization of excess expenditure is done after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure of ₹ 1390.76 crore from 1986-87 to 2013-14 was yet to be regularized, as detailed in **Appendix 2.3**.

2.3.6 Excess over provisions during 2013-14 requiring regularisation

Table 2.6 contains a summary of total excesses in 16 Grants amounting to ₹ 65.87 crore over authorization from the Consolidated Fund during 2013-14, which required regularization under Article 205 of the Constitution.

Table - 2.6
Excess over provisions requiring regularization during 2013-14

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess
REVENUE – VOTED				
1.	7 – Treasury & Accounts Administration	14.97	15.13	0.16
2.	13 – Directorate of Accounts	340.98	404.37	63.39
3.	17 – Gazetteer	0.55	0.61	0.06
4.	18 – Research	11.02	11.17	0.15

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess
5.	25 – Relief, Rehabilitation & Re-settlement	164.81	165.49	0.68
6.	29 – Co-operation	9.54	9.66	0.12
7.	30 – State Transport	74.99	75.08	0.09
8.	43 – Fisheries	28.23	28.40	0.17
9.	48 – Horticulture	44.51	44.61	0.10
10.	62 – Directorate of Transport	3.14	3.44	0.30
CAPITAL – VOTED				
11.	24 – Agriculture	4.59	4.79	0.20
12.	35 – Information & Public Relations	1.00	1.03	0.03
13.	43 – Fisheries	1.40	1.45	0.05
14.	47 – Administration of Justice	15.04	15.06	0.02
15.	51 – Directorate of Libraries	2.28	2.50	0.22
16.	54 – State Tax & Excise	4.34	4.38	0.04
17.	60 – Textiles & Handicrafts	2.20	2.29	0.09
TOTAL		723.59	789.46	65.87

2.3.7 Unnecessary/Excessive/Inadequate Supplementary Provision

Supplementary provisions aggregating ₹ 225.83 crore obtained in 11 cases, (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of the original provisions, as detailed in **Table 2.7**.

Table-2.7

cases of Unnecessary Supplementary Provision (₹ 10 lakh or more in each case)

(₹ in crore)

Sl. No.	Grant No.	Name of Grant/Appropriation	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
REVENUE – VOTED						
1.	16	Arts & Culture Affairs	6.62	5.08	1.54	2.16
2.	21	Food, Storage & Warehousing	16.77	15.11	1.66	25.63
3.	24	Agriculture	123.46	100.83	22.63	2.01
4.	37	Legal Metrology & Consumer Affairs	6.27	6.10	0.17	0.54
5.	38	Water Resources Dept.	192.32	167.85	24.47	14.61
6.	41	Land Management	13.33	12.22	1.11	0.98
7.	66	Hydro Power Development	53.83	52.04	1.79	0.95
REVENUE – CHARGED						
8.	97	Public Debt	348.84	332.51	16.33	22.01
CAPITAL – VOTED						
9.	8	Police	10.92	10.28	0.64	20.25
10.	23	Forests	0.95	0.18	0.77	121.01
CAPITAL-CHARGED						
11.	97	Public Debt	227.41	169.08	58.33	15.68
TOTAL			1000.72	871.28	129.44	225.83

In one case, as shown in **Table 2.8** below, the supplementary provision of ₹ 24.21 crore proved insufficient by more than ₹ one crore, leaving an aggregate excess expenditure of ₹ 63.69 crore over the supplementary provision.

Table - 2.8
Cases of Insufficient Supplementary Provisions

(₹ in crore)						
Sl. No.	No. and Name of Grant/Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
REVENUE – VOTED						
2.	13 – Directorate of Accounts	316.77	24.21	340.98	404.37	63.39
TOTAL		316.77	24.21	340.98	404.37	63.69

2.3.8 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 required. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh in each Sub-head of 125 cases, as detailed in **Appendix 2.4**.

2.3.9 Unexplained Re-appropriation

According to the Budget Manual, reasons for additional expenditure and savings should be explained in the Re-appropriation Statement and vague expressions such as 'less requirement of funds', 'requirement of more funds', etc., should be avoided. Scrutiny of Re-appropriation Orders issued by the Finance Department revealed that in respect of some cases, reasons given for additional provision/withdrawal of provision in the Re-appropriation Orders were release of additional funds by the Government of India for major works, non-receipt of funds from the Finance Department, non-completion of construction works in time, etc., while in most cases, vague expressions like, 'based on actual requirement', etc., were shown as reasons for re-appropriation.

2.3.10 Substantial Surrenders

Substantial surrenders (cases where more than 50 per cent of total provision was surrendered) were made in respect of 4 Grants. Out of the total provision of ₹ 2622.73 crore in the cases, ₹ 1828.79 crore (69.73 per cent) was surrendered during the year, reasons for which were not stated. Details of such cases are given in **Table 2.9** below.

Table - 2.9
Cases of Substantial Surrenders made during the year

(₹ in crore)					
Sl. No.	Grant No.	Name of Grant	Head of Account	Amount Surrendered	% of Surrender
1.	21	Food, Storage & Warehousing	2408 - 02 - 001 - 01	27.28	64.34
2.	50	Secretariat Economic Services	05 - 4070 - 800 - 10	1800.00	69.82
3.	55	State Lotteries	2075 - 103 - 01	0.42	50.60
4.	73	Information Technology	3425 - 60 - 600 - 06	1.09	68.98
TOTAL				1828.79	69.73

2.3.11 Surrender Without Savings

In one case, surrender without savings, indicated inadequate budgetary control in the Department. As, in *Grant 48 – Horticulture*, there was excess of ₹ 9.97 lakh, But ₹ 125.04 lakh was surrendered.

2.3.12 Anticipated Savings not surrendered

As per the Budget Manual, spending Departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the end of the Financial Year 2013-14, there were 69 Grants/Appropriations with savings (₹ 10 lakh and above in each case), but were not surrendered by Departments concerned. The amount involved in these cases was ₹ 1305.47 crore (**Appendix 2.5**). Out of the 62 cases, savings were more than ₹ one crore in 43 cases.

Similarly, out of total Savings of ₹ 4039.57 crore under 36 Grants/Appropriations (where savings of ₹ 1 crore and above occurred in each Grant/Appropriation), an amount aggregating ₹ 2164.74 crore (53.60 *per cent* of total savings) was not surrendered, details of which are given in **Appendix 2.6**. Due to non-surrender of anticipated savings by Departments concerned, there was no scope on the part of the Finance Department to utilize the funds for other purposes.

2.3.13 Rush of Expenditure

Rush of expenditure at the end of the financial year can lead to infructuous, nugatory or ill-planned expenditure. As far as possible, Government expenditure is required to be evenly phased over the year. However, it was noticed that in 2013-14, compared to the total expenditure during the year, expenditure during the 4th Quarter and in the month of March ranged between 51.14 and 100 *per cent* and 0 to 100 *per cent* respectively, in case of 39 Major Heads of Account, as indicated in **Table 2.10**:

Table - 2.10

Cases of Rush of Expenditure towards the end of the Financial Year

(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the Year	Expenditure during January - March 2013		Expenditure during March 2013	
			Amount	% of Total Expenditure	Amount	% of Total Expenditure
1.	2013	12.88	7.62	59.17	6.26	48.60
2.	2014	6.62	3.38	51.14	1.74	26.34
3.	2015	32.44	18.51	57.06	15.30	47.18
4.	2030	2.27	1.78	78.43	1.44	63.52
5.	2048	20.00	20.00	100.00	0.00	0.00
6.	2049	312.51	178.41	57.09	31.49	10.08
7.	2054	19.86	10.30	51.90	6.36	32.03
8.	2075	0.41	0.27	65.61	0.23	55.26
9.	2204	28.49	15.66	54.98	8.64	30.34
10.	2205	29.28	16.56	56.55	13.70	46.78
11.	2215	267.76	172.09	64.27	122.63	45.80

Sl. No.	Major Head	Total Expenditure during the Year	Expenditure during January - March 2013		Expenditure during March 2013	
			Amount	% of Total Expenditure	Amount	% of Total Expenditure
12.	2216	24.71	13.31	53.86	6.21	25.11
13.	2217	29.60	18.00	60.81	10.45	35.30
14.	2220	14.97	7.71	51.49	5.45	36.41
15.	2230	14.86	8.73	58.73	6.23	41.94
16.	2236	29.10	29.05	99.82	28.28	97.19
17.	2250	0.05	0.05	100.00	0.05	100.00
18.	2404	2.33	1.46	62.39	1.29	55.49
19.	2405	28.40	18.33	64.52	16.31	57.44
20.	2408	122.06	108.50	88.89	85.71	70.22
21.	2415	11.23	9.10	81.08	7.67	68.28
22.	2501	16.12	9.23	57.24	0.00	0.00
23.	2505	9.40	9.40	100.00	4.40	46.82
24.	2506	3.45	3.26	94.47	2.87	83.28
25.	2551	0.07	0.06	90.51	0.06	85.73
26.	2552	21.15	17.14	81.02	14.04	66.40
27.	2575	49.67	45.55	91.71	35.43	71.33
28.	2701	0.48	0.48	100.00	0.48	100.00
29.	2702	142.18	90.56	63.39	71.19	50.07
30.	2711	19.50	19.50	100.00	0.00	0.00
31.	2810	6.85	6.85	100.00	0.00	0.00
32.	2852	0.69	0.69	100.00	0.69	100.00
33.	2875	7.58	6.84	90.28	6.69	88.32
34.	3053	2.05	1.14	55.75	1.04	50.91
35.	3054	473.89	351.47	74.17	158.62	33.47
36.	3275	11.16	8.94	80.04	8.84	79.20
37.	3425	11.17	9.60	81.54	9.19	78.11
38.	3451	101.89	79.37	77.90	60.70	59.57
39.	3452	19.34	14.27	73.80	10.41	53.84

2.4 Non-reconciliation of Departmental Figures

2.4.1 Pending submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

Rules provide that draws through Abstract Contingent Bills (AC Bills) require presentation of Detailed Countersigned Contingent Bills (DCC Bills) to the Controlling Officer (CO) and transmission of the same to the Accountant General. A Certificate is also required to be attached with every AC Bill to the effect that DCC Bills have been submitted to the CO in respect of all 1 month old AC Bills (drawn more than a month before the date of the Bill).

Records available in respect of some Drawing & Disbursing Officers (DDOs)/COs revealed that from April 2011 onwards, showed that 451 DCC Bills amounting to ₹ 10.71 crore were not furnished to the Accountant General as of March 2014. Thus, due to non-submission of DCC Bills, the actual expenditure against these draws

remained un-assessed, indicating a serious deficiency in control over expenditure. The year-wise position is given in **Table 2.11 below.**

Table-2.11**Position of Pending DCC Bills***(₹ in crore)*

Year	Number of Pending DCC Bills	Amount
Up to 2011-12	221	0.21
2012-13	66	2.25
2013-14	164	8.25
TOTAL	451	10.71

2.5 Conclusion and Recommendations

In 2013-14, there were net savings of ₹ 4178.24 crore, which was the result of savings of ₹ 4244.11 crore, offset by excess of ₹ 65.87 crore. The excess of ₹ 65.87 crore needs to be regularized as per Article 205 of the Constitution. There were substantial persistent savings in 11 Grants for the last 5 years. There were instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the Financial Year was another chronic feature noticed in the overall Financial Management. In many cases, anticipated savings were not surrendered, leaving no scope for utilizing the funds for other development purposes. Detailed Countersigned Contingent Bills were not submitted for a large amount of advances drawn on Abstract Contingent Bills.

Budgetary Controls should be strictly observed to strengthen Financial Management.