

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented at the administrative level without wastage or diversion of funds and with reasonable assurance relating to successful implementation of the policy at the ground level. This Chapter reviews the allocative priorities of the State Government along with the transparency and effectiveness of its budgetary processes.

2.2 Transparency in Budgeting

2.2.1 Budget cycle

The Andhra Pradesh Financial Code and the Andhra Pradesh Budget Manual lay down the procedure to be followed with regard to all matters concerning finance and budget. Budget preparation in the State is guided by a budget calendar, which is generally complied with. The exercise for preparation of budget estimates starts around October for the next financial year. Our audit of various departments, however, revealed that there was no central expenditure control mechanism in terms of submission of monthly statements of expenditure to the Finance Department to ensure that there are no deviations and surprises at the end of the year.

A bottom-up approach is required to be followed in budget preparation as per the Andhra Pradesh Budget Manual with the requirement of funds projected from the unit level and consolidated at the district and finally the department level. There was, however, no evidence of compliance with this requirement from the departments audited during the year. Audit of several schemes/transactions of Government departments revealed that financial inputs were not correlated with the corresponding physical outputs or outcome either at the unit/district or department level and inadequate rigour is exercised in analysing and assessing the actual requirement of funds. While the Government instituted the outcome budget mechanism during the last three years, the departments do not report the extent of achievement of projected outputs with the targets fixed for a year, while submitting budget proposals for the succeeding year.

2.3 Financial accountability and budget management

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of the grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts depict the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts. Appropriation Accounts thus, facilitate understanding of utilisation of funds and monitoring of budgetary provisions and are, therefore, supplementary to Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.4 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-11 against 40 grants/appropriations is given below 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 ¹	Saving(-) /Excess(+)
Voted	I Revenue	77,193	8,526	85,719	69,902	(-)15,817
	II Capital	14,504	500	15,004	11,425	(-)3,579
	III Loans and Advances	2,490	398	2,888	3,315	(+)427
Total Voted		94,187	9,424	1,03,611	84,642	(-)18,969
Charged	IV Revenue	10,308	36	10,344	9,788	(-)556
	V Capital	80	8	88	22	(-)66
	VI Public Debt Repayment	9,733	--	9,733	7,881	(-)1,852
Total Charged		20,121	44	20,165	17,691	(-)2,474
Grand Total		1,14,308	9,468	1,23,776	1,02,333	(-)21,443

Note: Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of ₹ 670 crore drawn on Abstract Contingent bills during 2010-11. In the absence of Detailed Contingent bills the genuineness of the expenditure could not be vouched. The total expenditure stands inflated to that extent.

The overall saving of ₹ 21,443 crore was the result of saving of ₹ 22,310 crore in 38 grants and 14 appropriations under Revenue Section, 22 grants and two appropriations under Capital Section and eight grants and one appropriation (Public Debt) under Loans Section, offset by an excess of ₹ 867 crore in two grants and four appropriations under Revenue Section, four grants and one appropriation under Capital Section and five grants under Loans Section. These savings were 2.26 times the supplementary provision made during the year, which indicated inaccurate budget estimation and inadequate monitoring of expenditure.

The credibility of budget is measured by the number of deviations from it during the year, the extent of supplementary demands, re-appropriations and the magnitude of final excess

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (₹ 1,156 crore) and capital expenditure (₹ 323 crore).

and saving over the approved budget. Every year, the CAG brings out in his audit reports, several cases of expenditure incurred without funds availability or where the sanction of the competent authority was not obtained for incurring expenditure.

2.4.1 Appropriation vis-à-vis allocative priorities

There were deviations from budget allocation both with regard to the receipts as well as expenditure during the financial year 2010-11 raising questions about the credibility of the budgeting process, budget monitoring process and the reliability of management information system.

Our appropriation audit revealed that, in 18 cases, savings exceeded ₹ 100 crore and above and also by more than 20 per cent of total provision in each case constituting 60 per cent of total savings (₹ 22,310 crore) (**Appendix 2.1**). Of these, saving of ₹ 7,363 crore (33 per cent) occurred in four grants as indicated in Table 2.2.

Table 2.2: Grants with large saving

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original Provision	Supplementary Provision	Total	Actual expenditure	Saving
Revenue – Voted						
1.	XVII - Municipal Administration and Urban Development	3,627	347	3,974	2,592	1,382
2.	XXV – Women, Child and Disabled Welfare	1,768	4	1,772	971	801
3.	XXXIII – Major and Medium Irrigation	10,675	0	10,675	6,333	4,342
Total						6,525
Capital – Voted						
4.	XXXIV – Minor Irrigation	1,631	0	1,631	793	838
Total						838
Grand Total						7,363

Saving under Municipal Administration and Urban Development grant occurred mainly under A.P. Urban Reforms and Municipal Services, Urban Infrastructure and Governance under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Assistance to Municipalities. Saving under Women, Child and Disabled Welfare occurred mainly under Nutrition Programme and Integrated Child Development Services Scheme. No specific reasons were intimated by the Government for the savings.

As regards saving under Major and Medium Irrigation, Government stated that it was due to resumption of amount under revenue head to provide additional amount under capital head, as the expenditure was considered to be of capital nature. The saving under Minor Irrigation occurred mainly under ‘Lift irrigation works’ and ‘Construction and restoration of minor irrigation sources’. Reasons for the saving were not intimated by the Government (August 2011).

2.4.2 Persistent savings

There were persistent savings of more than ₹ 20 crore in each case and 20 *per cent* or more of the total grant/appropriation, in eight cases, during the last five years. The details of these grants are given below:

Table 2.3: Grants/appropriations with persistent savings during 2006-11

(₹ in crore)

Sl. No.	No. and Name of the Grant/appropriation	Amount of saving				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue – Voted						
1.	XVIII - Housing	407	342	802	374	189
2.	XXXVI - Industries and Commerce	152	165	288	582	389
3.	XXXVII - Tourism, Art and Culture	66	74	55	38	41
Capital – Voted						
4.	V - Revenue, Registration and Relief	37	37	60	23	101
5.	XII - School Education	71	112	164	107	327
6.	XXI - Social Welfare	176	109	434	102	75
Capital – Charged						
7.	XXXIII - Major and Medium Irrigation	52	69	112	97	56
Loans – Charged						
8.	IX - Fiscal Administration, Planning, Surveys and Statistics	2574	2757	2663	1807	1852

Considering that the above grants relate to developmental schemes in education, welfare and irrigation sectors, clearly, the Government has not been able to ensure that the envisaged benefits accrued to the targeted beneficiaries.

Persistent savings in respect of Housing occurred mainly under ‘Weaker Section Housing Programme under Indiramma Programme’. Reasons for the savings were not intimated by the Government (August 2011).

Savings under Industries and Commerce grant were stated to be due to non-release of its share by GOI, non-requirement of funds towards reimbursement of Purchase Tax Incentive and non-utilisation of the provision under Transport, Roads and Buildings department towards reimbursement of Sales Tax (VAT) on aviation turbine fuel. Specific reasons for the savings under ‘Assistance towards Loan Waiver to Weavers’ and Incentives for Industrial Promotion were not intimated by the Government (August 2011).

Savings under Tourism, Art and Culture grant were due to non-materialization of action plan and non-receipt of administrative sanction, delay in tendering for archaeological conservation, non-construction of multi-purpose cultural complexes at Kadapa and Nellore etc. Savings under Revenue, Registration and Relief grant were on account of non-construction of buildings, bridges, cyclone shelters and roads and not taking up construction works under National Cyclone Risk Mitigation Project.

Savings in School Education occurred mainly under ‘construction of buildings’ and ‘buildings for kitchen-cum-store rooms’. Also, in Social Welfare, savings occurred mainly under ‘construction of buildings for residential school complexes’, ‘integrated hostels/schools’ etc. Specific reasons for the savings were not intimated by the Government (August 2011).

For the savings under Major and Medium Irrigation (Capital Charged section) and Fiscal Administration, Planning, Surveys and Statistics (Loans Charged section), reasons were not intimated by the Government (August 2011).

2.4.3 Excess expenditure

Excess expenditure amounting to ₹ 867 crore over and above the budget provision occurred in 11 grants and one appropriation, which requires regularisation under Article 205 of the Constitution of India.

In five cases, expenditure exceeded budget by ₹ 842 crore and by ₹ 10 crore or more in each case as shown in table below.

Table 2.4: Excess expenditure

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant	Total Grant	Expenditure	Excess expenditure
1.	X	Home Administration (RV)	3,590	3,841	251
2.	XI	Roads, Buildings and Ports (LV)	75	104	29
3.	XVII	Municipal Administration and Urban Development (LV)	946	1,460	514
4.	XXVII	Agriculture (CV)	1	12	11
5.	XXXV	Energy (LV)	457	494	37
Total			5,069	5,911	842

RV- Revenue Voted; LV- Loans Voted; CV- Capital Voted

Excess under revenue section of Home Administration was mainly due to implementation of the recommendations of the Pay Revision Commission 2010. Specific reasons for the excess expenditure for the remaining grants mentioned in table 2.4 were not intimated by the Government (August 2011).

2.4.4 Expenditure without Provision

As per paragraph 20.3.1 of Budget Manual, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. However, ₹ 810 crore was incurred in nine cases (₹ 10 crore and above in each case) as detailed in **Table 2.5** without any provision in the original estimates/supplementary demands.

Table 2.5: Expenditure without provision during 2010-11

(₹ in crore)

Sl. No.	No. and Name of the Grant	Head of Account	Expenditure	Reasons
1.	IX - Fiscal Administration, Planning, Surveys and Statistics	2070-003-04-12	20	For setting up of the centre for innovation in Administrative Staff College of India as per 13 th Finance Commission recommendations.
2.		2071-01-110-09	12	Due to implementation of recommendations of PRC 2010 to the pensioners.
3.		3454-01-800-05	86	Reasons were not intimated.
4.	XI - Roads, Buildings and Ports	3054-04-797-04	162	Non-provision of funds in the budget for transfer of amount received from Central Government to Road Fund.
5.	XXXIII – Major and Medium Irrigation	4701-01-101	114	Reasons were not intimated.
6.		4701-01-129	87	
7.	XXXV Energy	6801-202-01	250	Due to modification of classification during the year.
8.		6801-789-01	56	
9.		6801-796-01	23	
Total			810	

2.4.5 Excess expenditure over provision relating to previous years not regularised

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 has been prescribed under the Article, regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure over the allocation amounting to ₹ 1,819.65 crore pertaining to the years 2004-10 is yet to be regularized, as detailed in **Appendix 2.2**. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in Table 2.6.

Table 2.6: Excess over provision relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2004-05	5	1	15	Out of these 50 Grants and 13 Appropriations, Explanatory Notes for 9 Grants and 5 Appropriations were received and vetted by the Accountant General as of June 2011.
2005-06	10	3	586	
2006-07	7	1	199	
2007-08	7	3	201	
2008-09	11	3	709	Explanatory Notes for the remaining 41 Grants and 8 Appropriations are awaited from the Administrative Departments /Finance Department for vetting by the Accountant General.
2009-10	10	2	110	
Total	50	13	1820	

2.4.6 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 1,588 crore obtained in 21 cases (₹ one crore or more in each case) during the year proved unnecessary, as the expenditure did not come

up to the level of original provision as detailed in **Appendix 2.3(A)**. As the expenditure fell short of even the original provision, obtaining huge supplementary provision in respect of Municipal Administration and Urban Development, Social Welfare, Medical and Health, Tribal Welfare and Roads, Buildings and Ports grants proved unnecessary.

Supplementary provision aggregating ₹ 7,183 crore proved excessive by ₹ 3,989 crore over the required provision of ₹ 3,194 crore under 16 grants and one appropriation (₹ one crore or more in each case) as detailed in **Appendix 2.3 (B)**. In eight cases, supplementary provision of ₹ 647 crore proved insufficient by more than ₹ one crore each leaving an aggregate uncovered excess expenditure of ₹ 809 crore (**Appendix 2.3 (C)**). In view of the final excess, the supplementary provision obtained proved insufficient.

2.4.7 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 needed. During the year excessive/unnecessary re-appropriation of funds occurred in 92 cases, which resulted in either non-utilisation of funds or excess over provision by ₹ 10 crore and above in each case. (**Appendix 2.4**).

2.4.8 Unexplained re-appropriations

Paragraph 20.17.2 of Andhra Pradesh Budget Manual stipulates that reasons for the additional expenditure and savings should be explained in the re-appropriation statement and vague expressions such as “original provision proved insufficient or excessive”, “based on progress of actuals” etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that, out of 7,671 items of re-appropriations made, specific reasons were intimated only in respect of 3,446 items.

2.4.9 Substantial surrenders

Substantial surrender in excess of ₹ 10 crore and more than 50 *per cent* of total provision in each case were made in respect of 110 sub-heads. The savings were mainly due to (i) resumption of the provision under revenue section, which was considered as capital nature, and inadequate progress in works during the year, (ii) non-receipt of sanction orders, (iii) modification in classification during the year, (iv) resumption of the provision under capital section for providing amount under loan section and (v) slow progress/postponement of works.

Out of the total provision amounting to ₹ 15,707 crore against 110 sub-heads, ₹ 13,004 crore (83 *per cent*) was surrendered, which included *cent per cent* surrenders (₹ 3,893 crore) under 37 sub-heads. Details of cases where surrendered amount was more than ₹100 crore and more than 90 *per cent* of the provision are given in **Appendix 2.5**. The Government could have assessed its requirement more realistically.

2.4.9.1 Lumpsum provision

Paragraph 16.12 of the Budget Manual stipulates that lumpsum provision should not as a rule be made in the budget estimates. Lumpsum provision of ₹ 2,875 crore was made in

the budget in violation of this stipulation. However, ₹ 2,734 crore (95 *per cent*) of this provision remained unutilized. The details in this regard are tabulated below.

Table 2.7: Lumpsum provision

(₹ in crore)

Sl. No.	No. and Name of the Grant	Head of Account	Budget provision	Amount surrendered
1	IX - Fiscal Administration, Planning, Surveys and Statistics	2052-090-75-Lumpsum provision	2,400	2,400
2	XI - Roads, Buildings and Ports	5054-03-800-36-Lumpsum provision for PPP projects	200	160
3	XII - School Education	2202-01-800-75-Lumpsum provision	14	14
4	XIII - Higher Education	2202-03-001-75-Lumpsum provision	32	32
5		2202-03-102-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	62	62
6		2202-03-102-42-Lumpsum provision for addl commitment for UGC pay scales (100% commitment from 01-04-2010 to 31-03-2011)	95	1
7		2202-03-102-75-Lumpsum provision	43	36
8		2202-03-104-75-Lumpsum provision	4	4
9		2202-03-789-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	13	13
10		2202-03-796-41-Lumpsum provision for addl commitment for UGC pay scales (20% arrears from 01-01-2006 to 31-03-2010)	5	5
11	XVI - Medical and Health	2210-01-001-75-Lumpsum provision	7	7
Total			2,875	2,734

As can be seen from the above details, in eight out of 11 sub-heads under five grants, the entire provision remained unutilised. Budget provision under four sub-heads, (Sl.nos.1, 3, 4 & 7) was surrendered on the last day of the financial year. Government had not stated any reasons for surrendering the huge budget provision in these cases. In the absence of details relating to the purpose for which these funds were specifically earmarked (Sl.nos.1, 4, 7, 8 & 11), we are unable to assess whether the purpose for which the funds were provided for has been achieved.

2.4.10 Surrender in excess of actual saving

The spending departments, as per the provisions of the Budget Manual (paragraph 20.2.2), are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. Surrender of the provision in anticipation of savings and incurring expenditure subsequently by the controlling officers is resulting in surrender in excess of the overall saving in a grant/appropriation.

In 14 cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual saving indicating lack of/inadequate budgetary control and monitoring in these departments. As against the saving of ₹ 2,122 crore, the actual amount surrendered was ₹2,818 crore, resulting in excess surrender of ₹ 429 crore. Details are given in **Appendix 2.6**.

2.4.11 Savings not surrendered

At the close of the year 2010-11, there were 20 grants/ appropriations in which saving occurred but no part of it had been surrendered by the departments concerned. The saving in these cases was ₹ 1,248 crore, constituting 6 *per cent* of the total saving (₹ 22,310 crore) (**Appendix 2.7**).

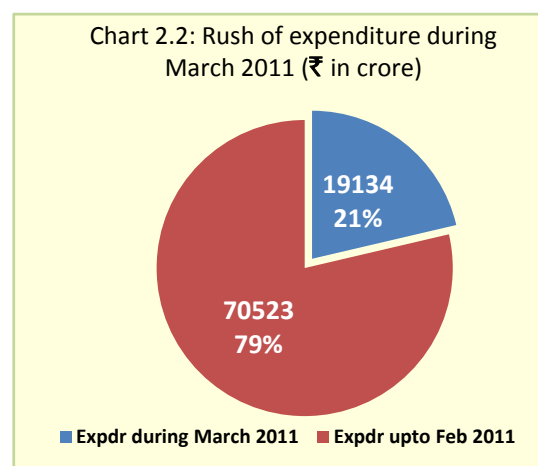
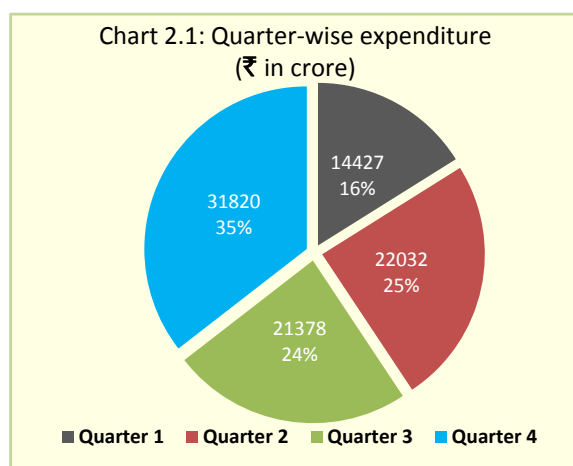
Similarly, out of the saving of ₹ 15,449 crore under 31 grants/ appropriations, saving (₹ 5 crore and above in each case) amounting to ₹ 7,449 crore (33 *per cent*) of total saving (₹22,310 crore) was not surrendered. Details are given in **Appendix 2.8**.

Besides, in 55 cases, ₹ 10,856 crore (49 *per cent* of the total saving of ₹ 22,310 crore) was surrendered (in excess of ₹ 10 crore in each case), on the last two working days of March 2011 (**Appendix 2.9**) indicating inadequate financial control and poor capacity to spend.

2.4.12 Rush of expenditure

Article 39 of the Financial Code requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.

Contrary to these provisions, while the expenditure during each of the three quarters ending December 2010 was between 16 and 25 *per cent* of the total expenditure of ₹89,657 crore (both revenue and capital expenditure), it was 35 *per cent* in the last quarter of the year. Expenditure in the month of March 2011 alone constituted 21 *per cent* indicating rush of expenditure at the end of the financial year as can be seen from the **chart** given below:



2.5 Major Policy Initiatives

While presenting the budget for 2010-11, the State Government announced that its prime focus would be on achieving economic growth with equity. Towards this end, the Government sought to increase allocation to ‘Abhaya Hastham’ scheme, ‘National Rural Drinking Water Programme’, ‘Rashtriya Madhyamika Siksha Abhiyan’ etc.

During the year 2010-11 some of the above policy initiatives of the State Government were scrutinized in audit on a test check basis. Audit findings in this regard are given below:

- To improve the enrolment ratio for IX & X classes from 65 to 100 *per cent* and strengthen the existing secondary schools, GOI introduced a new scheme called “Rashtriya Madhyamika Siksha Abhiyan (RMSA)”. Out of the provision of ₹ 190 crore, the State Government released ₹ 86 crore towards its matching share of non-recurring grant. However, the matching State share of ₹ 18 crore towards recurring grant was not released during 2010-11. Under this scheme construction of additional class rooms, library, science laboratory etc. was completed in 1,000 schools (60 *per cent*) out of the targeted 1,656 schools. In-service training to teachers, which is one of the components of this scheme, could not be implemented in full due to non-release of budget.
- To eradicate illiteracy among adult women, “Saakshar Bharat Mission-2012” a new Centrally sponsored scheme was implemented by the Government. Out of the budget provision of ₹ 30 crore for the scheme, only ₹ 23 crore was released. Against the target of 15 lakh adult women, basic literacy was imparted only to 10.46 lakh adult women.
- With the aim of providing adequate drinking water to every person in rural areas, the Government introduced a new scheme “National Rural Drinking Water Programme (NRDWP)”. Out of the total provision of ₹ 220 crore, ₹ 87.96 crore was released and booked as expenditure. However, only ₹ 17.95 crore (8 *per cent*) was actually spent and the remaining amount of ₹ 70 crore was lying in PD account of State Water Supply Mission.

- Although the provision of ₹ 220 crore for Abhayastham scheme was drawn and utilized, only 49.20 lakh members (59 *per cent*) were covered against the target of 83.08 lakh members.
- Similarly under Rajiv Vidya Mission, out of the targeted 31,323 civil works pertaining to construction of additional class rooms, toilets, drinking water facility etc., only 20,567 (66 *per cent*) works were completed. Nil targets were achieved in providing furniture to 10,663 schools and teaching and learning equipment to 25 schools. The target of providing community training to 10,14,824 persons and supply of uniforms to 52,66,837 school children was fully achieved.
- Funds released towards Post Matric Scholarships (PMS) and Reimbursement of Tuition Fee (RTF) in respect of SC, ST, BC, EBC and disabled students were not drawn in full due to non-receipt of authorization and freezing of funds. Large portion of PMS and RTF funds released during 2010-11 were spent for payment of arrears of 2009-10. Only 25 *per cent* of tuition fee was sanctioned in respect of BC and EBC students. With regard to SC and minority category students however, funds allocated were released in full for PMS and RTF schemes.
- Though the Government extended social security pension programme to AIDS patients and allocated ₹ 9.60 crore in the budget, no funds were released during the year.
- Out of ₹ 23.55 crore drawn towards pension to toddy tappers, only ₹ 6.61 crore was spent covering 33,371 persons (33 *per cent*) as against the target of one lakh persons.
- Out of the budget release of ₹ 100 crore for Andhra Pradesh Water Supply & Sanitation Project, only ₹ 57 lakh (0.57 *per cent*) was drawn and spent, defeating the objective of providing water supply and sanitation facilities to 300 habitations during the year 2010-11.
- The scheme 'Waiver of loans sanctioned to weavers' was introduced as a one time measure during 2009-10. Though an amount of ₹ 312 crore was provided in the Budget (2010-11) for the purpose, only ₹ 109 crore was released (35 *per cent*).

2.6 Advances from Contingency Fund

Contingency Fund (CF) of the State has been established under the Andhra Pradesh Contingency Fund Act, 1957, in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the CF are to be made only for meeting expenditure of an unforeseen and emergent nature. The Fund is in the nature of an imprest with a corpus of ₹ 50 crore. During 2010-11, ₹ 13.31 crore was drawn from the CF, of which, ₹1.54 crore remained un-recouped at the end of the year. Out of ₹ 13.31 crore drawn from the CF during the year, ₹ 8.15 crore (61.23 *per cent*) pertained to decretal payments ordered by Courts during 2005-10 and sanctioned by the Government for payment during 2009-11 (*Appendix-2.10*). Clearly, these payments were not of urgent or unforeseen nature necessitating drawal from Contingency Fund.

2.7 Errors in budgeting process

The following lapses/errors were observed in the process of budgeting by the State Government:

- **Non-incorporation of correction slips** – Though the omissions/errors in budget process are pointed out every year to the Finance department by the Principal Accountant General, corrections to List of Major and Minor Heads (LMMH) made by the Controller General of Accounts from time to time are not being incorporated by the State Government in the Budget Estimates for the years subsequent to year of issue of correction slips. This could cause distortion in the annual accounts of the State.
- **Misclassification in budget estimates:** The detailed head of account 530-major works which is to be operated under Capital section of a grant was operated under Revenue section. Similarly, detailed heads 270-minor works and 310-Grants-in-aid were operated under Capital section instead of under Revenue section. However, during the year the Government has incorrectly provided and incurred an amount of ₹ 140.06 crore towards minor works under capital section and ₹ 184.84 crore towards major works under revenue section.

2.8 Conclusion

The State Government's budgetary processes have not been sound during the year, with errors in budgeting, lumpsum provisions made without clarity of purpose (only to be surrendered later), excess expenditure over allocation, expenditure without budget provision etc. No effort was made to analyse the areas where there were persistent savings and take necessary corrective action. Financial rules were flouted by several departments by drawing funds in excess of requirement, resorting to re-appropriations without proper explanations and expending without provision of funds.

Release of funds and surrender of substantial funds at the fag end of the year is a matter of concern, since funds could not be utilized fruitfully. Several developmental initiatives of the Government in social sector, especially, education sector have not borne fruit due to lack of proper monitoring/budget freeze etc. Lack of financial discipline resulted in drawing advances from Contingency Fund, even where the expenditure did not conform to the norms of spending from Contingency Fund. Government needs to adhere to budgetary procedures and financial rules more scrupulously, to ensure that budgeting process is more transparent and result oriented.