

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 authorisation 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.

2.1.3 The Finance Department of the State Government is responsible for preparation of the annual budget by obtaining estimates from various Departments. The Departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of Departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees *etc.*

Deficiencies in financial management and budgetary control are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 85 grants/appropriations is 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	8525.18	509.23	9034.41	7407.56	(-)1626.85
	II. Capital	3259.22	777.18	4036.40	1660.19	(-)2376.21
	III. Loans and Advances	17.92	0.00	17.92	2.69	(-)15.23
Total voted		11802.32	1286.41	13088.73	9070.44	(-)4018.29
Charged	I. Revenue	1116.47	0.78	1117.25	1084.03	(-)33.22
	II. Capital	0.56	4.22	4.78	2.71	(-)2.07
	III. Public Debt	484.80	0.00	484.80	2763.63	2278.83
Total Charged		1601.83	5.00	1606.83	3850.37	2243.54
Grand Total		13404.15	1291.41	14695.56	12920.81	(-)1774.75

(Source: Appropriation Accounts of the State Government)

Note: The expenditure includes the recoveries of revenue expenditure amounting to ₹ 72.04 crore and capital expenditure amounting to ₹ 40.63 crore adjusted as reduction of expenditure.

Supplementary provisions of ₹ 1,291.41 crore obtained during the year constituted 9.63 per cent of the original provision.

The overall savings of ₹ 1,774.75 crore were the result of savings of ₹ 4,105.20 crore in 82 grants and three appropriations under the Revenue Section and 67 grants under the Capital Section and one appropriation (Public Debt-Repayments) offset by an excess of ₹ 2,330.45 crore in one grant and one appropriation.

As may be seen from **Table 2.1**, against the original provision of ₹ 13,404.15 crore, expenditure of only ₹ 12,920.81 crore was incurred. The actual savings of ₹ 1,774.75 crore, constituted 100 per cent of the supplementary grant of ₹ 1,291.41 crore and four per cent of the original grant.

2.3 Financial Accountability and Budget Management

2.3.1 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 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 on the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 1340.04 crore for the years 2008-09 to 2014-15 was still to be

regularised. The year-wise amount of excess expenditure pending regularisation for grant/appropriations are summarised in **Table 2.2**.

Table 2.2: Excess over provisions relating to previous years requiring regularization

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2008-09	2	-	0.01	Partially regularised ¹
2009-10	-	1	7.57	Partially regularised ²
2010-11	1	1	2.74	Yet to be discussed by PAC
2011-12	-	1	18.88	Yet to be discussed by PAC
2012-13	-	1	52.10	Yet to be discussed by PAC
2013-14	2	2	97.51	Yet to be discussed by PAC
2014-15	1	2	1161.23	Yet to be discussed by PAC
Total	6	8	1340.04	

(Source: Appropriation Accounts of the State)

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

2.3.2 Excess over provisions during 2015-16 requiring regularisation

During 2015-16, excess expenditure was incurred in one appropriation and one grant over the amount authorised by the legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The details are given in **Table 2.3**.

Table 2.3: Excess over provisions requiring regularisation during 2015-16

(₹ in crore)

Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	A-2 Appropriation-Debt Services (Capital-Charged)	484.80	2763.63	2278.83
2	8 Treasury and Accounts Administration (North Goa) (Revenue-Voted)	714.27	765.89	51.62
	Total	1199.07	3529.52	2330.45

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations-Debt Services was mainly due to repayment of ways and means advances, which needs to be regularised.

¹ Public Accounts Committee (PAC) recommended (Report No.71, pertaining to Audit Report 2008-09) for regularisation of excess expenditure of ₹ 1,22,193 incurred by Art and Culture, Grant No. 43.

² PAC recommended (Report No.72, pertaining to Audit Report 2009-10) for regularisation of excess expenditure of ₹ 30,721 incurred by District and Sessions Court, South Goa, Grant No. 4

The reasons for excess expenditure incurred in respect of Treasury and Accounts Administration, North Goa were attributed to increased expenditure on account of superannuation and retirement allowances, gratuity, family pension, pensionary benefits to State aided education institutes etc.

2.3.3 Appropriations vis-à-vis allocative priorities

Appropriation audit revealed that in 93 cases, savings exceeded ₹ two crore in each case and also by more than 20 per cent of the total provision (**Appendix 2.1**). A list of grants where savings exceeded ₹ 50 crore and also by more than 40 per cent of the total provision is given in **Table 2.4**.

Table 2.4: List of grants with savings of ₹ 50 crore and above also by more than 40 per cent of the total provision

							(₹ in crore)
Sl. No.	No. and Name of grant	Original	Supplementary	Total	Actual Expenditure	Savings	Savings in per cent to total provision
REVENUE (VOTED)							
1	13- Transport	168.83	0.01	168.84	91.32	77.52	45.91
2	19- Industries Trade and Commerce	83.34	-	83.34	14.06	69.28	83.13
3	42- Sports and Youth Affairs	96.39	-	96.39	27.88	68.51	71.08
4	55- Municipal Administration	194.93	12.80	207.73	67.31	140.42	67.60
5	83 -Mines	132.28	-	132.28	71.83	60.45	45.70
CAPITAL (VOTED)							
6	16- Collectorate (South Goa)	5.30	51.45	56.75	5.54	51.21	90.24
7	21- Public Works Department	510.73	327.05	837.78	492.04	345.74	41.27
8	32- Finance	710.00	-	710.00	190.00	520.00	73.24
9	42 -Sports and Youth Affairs	170.26	-	170.26	86.16	84.10	49.40
10	62 – Law	43.88	18.02	61.90	6.52	55.38	89.47
11	74 – Water Resources	179.87	8.48	188.35	100.22	88.13	46.79
12	81- Tribal Welfare	116.00	-	116.00	21.24	94.76	81.69
13	84 – Airport	60.00	250.33	310.33	-	310.33	100
	Total	2471.81	668.14	3139.95	1174.12	1965.83	62.61

(Source: Appropriation Accounts of the State)

The reason furnished for unspent provisions under the major heads of account as reported in appropriation account are given below:

13-Transport – As against the original provision of ₹ 168.84 crore (Revenue Voted) the expenditure incurred was only ₹ 91.32 crore (54.09 per cent) thereby resulting in unspent provision of ₹ 77.52 crore. The reason for saving were attributed to non-availment

of Leave Travel Concession, medical claims and non-receipt of bills on fuel, non-filling vacant posts *etc.*

19-Industries, Trade and Commerce – The revenue grant closed with total saving of ₹ 69.28 crore out of a total provision of ₹ 83.34 crore. The reason for savings (83.13 *per cent*) was attributed to non-execution of Memorandum of Understanding between State implementing agency and the Government on implementation of Scheduled Tribe Development Scheme, non-release of Grants in Aid to Traditional Bakers and Salt producers due to non-receipt of proposal from Goa Handicrafts Rural and Small Scale Industries Development Corporation, less claims received towards Medical Reimbursement, Leave Travel Concession, Tuition fees, non-implementation of scheme *etc.*

42-Sports and Youth affairs—Out of total provision of ₹ 96.39 crore the total expenditure was only ₹ 27.88 crore (28.92 *per cent*). The savings mainly occurred under major head-2204 (Revenue Voted) due to non-filling of vacant posts, non-payment of wages on administrative ground, less receipt of Leave Travel concession bills, non-release of grants to Sports Authority of Goa on administrative grounds *etc.* Other contributor to savings under major head-4202 (Capital-voted) were less release of grant to Sports Authority of Goa for infrastructure development, token provision on national games village remaining unspent, economy measures *etc.*

55-Municipal Administration – Out of original provision of ₹ 194.93 crore the total expenditure was only ₹ 67.31 crore (34.53 *per cent*). The Supplementary provision of ₹ 12.80 crore proved unnecessary. The Savings occurred mainly due to surrender of funds under major head 2217-Urban Development due to non receipt of proposals from Goa State Urban Development Agency for various schemes and non-receipt of proposals from several urban local bodies.

83-Mines – As against the original grant of ₹ 132.28 crore (Revenue Voted) the expenditure incurred was only ₹ 71.83 crore (54.30 *per cent*). The saving was attributed to non-filling of vacant posts.

16-Collectorate (South Goa) – As against the total grant of ₹ 56.75 crore expenditure incurred was only ₹ 5.54 crore (9.76 *per cent*). The supplementary grant of ₹ 51.45 crore proved to be highly excessive. The saving in major head 4070-Capital outlay on other Administrative Services was stated to be restricted by Government to limit the expenditure to 12.50 *per cent* of the budget estimates.

21-Public Works Department - Under the capital head, against total provision of ₹ 510.73 crore total expenditure was ₹ 492.04 crore (96 *per cent*). The supplementary grant of ₹ 327.05 crore proved

unnecessary. The savings were mainly due to reduction in expenditure on major works.

32-Finance – 4075-Capital outlay on miscellaneous service. The total saving in the grant was ₹ 520 crore. The savings in major head was due to less claims from Goa State Infrastructure Development Corporation.

62-Law – 4059-Capital Outlay on Public Works. The original grant was ₹ 43.88 crore out of which expenditure incurred was only ₹ 6.52 crore (14.86 per cent). The supplementary grant of ₹ 18.02 crore proved unnecessary. The savings mainly was due to non-finalization of proposal for construction of new High Court building at Porvorim and New District and Subordinate Court Complex at Merces.

74-Water Resources–Out of the total grant of ₹ 188.35 crore expenditure incurred was only ₹ 100.22 crore (53.21 per cent). Savings mainly occurred due to less scope of work under major and medium irrigation, Command Area Development etc.

81-Tribal Welfare – 4215-Capital outlay on Water Supply and Sanitation – Saving was mainly attributed to non-taking of works by Public Works Department.

84-Airport – 5053-Capital Outlay on Civil Aviation – The grant remained unutilized on account of administrative difficulties.

2.3.4 Persistent savings

During the last five years, there were persistent savings of more than ₹ 10 crore in each case in 12 grants, as shown in Table 2.5.

Table 2.5: List of grants indicating persistent savings of more than ₹ 10 crore during 2011-16

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (Voted)						
1	13-Transport	46.17 (54.46)	45.77 (49.53)	39.63 (33.42)	59.02 (39.56)	77.52 (45.91)
2	17-Police	29.80 (13.47)	25.89 (10.38)	25.85 (9.70)	21.05 (7.22)	20.48 (5.65)
3	19 – Industries, Trade and Commerce	25.28 (60.44)	23.32 (10.39)	48.66 (69.68)	68.28 (86.47)	69.28 (83.13)
4	21-Public Works	28.03 (5.30)	77.66 (13.69)	90.81 (15.38)	107.69 (16.67)	153.04 (19.42)
5	31- Panchayats	15.41 (14.88)	46.48 (34.20)	21.48 (18.82)	70.92 (50.13)	50.07 (27.82)
6	34-School Education	98.31 (13.79)	122.30 (14.84)	42.92 (5.05)	94.55 (9.83)	134.75 (12.59)
7	43-Art and Culture	50.20 (35.23)	62.65 (53.09)	46.63 (46.97)	29.01 (33.47)	26.78 (26.28)

8	55-Municipal Administration	55.78 (43.95)	260.26 (82.82)	138.90 (72.71)	130.06 (69.04)	140.42 (67.60)
9	65-Animal Husbandry	18.06 (37.90)	28.26 (37.97)	44.66 (46.50)	40.82 (37.86)	41.44 (34.74)
10	83 – Mines	104.15 (97.56)	45.77 (94.37)	75.63 (50.74)	364.22 (88.36)	60.45 (45.70)
Capital (Voted)						
	21-Public Works	65.13 (13.23)	199.00 (40.88)	243.19 (45.15)	169.60 (33.91)	345.74 (41.27)
11	32- Finance	70.47 (31.32)	155.63 (66.23)	140 (48.28)	100 (26.32)	520.00 (73.24)
12	78- Tourism	17.84 (41.29)	264.22 (84.86)	38.37 (34.97)	22.14 (27.87)	38.31 (34.13)

(Source: Appropriation Accounts of the State)

Figures in parenthesis indicate as per cent to total grants

The persistent savings of more than ₹ 50 crore and also by more than 40 per cent of the total provisions was observed in grant number 55-Municipal Administration (Revenue-Voted) during the period 2011-16. Savings exceeding 45 per cent of the total provisions in grant number 83–Mines (Revenue-Voted) and 32–Finance (Capital-Voted) was observed during these years.

The persistent savings indicated that the controls in the Departments on preparation of the budget estimates and allocating funds during the years were not effective.

2.3.5 Substantial surrenders on account of inflated budget estimates of expenditure

While preparing the budget estimates utmost care should be taken to ensure that the budget estimates are neither inflated nor under-pitched. Out of the total provision of ₹ 1,878.98 crore, substantial surrenders amounting to ₹ 1,414.54 crore were made from 45 grants on account of either non-implementation or slow implementation of Schemes/Programmes. The details of the cases where the surrenders were more than 50 per cent of the provisions are given in **Appendix 2.2**.

The Finance Department should closely monitor the unutilized budgetary provision before sanctioning supplementary grants and take suitable action to re-appropriate the unutilized grant.

2.3.6 Unnecessary surrenders

In two cases, it was seen that a total amount of ₹ 3.31 crore was surrendered though excess expenditure of ₹ 2,330.45 crore was incurred under these grant/appropriation. This indicated lack of proper budgetary control. Details are given in **Table 2.6**.

Table 2.6: Surrender of grants/appropriation in cases of excess expenditure

(₹ in crore)

Number and Name of the grant/ appropriation	Total grant	Excess	Amount surrendered
A-2 Appropriation-Debt Services (Capital-Charged)	484.80	2278.83	0.35
8 Treasury and Accounts Administration (North Goa) (Revenue-Voted)	714.27	51.62	2.96
Total	1199.07	2330.45	3.31

(Source: Appropriation Accounts of the State)

The reason for surrender of grants inspite of excess expenditure against the provision, though called for was not furnished by the Director of Accounts (January 2017).

2.3.7 Anticipated savings not surrendered

Rule 56 of the General Financial Rules, 2005 provides that the spending Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Further, surrender of funds should be done as soon as these are foreseen without waiting for the end of the financial year, to enable the Finance Department to utilise the funds on other schemes.

At the close of the year 2015-16, no part of the savings, which occurred in four cases (₹ 27.24 crore), was surrendered by the concerned Departments as detailed in Table 2.7.

Table 2.7: Grants/Appropriations in which saving occurred but no part of which had been surrendered

(₹ in crore)

Sl. No.	Number and name of grant	Saving
1	14 - Goa Sadan (Revenue Voted)	0.72
2	29 - Public Grievances (Revenue Voted)	0.19
3	56 - Information and Publicity (Capital Voted)	20.00
4	60 - Employment (Revenue Voted)	6.33
	Total	27.24

(Source: Appropriation Accounts of the State)

Similarly, out of total savings of ₹ 1,586.71 crore under 25 other grants/appropriations, with savings of ₹ 20 lakh and above in each grant/appropriation, ₹ 1,410.88 crore only was surrendered, leaving balance of ₹ 175.83 crore (11 per cent of the total savings) which were not surrendered. The details are given in Appendix 2.3.

Besides, in 41 grants, savings in excess of ₹ 10 crore, aggregating ₹ 3,537.82 crore (Appendix 2.4) was surrendered in the last month of the financial year, indicating inadequate financial control as well as non-utilisation of these funds for other development purposes.

2.3.8 Rush of Expenditure

Rule 56 (3) of the General Financial Rules, 2005 provides that rush of expenditure, particularly in the closing months of the financial year shall be regarded as a breach of financial propriety and is to be avoided. Table 2.8 presents five major heads where 60 to 100 *per cent* of expenditure was incurred in the last quarter of 2015-16. In all these major heads, expenditure incurred in March 2016 was also 50 to 98 *per cent*.

Table 2.8: Rush of expenditure during the last quarter and last month of 2015-16.

(₹ in crore)

Sl.No	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2016	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	4217	2.92	2.92	100	2.86	97.95
2	4235	2.33	2.10	90.13	1.96	84.12
3	4401	7.79	4.73	60.72	3.93	50.45
4	4851	24.02	24.02	100	19.00	79.10
5	5055	6.71	5.57	83.01	4.77	71.09
Total		43.77	39.34	89.88	32.52	74.30

2.4 Advances from Contingency fund

The Contingency fund of the State has been established under the Goa Contingency fund Act, 1988, in terms of Articles 267(2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 100 crore vide Government notification dated 29th September 2015. During the year 2015-16, ₹ 16.07 crore was drawn as advances from Contingency Fund. Of this, ₹ 15.94 crore have been recouped and the balance of ₹ 0.13 crore was left for recoupment as at the end of 31 March 2016.

The PAC in its 62nd report (March 2008), observed that the contingency fund were utilised for pay and allowances, purchase of machinery, equipment, computers, maintenance and repairs, House Building advance to Government servants *etc.*, which could not be considered as unforeseen and unanticipated and warned of the recurrence of such irregularities in future. However, during 2015-16, it was observed that an advance of ₹ 10 crore was drawn by Public Works Department to settle long pending contractor bills, though the expenditure was considered foreseeable.

2.5 Un-reconciled expenditure

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. This will 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. 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 was pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2015-16. During 2015-16, 40 out of 86 BCAs, had not carried out any reconciliations for the entire year in respect of 2,986 units under their control, involving ₹ 6,165.72 crore. Two BCAs had carried out such reconciliations only for part of the year in respect of 44 units under their control, involving ₹ 3.15 crore. The un-reconciled periods in case of the partially reconciled units ranged from one to six months. The details of 18 major BCAs (out of 42) amounting to ₹ 5,998.29 crore who did not reconcile their expenditure are indicated in **Table: 2.8**.

Table 2.8: Major 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	Chief Electrical Engineer	1882.02
2	Principal Chief Engineer, Public Works Department	1128.81
3	Director of Education	946.54
4	Director of Social Welfare	347.23
5	Director of Women and Child Development	324.79
6	Director of Health Services	278.77
7	Chief Engineer, Water Resources	224.57
8	Director of Higher Education	222.92
9	Director of Panchayats	133.75
10	Director of Transport	98.03
11	Director of Animal Husbandry and Veterinary Services	79.53
12	Director of Mines and Geology	71.84
13	Director of Municipal Administration	70.18
14	Director of Technical Education	55.95
15	Principal Chief Conservator of Forests	55.87
16	Inspector General of Prisons	34.69
17	Directorate of Ports and Administration	21.64
18	Secretary, Legislature	21.16
Total		5998.29

(Source: Directorate of Accounts)

2.6 Outcome of review of selected grant

A review on the budgetary procedure and control over expenditure in respect of Grant No. 32–Finance was conducted. Important points noticed during the review are detailed below.

As against the budget provision of ₹ 734.75 crore (₹ 24.75 crore under revenue head and ₹ 710.00 crore under capital head) the actual expenditure was ₹ 192.43 crore (₹ 2.43 crore under revenue head and ₹ 190.00 crore under capital head) resulting in the total saving of ₹ 542.32 crore (₹ 22.32 crore under revenue head and ₹ 520.00 crore under capital head).

As per rule 56(2) of the General Financial rules, 2005 savings as well as provisions that cannot be profitably utilized should be surrendered to the Government immediately when they are foreseen without waiting till the end of the year.

2.7 Conclusion and Recommendations

During 2015-16, expenditure of ₹ 12,920.81 crore was incurred against the total provision of ₹ 14,695.56 crore, resulting in savings of ₹ 1,774.75 crore. The overall savings were the net result of savings of ₹ 4,105.20 crore; offset by an excess of ₹ 2,330.45 crore. This excess requires regularisation under Article 205 of the Constitution of India.

Re-visiting the budgeting procedure to address the problem of substantial and persistent savings by some Departments.

The Departments may closely monitor the expenditure against the allocations and should avoid incurring expenditure in excess of the grants. Funds may be surrendered well before the close of the year so as to enable their utilisation for other developmental schemes.

Advances from the contingency fund may be drawn only for meeting expenditure of unforeseen and emergent character instead of payment for bills of contractors which is considered foreseeable.

The reconciliation of expenditure figure by the BCAs must be strictly enforced.