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-a-vis* those authorized by the Appropriation Acts in respect of both charged and voted items of the budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the 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 Acts and whether 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 law, relevant rules and regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-2010 against 83 grants/appropriations was as given in **Table 2.1:**

Table 2.1: Summarised 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	3944.43	348.12	4292.55	3668.91	(-) 623.64
	II. Capital	1010.39	259.85	1270.24	1053.79	(-) 216.45
	III. Loans & Advances	96.91	26.57	123.48	113.60	(-) 9.88
Total voted		***5051.73***	***634.54***	***5686.27***	***4836.30***	***(-) 849.97***
Charged	I. Revenue	607.82	3.44	611.26	617.83	(+) 6.57
	II. Capital	0.00	1.80	1.80	1.58	(-) 0.22
	III. Public Debt	279.77	0.00	279.77	177.69	(-) 102.08
Total Charged		***887.59***	***5.24***	***892.83***	***797.10***	***(-) 95.73***
Grant Total		***5939.32***	***639.78***	***6579.10***	***5633.40***	***(-) 945.70***

(Source: Appropriation Accounts of the State Government)

Note: *The expenditure includes the recoveries of revenue expenditure amounting to ` 59.27 crore and capital expenditure amounting to ` 47.67 crore adjusted as reduction of expenditure.*

The overall savings of ` 945.70 crore were the result of savings of ` 953.27 crore in 79 grants and two appropriations under the Revenue Section and 59 grants under the Capital Section and one appropriation (Public Debt-Repayments), offset by excess of ` 7.57 crore in one grant and one appropriation under the Revenue Section.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 10 cases, savings exceeded ` two crore in each case or by more than 20 *per cent* of the total provision **(Appendix 2.1).** A list of grants where savings exceeded ` 50 crore is given in **Table 2.2.**

Table 2.2: List of Grants with Savings of ` 50 crore and above

(` in crore)

Sl. No.	No. and Name of Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	REVENUE (VOTED)					
1	8-Treasury and Accounts Administration (North Goa)	686.14	2.36	688.50	363.00	325.50
2	55-Municipal Administration	117.95	10.00	127.95	61.54	66.41
	CAPITAL (VOTED)					
3	32-Finance	115.00	130.00	245.00	135.00	110.00

(Source: Appropriation Accounts of the State)

The main reasons for the excessive savings were as follows:

Treasury and Accounts Administration (North Goa):- less receipt of pension cases.

Municipal Administration:- less claim of salary grants by municipal councils, non-receipt of grants from Government of India under the Twelfth Finance Commission.

Finance: savings in consultancy fees for financial services due to non appointment of consultants.

2.3.2 Persistent Savings

During the last five years, it was observed that there were persistent savings of more than ` five crore in Grant No. 21 Public Works (Capital – Voted). The savings were ` 22.81 crore, ` 77.94 crore, ` 75.64 crore, ` 81.59 crore and ` 27.01 crore respectively during 2005-06 to 2009-10 which represented 12, 28, 25, 23 and seven *per cent* of the total grant. The main reason for persistent savings was non-execution of works.

2.3.3 Excess over provisions 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 regularized by the State Legislature. Although no time limit for regularization of expenditure

has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ` 5.58 lakh for the years 2007-2008 and 2008-09 was still to be regularized. The year-wise amounts of excess expenditure pending regularization for grant/appropriations are summarised in **Table 2.3.**

Table 2.3: Excess over provisions relating to previous years requiring regularization

(Amount in `)

Year	Number of Grants/Appropriation	Amount of excess over provision	Status of Regularization
2007-08	1	257094	Yet to be discussed by PAC
2008-09	3	301034	
Total	**4**	**558128**	

(Source: Appropriation Accounts of the State)

Non-regularisation of the excess over grant/appropriation over the years is breach of legislative control over grants/appropriation.

2.3.4 Excess over provisions during 2009-10 requiring regularization

Table 2.4 contains a summary of the total excesses in two grants amounting to ` 7.57 crore over authorization from the Consolidated Fund of the State during 2009-10, requiring regularisation under Article 205 of the Constitution.

Table 2.4: Excess over provisions requiring regularization during 2009-10

(Amount in `)

Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	4-District & Sessions Court (South Goa) Revenue-Voted	81862000	81892721	30721
2	Appropriation Debt Services Revenue-charged	6050491000	6126164184	75673184
Total		**6132353000**	**6208056905**	**75703905**

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations for Debt Services was mainly due to the increased expenditure on interest on other internal debt and small savings and provident fund etc.

2.3.5 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provisions aggregating ` 59.04 crore obtained in 15 cases of ` 10 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the levels of the original provisions as detailed in **Appendix 2.2.**

2.3.6 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 and resulted in savings/excess of over ` 10 lakh in 23 sub-heads as detailed in **Appendix 2.3.** Some of the cases are discussed below:

In grant No. 65 (Animal Husbandry and Veterinary Services), augmentation of funds through re-appropriation (` 9.64 lakh) proved unnecessary due to savings of ` 50.38 lakh.

In grant No. 66 under Capital outlay on Fisheries, Landing and Berthing facilities, withdrawal of ` 53.45 lakh by re-appropriation proved insufficient due to excess expenditure of ` 19.70 lakh.

In grant No. 76 (Electricity), augmentation of funds of ` 3.66 crore through re-appropriation proved insufficient due to excess expenditure of ` 24.16 lakh.

2.3.7 Unexplained re-appropriations

In the re-appropriation statement, the reasons for the additional expenditure and the savings should be explained and general expressions such as "due to economy measures", "due to less expenditure than anticipated" etc., should be avoided. However, a scrutiny of re-appropriation orders issued by various departments revealed that out of 573 items, in respect of 287 (50 *per cent*), the reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature.

2.3.8 Substantial surrenders

Substantial surrenders amounting to ` 150.38 crore were made from six grants on account of either non-implementation or slow implementation of schemes/programmes, out of the total provision of ` 223.30 crore. The details of the cases where the surrenders were more than 50 *per cent* of the provisions are given in **Appendix 2.4.**

The reasons for substantial surrenders as stated by the departments were as under:

1. 32-Finance 2075-Miscellaneous General Services:- The savings were mainly due to non-engagement of financial consultants.
2. 41-Goa Architecture College 4202-Capital Outlay on Education, Sports, Art and Culture:- Non-execution of works due to land acquisition problems at Dona Paula not being resolved.
3. 42-Sports 4202-Capital Outlay Education, Sports, Art and Culture:- The savings were mainly due to non-execution of works.
4. 55-Municipal Administration 2217-Urban Development:- Less claim of salary grants by municipal councils, non-receipt of grants from Government of India under Twelfth Finance Commission.

5. 61-Craftsmen Training 4202-Capital Outlay on Education, Sports, Art and Culture, 4851-Capital Outlay on Village and Small Industries: Non-finalisation of proposal for civil works and for purchase of buses, non-receipt of approval for purchase of machinery and non-finalisation of procurement plan by World Bank and Government of India in time.

2.3.9 Surrenders in excess of actual savings

In five cases, the amounts surrendered (` 10 lakh or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these departments. As against savings of ` 40.44 crore, the amount surrendered was ` 41.36 crore, resulting in excess surrender of ` 0.92 crore. Details are given in **Appendix 2.5.**

Further, in respect of Appropriation-Debt Services (charged), though an excess expenditure of ` 7.56 crore was incurred, an amount of ` 13.72 crore was surrendered in March 2010, indicating non-existence of any budgetary control mechanism.

2.3.10 Anticipated savings not surrendered

As per provisions contained in Rule 56 of the General Financial Rules 2005, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2009-10, there were, however, eight grants/appropriations in which savings occurred but no part of them had been surrendered by the concerned departments. The total amount involved in these cases was ` 4.08 crore (**Appendix 2.6)**. Similarly**,** out of total savings of ` 580.05 crore under 24 other grants/appropriations (savings of ` 10 lakh and above) ` 173.05 crore was not surrendered, details of which are given in **Appendix 2.7**. Besides**,** in 16 cases, (surrender of funds in excess of ` five crore), ` 677.75 crore was surrendered on the last working day of March 2010 **(Appendix 2.8)** indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.11 Rush of expenditure

Rush of expenditure, particularly in the closing months of the financial year shall be regarded as a breach of financial propriety and should be avoided. Contrary to this, in respect of the three major heads listed in **Appendix 2.9**, expenditure exceeding ` five crore and also more than 50 *per cent* of the total expenditure was incurred in March 2010. **Table 2.5** presents the major heads where more than 50 *per cent* of expenditure was incurred either during the last quarter or during the last month of the financial year. Uniform flow of expenditure is a primary requirement of budgetary control which was not maintained.

Table 2.5: Cases of rush of expenditure towards the end of financial year 2009-10

(` in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of Total expenditure	Amount	Percentage of Total expenditure
1	2045	2.18	1.28	58.72	1.10	50.46
2	2075	1.85	1.01	54.59	0.19	10.27
3	2217	70.30	35.54	50.55	23.44	33.34
4	2225	19.88	12.57	63.23	6.14	30.89
5	2405	18.09	11.10	61.36	8.08	44.67
6	2408	6.44	4.98	77.33	3.89	60.40
7	2515	61.28	36.21	59.09	9.96	16.25
8	2551	5.44	2.75	50.55	1.91	35.17
9	2711	10.82	6.71	62.01	4.92	45.47
10	2851	25.80	13.60	52.71	9.06	35.12
11	2885	4.16	4.16	100.00	0.79	18.99
12	3435	2.40	1.54	64.17	1.39	57.92
13	3452	26.46	16.63	62.85	9.56	36.13
14	4055	3.10	1.79	57.74	1.36	43.87
15	4202	68.97	42.29	61.32	27.76	40.25
16	4217	2.00	1.03	51.50	0.85	42.50
17	4225	6.17	3.27	53.00	3.27	53.00
18	4235	1.58	1.33	84.18	1.15	72.78
19	4401	1.20	0.81	67.50	0.53	44.17
20	4402	2.60	1.81	69.62	1.75	67.31
21	4403	1.56	1.25	80.13	0.81	51.92
22	4406	3.98	3.98	100.00	3.95	99.25
23	4515	2.81	1.88	66.90	1.17	41.64
24	4551	2.69	1.48	55.02	1.09	40.52
25	4702	35.11	20.13	57.33	17.15	48.85
26	4711	66.60	37.80	56.76	28.57	42.90
27	5056	5.69	3.41	59.93	1.90	33.39
28	4059	45.61	41.29	90.53	38.04	83.40
29	4801	174.16	119.92	68.86	105.13	60.36
30	4851	11.31	11.31	100.00	11.31	100.00
Total		**690.24**	**442.86**	**64.16**	**326.22**	**47.26**

(Source: Compiled by Audit from Directorate of Accounts records)

Appropriate action needs to be taken to regulate and systematize the procedure to avoid heavy expenditure during the last quarter of the financial year.

2.4 Non-adjustment of Abstract Contingent bills, non-reconciliation of departmental figures and non-adjustment of temporary advances

2.4.1 Pendency in submission of Detailed countersigned Contingent bills against Abstract Contingent bills

As per Rules 309 and 310 of Central Treasury Rules, Detailed Contingent (DC) bills are to be submitted against Abstract Contingent (AC) bills within one month from the date of drawal.

It was observed that 325 AC bills involving an amount of ` 29.17 crore, drawn by various departments up to March 2010, were pending adjustment as on 30 June 2010. Year-wise details are given in **Table 2.6.**

Table 2.6: Pendency in submission of Detailed Contingent bills against Abstract Contingent bills

Year	No. of AC bills Pending	Amount (` *in crore*)
Upto 2005-2006	53	0.50
2006-2007	5	0.56
2007-2008	65	4.58
2008-2009	26	1.91
2009-2010	176	21.62
Total	**325**	**29.17**

(Source: Directorate of Accounts)

Department-wise pending DC bills of above ` five lakh for the years up to 2009-10 are detailed in **Appendix 2.10.**

2.4.2 Unreconciled 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, departmental officers are required to reconcile periodically and before the close of the accounts of a year, the departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). Even though non-reconciliation of departmental figures is pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2009-10 also. During 2009-10, out of 85 BCAs, 33 had not carried out such reconciliations for the entire year in respect of 759 units under their control, involving ` 825.32 crore and 15 BCAs had not carried out such reconciliations for part of the year in respect of 285 units under their control, involving ` 140.99 crore. The unreconciled periods in case of the partially reconciled units ranged from one to 10 months. The details of the major BCAs, who did not reconcile the expenditure, are given in **Table 2.7.**

Table 2.7: Budget Controlling Authorities who did not reconcile their figures

(` in crore)

Sl. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Secretary, Legislature	15.19
2	Commissioner of Commercial Taxes	15.38
3	Director of Transport	47.60
4	Collector, South Goa	27.45
5	Director of Industries, Trade & Commerce	22.33
6	Director of Fire & Emergency Services	14.00
7	Director of Education	512.53
8	Director of Planning, Statistics & Evaluation	17.35
9	Director of Information & Technology	51.94
10	Director of Higher Education	102.09
11	Director of Information and Publicity	12.19
	Total	**838.05**

(Source: Directorate of Accounts)

2.4.3 Non-adjustment of temporary advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure, travelling allowances, leave travel concessions etc. As of June 2010, advances aggregating ` 6.88 crore were pending adjustments by DDOs in the records of the Director of Accounts. An age-wise analysis of pending advances is given in **Table 2.8.**

Table 2.8: Age-wise Analysis of Pending Advances

(` in lakh)

Sl. No.	Year	No. of advances	Amount
1	Upto 2005-06	196	51.04
2	2006-07	59	29.50
3	2007-08	74	62.18
4	2008-09	93	93.17
5	2009-10	223	451.83
	Total	**645**	**687.72**

(Source: Directorate of Accounts)

2.5 Advances from Contingency Fund

The Contingency Fund of the State of Goa was established under the Goa Contingency Fund Act, 1988 in terms of the provisions under Article 267 of the Constitution of India. The fund was established with the objective of meeting expenditure of an unforeseen and emergent character, the postponement of which till its authorization by the Legislature would not be desirable.

The fund was in the nature of an imprest with legislative approval, with a corpus of ` 30 crore. During the year, advances of ` 31.17 crore were drawn from the fund by issuing 55 sanctions.

The PAC in its 62nd Report (March 2008), observed that the Contingency Fund was utilised for pay and allowances, which could not be considered as

unforeseen and unanticipated and warned of the recurrence of such irregularities in future. However, during 2009-10 in 24 cases involving ` 16.57 crore, the departments drew advances from the Contingency Fund for payment of salary though the expenditure was foreseeable (**Appendix 2.11**).

2.6 Outcome of review of selected Grant (Grant No. 8)

A review on the budgetary procedure and control over expenditure in respect of Grant No. 8, Treasury and Accounts Administration (North Goa) was conducted. Important points noticed during the review are detailed below:-

Against a budget provision of ` 718.53 crore (` 688.50 crore under revenue and ` 30.03 crore under capital), the actual expenditure was ` 392.81 crore (` 363.00 crore under revenue and ` 29.81 crore under capital), resulting in a savings of ` 325.72 crore, (` 325.50 crore under revenue and ` 0.22 crore under capital). In view of the final savings of ` 325.72 crore, the supplementary grant of ` 2.35 crore during the year proved unnecessary.

As per Rule 56(2) of General Financial Rules, 2005, savings as well as provisions that cannot be profitably utilized should be surrendered to Government immediately when they are foreseen without waiting till the end of the year. Contrary to the provisions, against a savings of ` 325.72 crore, ` 268.90 crore was surrendered on 31 March 2010, and the balance of ` 56.82 crore was allowed to lapse.

2.7 Conclusion and Recommendations

Conclusion

During 2009-10, expenditure of ` 5,633.40 crore was incurred against total grants and appropriations of ` 6,579.10 crore, resulting in savings of ` 945.70 crore. The overall savings were the net result of savings of ` 953.27 crore, offset by excess of ` 7.57 crore. This excess requires regularisation under Article 205 of the Constitution of India. In 30 Major Heads, more than 50 *per cent* of the expenditure was incurred either during the last quarter or during the last month of financial year, which violated financial propriety. In 24 cases involving ` 16.57 crore, the department drew advances from the Contingency Fund for payment of salary though the expenditure was foreseeable. An amount of ` 677.75 crore was surrendered on the last working day of March 2010.

Recommendations

Budgetary controls should be strengthened in all the departments, especially in those departments where savings/excesses have been observed. Last minute fund releases and issue of re-appropriation/surrender orders at the end of the year should be avoided.