

## CHAPTER-2

### 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-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provision and are, therefore, complementary to 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 Act and that the expenditure required to be charged under the provision 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.

Deficiencies in management of budget and expenditure and violation of Budget manual noticed in audit have been discussed in the succeeding paragraphs.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-2012 against 32 grants/appropriations is given in **Table 2.1** below:

**Table-2.1**  
**Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions**

Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving* (-)/ Excess (+)
<b>(₹ in crore)</b>					
<b>Voted</b>					
I Revenue	13307.83	248.39	13556.22	13475.37	(-) 80.85
II Capital	1535.51	407.44	1942.95	1870.50	(-) 72.45
III Loans and Advances	207.22	156.05	363.27	492.98	(+) 129.71
<b>Total Voted</b>	<b>15050.56</b>	<b>811.88</b>	<b>15862.44</b>	<b>15838.85</b>	<b>(-) 23.59</b>
<b>Charged</b>					
IV Revenue	2184.24	5.26	2189.50	2165.05	(-) 24.45
V Capital	--	4.89	4.89	4.89	--
VI Public Debt- Repayment	960.84	138.40	1099.24	1127.72	(+) 28.48
<b>Total Charged</b>	<b>3145.08</b>	<b>148.55</b>	<b>3293.63</b>	<b>3297.66</b>	<b>(+) 4.03</b>
<b>Appropriation to Contingency Fund (if any)</b>					
	--	--	--	--	--
<b>Grand Total</b>	<b>18195.64</b>	<b>960.43</b>	<b>19156.07</b>	<b>19136.51</b>	<b>(-) 19.56</b>

\* Shortfall in utilisation of funds

Source: Appropriation Account

The overall saving/unutilised funds of ₹19.56 crore registered under grants/appropriations during the year 2011-12 was the result of saving of ₹772.07 crore in 30 grants and six appropriations under Revenue Section and 21 grants under Capital Section, offset by excess of ₹752.51 crore in two grants under Revenue Section and four grants and one appropriation under Capital Section.

Grants/appropriations against which significant savings of more than ₹25 crore were noticed during the year were Land Revenue and District Administration (Revenue-Voted), Police and Allied Organisations (Revenue-Voted), Education (Revenue-Voted), Forest and Wildlife (Revenue-Voted), Rural Development (Revenue-Voted), Tribal Development (Revenue-Voted) and Public Works-Roads, Bridges and Buildings (Capital-Voted). Similarly, grants/appropriations against which significant excess expenditure over the allotments noticed during the year 2011-12 were Public Works-Roads, Bridges and Buildings (Revenue-Voted), Irrigation, Water Supply and Sanitation (Revenue-Voted), Planning and Backward Area Sub-Plan (Capital-Voted), Power Development (Capital-Voted) and Finance (Capital-Charged).

The reasons for savings/excesses were called for by the office of the Accountant General (A&E) Himachal Pradesh (July 2012) in respect of 713 sub-heads from the respective controlling officers. Of these, explanations for variations in respect of 330 sub-heads (Saving: 164 sub-heads; Excess: 166 sub-heads) were awaited as of September 2012.

## **2.3 Financial Accountability and Budget Management**

### **2.3.1 Appropriation vis-à-vis expenditure**

The outcome of the appropriation audit reveals that in 38 cases, savings exceeded by ₹ one crore in each case and by more than 20 per cent of total provision (*Appendix-2.1*) in three cases. Out of the total saving of ₹772.07 crore, substantial saving of ₹396.96 crore (51 per cent) was in four cases alone relating to four grants where saving was more than ₹50 crore in each case as indicated in **Table 2.2** below:

**Table-2.2**

**List of Grants/appropriations with savings of more than ₹50 crore**

(₹ in thousand)

Sr. No.	Number and name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1.	05-Land Revenue and District Administration	4145088	41569	4186657	3531117	655540 or say ₹65.56 crore
2.	08-Education	29194082	11	29194093	27142999	2051094 or say ₹205.11 crore
3.	20-Rural Development	3859055	1	3859056	3108325	750731 or say ₹75.07 crore
<b>Capital-Voted</b>						
4.	10-Public Works - Roads, Bridges and Buildings	3835400	1025960	4861360	4349143	512217 or say ₹51.22 crore
<b>Total</b>		<b>41033625</b>	<b>1067541</b>	<b>42101166</b>	<b>38131584</b>	<b>3969582 or say ₹396.96 crore</b>

Source: Appropriation Account

Reasons for savings were awaited (September 2012).

### 2.3.2 Persistent savings

In three cases there were persistent savings of more than ₹one crore in each, the details are given in **Table 2.3** below:

**Table-2.3**  
List of grants with persistent savings during 2007-12

(₹ in crore)

Sr. No.	No. and Name of the Grant	Amount of savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
<b>Revenue-Voted</b>						
1.	03-Administration of Justice	1.47	3.66	2.84	16.51	15.96
2.	15-Planning and Backward Area Sub-Plan	8.83	15.06	9.99	7.78	9.43
<b>Capital-Voted</b>						
3	29-Finance	14.76	2.32	4.19	1.84	1.67

This indicated inadequate financial control. Reasons for the persistent savings in all the grants were awaited from the Government (September 2012).

### 2.3.3 Excess Expenditure

In five cases, expenditure aggregating ₹5266.35 crore exceeded the approved provisions by more than ₹ one crore in each case and also by more than 20 per cent of the total provision (three cases) resulting in excess expenditure of ₹752.46 crore (**Appendix-2.2**). Reasons for excess expenditure were awaited (September 2012) from the departments.

In the following two cases, during the last five years there was persistent excess expenditure as shown in **Table 2.4** below:

**Table-2.4**  
List of grants indicating persistent excess expenditure during 2007-12

(₹ in crore)

Sr. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2007-08	2008-09	2009-10	2010-11	2011-12
<b>Revenue-Voted</b>						
1.	10-Public Works-Roads, Bridges and Buildings	126.38	134.46	215.36	219.60	221.99
2.	13-Irrigation, Water Supply and Sanitation	275.92	340.76	236.55	586.72	350.71

The persistent excess expenditure indicates that the budgetary controls in the departments were not effective. Thus, for a sound financial management, assessment for requirement of funds under various heads may be made more realistic to avoid recurrence of excess expenditure.

### 2.3.4 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹526.10 crore was incurred in the cases detailed in Table 2.5 without any provision in 12 cases in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.5  
Expenditure incurred without provision during 2011-12

(₹ in crore)

Sr. No.	Number and name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
<b>03-Administration of Justice-</b>			
1.	2070/00/105/01	0.10	Reasons were awaited.
<b>05-Land Revenue and District Administration-</b>			
2.	2245/02/101/01	25.41	Reasons were awaited.
3.	2245/02/107/01	7.68	
4.	2245/02/108/01	1.07	
<b>07-Police and Allied Organisations-</b>			
5.	2070/106/04	0.19	Reasons were awaited.
<b>19-Social Justice and Empowerment-</b>			
6.	2235/60/200/11	0.75	Reasons were awaited.
<b>29-Finance-</b>			
7.	2049/01/122/01	475.72	Reasons were awaited.
8.	7610/00/201/01	0.04	
9.	7610/00/201/03	0.10	
10.	7610/00/202/01 and 04	0.07	
<b>31-Tribal Development-</b>			
11.	2215/01/796/04, 05 and 06	8.31	Reasons were awaited.
12.	2702/80/796/08, 09 and 10	6.66	
<b>Total</b>		<b>526.10</b>	

### 2.3.5 Drawal of funds to avoid lapse of budget grant

Rule 5.71 (c) (5) of Himachal Pradesh Treasury Rules stipulates that no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the following cases, the amounts drawn were neither spent for the specific purposes nor refunded into treasury before closure of financial year 2011-12:

#### 2.3.5.1 Unutilised funds

Chief Medical Officer (CMO), Kinnaur drew (March 2003-March 2012) ₹1.08 crore for execution of 10 works<sup>1</sup> but the amount remained unutilised with the executing agency (Public Works Department (PWD)), as of May 2012 due to non-availability of land.

CMO, Mandi drew (December 2009-January 2011) ₹1.65 crore for execution of nine works<sup>2</sup>, but the amount remained unutilised with the executing agency (PWD), as of March 2012 due to non-completion of formalities (five cases) and non-availability of land (four cases).

CMO, Sirmaur at Nahan drew (March 2009-March 2011) ₹2.95 crore for execution of 20 works<sup>3</sup>, but the amount remained unutilised with the executing agency (PWD), as

<sup>1</sup> Community Health Centre (CHC) (1): ₹0.08 crore; Primary Health Centres (PHCs) (4): ₹0.65 crore; Regional Hospital (RH) (2): ₹0.22 crore and Residential accommodation (3): ₹0.13 crore.

<sup>2</sup> Staff quarters (7): ₹1.45 crore and construction of Health Sub-Centres(HSCs) (2): ₹0.20 crore.

<sup>3</sup> CHCs (2): ₹0.35 crore; HSCs (12): ₹0.92 crore; PHCs (5): ₹0.93 crore and RH (1): ₹0.75 crore.

of February 2012 due to non-availability of land (seven cases), non-finalisation of tender/award (five cases), non-receipt of revised administrative approval/expenditure sanction (five cases), non-receipt of approval of modified drawing (one case) and non-dismantling of old site (two cases).

CMO, Una drew (February 2010-June 2011) ₹1.55 crore for execution of three works<sup>4</sup> but the amount remained unutilised with the executing agency (PWD), as of June 2012 due to non-availability of land.

### 2.3.5.2 Unnecessary withdrawal of funds

Scrutiny of the records (August 2011-January 2012) of five<sup>5</sup> divisions revealed that ₹2.60 crore received from various departments/agencies between January 2003 and November 2010 for execution of 37 deposit works<sup>6</sup> remained unutilised due to non-commencement of works for reasons like non-availability of clear site and non-finalisation of appropriate sites. Evidently, funds under deposit head were received by the respective divisions from different departments/agencies without ensuring the pre-requisite formalities and availability of land for the execution of works of the sanctioned infrastructure which was contrary to the provisions of the rules *ibid*. The concerned Executive Engineers admitted (August 2011-January 2012) the facts.

### 2.3.6 Excess over provision 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 of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹3681.96 crore (*Appendix-2.3*) for the years 2008-2011 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation is summarised below:

**Table-2.6**  
Excess over provisions relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2008-09	11	3	556.52	Audit comments sent to Finance Department/HP Vidhan Sabha. Report yet to be discussed by PAC.
2009-10	19	1	887.80	<i>Suo moto</i> replies from the Finance Department are still awaited. Report yet to be discussed by PAC.
2010-11	19	2	2237.64	Due for discussion from 07 July 2012. <i>Suo moto</i> replies from the Finance Department are still awaited. Report yet to be discussed by PAC.
<b>Total</b>			<b>3681.96</b>	

<sup>4</sup> CHCs (2): ₹1.37 crore and HSC (1): ₹0.18 crore.

<sup>5</sup> Arki: ₹0.47 crore; Chopal: ₹0.20 crore; Nirmand: ₹0.78 crore; Tauni Devi: ₹0.35 crore and Udaipur: ₹0.80 crore.

<sup>6</sup> Construction of school buildings/science laboratory in school/hostel building/playgrounds/ boundary wall: 12; construction of roads/bridge/footbridge: 10; construction of HSCs/dispensaries/louundry in hospital and boundary wall around hospital: 7; construction of ITI building/Ambedkar bhawan/bus stands/type-III quarter: 5 and construction of indoor stadiums/gym: 3.

### **2.3.7 Excess over provision during 2011-12 requiring regularisation**

During 2011-12, excess expenditure was incurred in six grants and one appropriation aggregating ₹752.51 crore (**Appendix-2.4**) over the grant/appropriation authorised by the Legislature. The excess expenditure requires regularisation under Article 205 of the Constitution.

### **2.3.8 Unnecessary/Excessive/Inadequate supplementary provision**

Supplementary grant aggregating ₹41.16 crore (**Appendix-2.5**) obtained in seven cases, exceeding ₹ 50 lakh in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision. Supplementary provision of ₹390.83 crore obtained in three cases (more than ₹one crore in each case) proved insufficient leaving an aggregate uncovered excess expenditure of ₹179.76 crore (**Appendix-2.6**). Of the uncovered excess, ₹112.23 crore (62 per cent) was incurred alone in Grant No. 23-Power Development by the Multi Purpose Projects and Power Department.

### **2.3.9 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. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹10 lakh in 198 sub-heads. Of these, excess/savings of more than ₹two crore (**Appendix-2.7**) occurred in 50 sub-heads.

The substantial savings/excess of ₹100 crore and above registered in three cases where the re-appropriations were made, indicates that the funds could not be spent as estimated and planned in the budget 2011-12 under the respective schemes.

### **2.3.10 Unexplained re-appropriations**

According to Paragraph 13.3 (b) of Himachal Pradesh Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement such as if an excess occurs under “travelling allowances” it should be explained why additional travelling allowance could not have been foreseen and provision made to cover its cost and why it was necessary. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 899 items where the re-appropriation was sought, (23 per cent out of 3,915 commented in the Appropriation Accounts/orders) reasons seeking such re-appropriations were of general nature like “Non/less conduct of training programmes”, “more/less engagement of daily waged staff”, “more/less touring by staff” and “more/less receipt of rent, rates and taxes bills”.

### **2.3.11 Substantial surrenders**

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 50 sub-heads (**Appendix-2.8**) on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹328.77 crore in these 50 schemes, ₹233.18 crore

(71 per cent) were surrendered, which included cent per cent surrender in 19 schemes (₹71.05 crore) (Appendix-2.9).

Further, in 18 cases, there was surrender of more than ₹10 crore each involving ₹734.01 crore on 31<sup>st</sup> March 2012 (Appendix-2.10).

Surrender of funds on the last day of March 2012 indicated inadequate financial control leading to non-utilisation of funds for other developmental purposes in the needy areas.

### 2.3.12 Surrender in excess of actual savings

A scrutiny of surrender order for the financial year 2011-12 revealed that in nine cases, the amount surrendered (₹ 50 lakh or more in each case) was found to be in excess of actual savings registered against the respective heads indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 155.70 crore registered in these cases, the amount surrendered was ₹406.39 crore resulting in excess surrender of ₹ 250.69 crore (Appendix-2.11). Reasons for surrender in excess of savings were awaited from the concerned departments (September 2012).

### 2.3.13 Anticipated savings not surrendered

According to Himachal Pradesh Budget Manual (Paragraph 11.2 of Chapter 11), all the savings as and when anticipated, must be surrendered to the Finance Department by 15<sup>th</sup> January by the spending department. It was, however, noticed that in the following grants, out of total savings of ₹271.33 crore, only ₹192.41 crore was surrendered. ₹78.92 crore (29 per cent) were not surrendered to the Finance Department as detailed in Table 2.7 below:

Table-2 7  
Cases of savings of ₹one crore and above not surrendered

(₹ in crore)				
Sr.No.	Number and name of Grant	Savings	Surrender	Savings which were not surrendered
1.	05-Land Revenue and District Administration	65.55	62.54	3.01
2.	10-Public Works-Roads Bridges and Buildings	51.22	--	51.22
3.	12-Horticulture	10.75	8.80	1.95
4.	14-Animal Husbandry, Dairy Development and Fisheries	6.42	2.57	3.85
5.	16-Forest and Wildlife	48.36	45.01	3.35
6.	20-Rural Development	75.07	72.76	2.31
7.	32-Scheduled Caste Sub-Plan	13.96	0.73	13.23
<b>Total</b>		<b>271.33</b>	<b>192.41</b>	<b>78.92</b>

### 2.3.14 Rush of expenditure

According to the Himachal Pradesh Financial Rules, 2009 rush of expenditure, particularly in the closing month of the financial year should be avoided. Contrary to this, in respect of 24 sub-heads (Appendix-2.12), expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in

the month of March 2012. The details of major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year are given in **Table 2.8** below:

**Table-2.8**  
**Cases of Rush of Expenditure towards the fag end of the financial year 2011-12**  
(₹ in crore)

Sr. No.	Major Head (Voted)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2225	84.97	53.99	64	43.77	52
2.	3604	11.97	10.43	87	10.43	87
3.	4216	17.46	11.70	67	11.70	67
4.	4700	58.56	31.03	53	12.07	21
5.	4702	151.60	92.12	61	92.12	61
6.	4801	206.50	200.00	97	42.25	20
<b>Total</b>		<b>531.06</b>	<b>399.27</b>	<b>75</b>	<b>212.34</b>	<b>40</b>

Source: Accountant General (Accounts & Entitlement) office

Audit scrutiny also revealed that 75 *per cent* of the total expenditure spent against the aforesaid major heads during the year 2011-12 was incurred in the last quarter of the financial year. Further, in four cases above, the expenditure of more than 50 *per cent* of the total expenditure was incurred in the month of March 2012 alone. For a sound financial management, a uniform pace of expenditure should be maintained. Thus, contrary to the spirit of financial regulation, a substantial amount incurred by the department at the fag end of the year was indicative of poor financial management and lack of effective control over the expenditure.

## **2.4 Non-reconciliation of Departmental figures**

### **2.4.1 Pendency in submission of Bills**

As per rules 5.74 and 5.75 of Himachal Pradesh Treasury Rules, every drawing and disbursing officer (DDO) has to certify in each Abstract Contingent (AC) bill that the Detailed bills in respect of AC bills drawn more than a month before the date of that bill have been submitted to the Treasury Officer. Further, it is the responsibility of the DDO concerned to get the advance adjusted during the same financial year in which it is drawn. Out of ₹35.44 crore drawn on AC bills upto March 2012 by 32 DDOs, total amount of Detailed countersigned Contingent (DC) bills received upto 31 July 2012 was ₹12.68 crore resulting in an outstanding balance of ₹22.76 crore pending for adjustment for want of submission of DC bills. Year-wise and department-wise details are given in **Appendix-2.13**.

It was noticed that majority of the AC bills were drawn for purchase of medicines/vehicles, POL expenditure and training. The reasons for non-adjustment of outstanding AC bills were non-receipt of vouchers/detailed accounts of expenditure from the various functionaries of the concerned departments.



Non-adjustment of DC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and needs to be monitored closely.

## 2.5 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

Information obtained from the office of the Accountant General (A&E), Himachal Pradesh revealed that there were 132 PDAs in 14 District Treasuries at the beginning of the year 2011-12. The position of balances lying in these accounts as on 31 March 2012 is given as under:

- 59 PDAs having balance of ₹73.90 crore (including nine PDAs with negative balance of ₹5.73 lakh) had been in operation during the year.
- 73 PDAs involving an amount of ₹1.04 crore (including one PDA with negative balance of ₹0.16 lakh) remained inoperative during the current year. Of these, 10 PDAs having balance of ₹3.01 lakh remained inoperative for more than five years.
- PDAs should normally close with credit balance, as the payment against deposit should not exceed deposits received. There were adverse balances of ₹5.89 lakh in 10 cases (*Appendix-2.14*) which requires investigation and rectification.

The practice of retaining funds in the PD Account after the close of the financial year is fraught with the risk of misuse of funds and therefore, needs to be avoided.

## 2.6 Outcome of Review of Selected Grant

Review of one grant<sup>7</sup> (Grant No.13-Irrigation, Water Supply and Sanitation) was conducted (July-August 2012) and the important points noticed during the review are detailed below:

### 2.6.1 Budget and expenditure

The overall position of funds allotted and expenditure incurred under the grant during 2011-12 is given in **Table 2.9** below:

Table-2.9

(₹ in crore)

	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
Revenue Section	1134.34	1485.05	(+) 350.71
Capital Section	371.71	351.52	(-) 20.19
<b>Total</b>	<b>1506.05</b>	<b>1836.57</b>	<b>(+) 330.52</b>

Source: Accountant General (Accounts & Entitlement) office

From the above table it is seen that against the budget provision of ₹1506.05 crore under the grant (Revenue Section: ₹1134.34 crore and Capital Section: ₹371.71 crore)

<sup>7</sup> Including Major Heads 2059-Public Works, 2215-Water Supply and Sanitation, 2216-Housing, 2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation and 2711-Flood Control and Drainage under Revenue Section and 4215-Capital Outlay on Water Supply and Sanitation, 4700-Capital Outlay on Major Irrigation, 4701-Capital Outlay on Medium Irrigation, 4702-Capital Outlay on Minor Irrigation, 4705-Capital Outlay on Command Area Development and 4711-Capital Outlay on Flood Control Projects in Capital Section.

an expenditure of ₹1836.57 crore (Revenue Section: ₹1485.05 crore and Capital Section: ₹351.52 crore) was incurred resulting in excess expenditure of ₹350.71 crore under Revenue Section and savings of ₹20.19 crore under Capital Section as discussed in the succeeding paragraph.

### **2.6.2 Excess over the budget provisions due to unrealistic estimation**

Against the provision of ₹1133.66 crore under five Major Heads (**Table 2.10**), an expenditure of ₹1484.37 crore was incurred during 2011-12. This resulted in excess expenditure of ₹350.71 crore. It was observed that the huge excess was mainly due to accumulation of ₹250.13 crore under Suspense Heads (Stock Suspense: ₹90.84 crore and Miscellaneous Public Works Advances: ₹159.29 crore) under Major Head 2215. This is indicative of inefficient planning and unrealistic estimation. Excess expenditure of ₹350.71 crore over the voted provision in Revenue Section requires regularisation. Reasons for excess expenditure against the provision were awaited (September 2012).

**Table-2.10**

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess (+)/ saving (-) over total provision
		Original	Supplementary	Re-appropriation	Total		
<b>Revenue Section (Voted)</b>							
1.	2215-Water Supply & Sanitation	779.49	--	12.87	792.36	1091.44	299.08
2.	2700-Major Irrigation	9.67	--	8.03	17.70	29.80	12.10
3.	2701-Medium Irrigation	6.61	--	0.24	6.85	6.47	(-) 0.38
4.	2702-Minor Irrigation	333.33	--	(-) 16.84	316.49	318.64	2.15
5.	2711-Flood Control and Drainage	4.56	--	(-) 4.30	0.26	38.02	37.76
	<b>Total</b>	<b>1133.66</b>	<b>--</b>	<b>--</b>	<b>1133.66</b>	<b>1484.37</b>	<b>350.71</b>

Source: Office of the Accountant General (Accounts & Entitlement), Himachal Pradesh.

### **2.6.3 Inadequate supplementary provision**

Against the requirement of additional provision of ₹350.71 crore under four Major Heads (**Table 2.10**), no supplementary provision was obtained by the Department. This is indicative of unrealistic estimation. Reasons for not obtaining the supplementary provision were awaited from Engineer-in-Chief, Irrigation and Public Health Department (September 2012).

### **2.6.4 Expenditure incurred without any provision**

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹60.41 crore was incurred in 11 cases as detailed in **Table 2.11** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.11

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over provisions
		Original	Supplementary	Re-appropriation	Total		
1.	2711-01-799-01	3.00	--	(-) 3.00	--	35.65	35.65
2.	2711-01-799-02	0.60	--	(-) 0.60	--	1.05	1.05
3.	2711-01-799-03	0.70	--	(-) 0.70	--	1.06	1.06
4.	4701-01-799-01	--	--	--	--	0.45	0.45
5.	4701-01-799-02	--	--	--	--	0.15	0.15
6.	4701-03-799-03	--	--	--	--	0.04	0.04
7.	4701-15-799-02	--	--	--	--	0.05	0.05
8.	4701-15-799-03	--	--	--	--	0.05	0.05
9.	4702-00-799-01	--	--	--	--	16.79	16.79
10.	4702-00-799-02	--	--	--	--	1.79	1.79
11.	4702-00-799-03	--	--	--	--	3.33	3.33
<b>Total</b>		<b>4.30</b>	<b>--</b>	<b>(-) 4.30</b>	<b>--</b>	<b>60.41</b>	<b>60.41</b>

Source: Office of the Accountant General (Accounts & Entitlement), Himachal Pradesh.

Reasons for expenditure without provisions were awaited from Finance Department (September 2012).

### 2.6.5 Injudicious re-appropriation

During 2011-12, the re-appropriation of ₹0.24 crore under Major Head (2701-Medium Irrigation) proved unnecessary as the expenditure of ₹6.47 crore did not come up even to the level of original provision of ₹6.61 crore and ultimately resulted in savings of ₹0.38 crore. Further, ₹4.30 crore were withdrawn injudiciously under Major Head 2711-Flood Control and Drainage by obtaining re-appropriation, as expenditure exceeded by ₹33.46 crore against the original provision of ₹4.56 crore (Table 2.12) during 2011-12.

Table-2.12

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess (+)/ Saving (-) over total provision	Difference in original provision and expenditure
		Original	Supplementary	Re-appropriation	Total			
1.	2701-Medium Irrigation	6.61	--	0.24	6.85	6.47	(-) 0.38	(-) 0.14
<b>Total (i)</b>		<b>6.61</b>	<b>--</b>	<b>0.24</b>	<b>6.85</b>	<b>6.47</b>	<b>(-) 0.38</b>	<b>(-) 0.14</b>
2.	2711-Flood Control and Drainage	4.56	--	(-) 4.30	0.26	38.02	37.76	33.46
<b>Total (ii)</b>		<b>4.56</b>	<b>--</b>	<b>(-) 4.30</b>	<b>0.26</b>	<b>38.02</b>	<b>37.76</b>	<b>33.46</b>

Source: Office of the Accountant General (Accounts & Entitlement), Himachal Pradesh.

Thus, the injudicious re-appropriation of funds was indicative of poor financial management.

### 2.6.6 Excessive surrenders

Under Capital section of the grant, an expenditure of ₹351.52 crore was incurred against the provision of ₹371.71 crore during 2011-12 (Table 2.9). However, the Department incorrectly surrendered (March 2012) ₹43.04 crore against the savings of ₹20.19 crore. Excess surrenders of ₹22.85 crore reflected poor financial management. As such, excess surrender of funds resulted in excess expenditure of ₹22.85 crore (Table 2.13). Reasons for the excess surrenders and their regularisation were awaited from Engineer-in-Chief, Irrigation and Public Health Department (September 2012).

Table-2.13

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over total provision
		Original	Supplementary	Re-appropriation	Total		
<b>Capital Section (Voted)</b>							
1.	4215-Capital outlay on Water Supply and Sanitation	117.00	--	--	117.00	117.12	0.12
2.	4700-Capital outlay on Major Irrigation	26.25	--	32.30	58.55	58.56	0.01
3.	4701-Capital outlay on Medium Irrigation	56.23	--	(-) 10.49	45.74	46.52	0.78
4.	4702-Capital outlay on Minor Irrigation	90.23	--	(-) 8.96	81.27	103.21	21.94
<b>Total</b>		<b>289.71</b>	<b>--</b>	<b>12.85</b>	<b>302.56</b>	<b>325.41</b>	<b>22.85</b>

### 2.6.7 Rush of expenditure

State Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No.13, the prescribed quarter-wise flow of expenditure was not maintained during 2011-12 as per details tabulated below:

Table-2.14

(₹ in crore)

Month	Expenditure	Quarter	Prescribed norm of expenditure during the quarter (Percentage)	Quarterly expenditure	Percentage of actual expenditure
4/2011	12.74	1 <sup>st</sup>	20	296.76	16
5/2011	188.72				
6/2011	95.30				
7/2011	119.61	2 <sup>nd</sup>	25	299.55	16
8/2011	89.60				
9/2011	90.34				
10/2011	102.22	3 <sup>rd</sup>	30	396.91	22
11/2011	114.43				
12/2011	180.26				
1/2012	149.45	4 <sup>th</sup>	25	843.35	46
2/2012	202.25				
3/2012	491.65				
<b>Total</b>	<b>1836.57</b>			<b>1836.57</b>	

Source: Accountant General (Accounts & Entitlement) office

As is seen from the above table, the Department did not adhere to the prescribed norm of expenditure and there was rush of expenditure in the last quarter of the financial year 2011-12 as 46 per cent and during the month of March 2012 alone it was 27

per cent of the total expenditure (₹1836.57 crore) of the grant. This not only indicated lack of planning for allocation and utilisation of funds but also showed absence of expenditure control system.

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill planned expenditure. The Department should ensure that the funds are expended uniformly throughout the year according to the prescribed norms as far as practicable to avoid rush of expenditure at the end of the financial year.

#### **2.6.8 Letter of credit without provisions**

Under Major Head 2215-01-102-03-SOON-SOE-70-Energy Charges (Plan) the Finance Department (FD) authorised (March 2012) the Engineer-in-Chief (E-in-C) of the Irrigation and Public Health (I&PH) Department to issue Letter of Credit (LOC) amounting to ₹18.87 crore for meeting out the expenditure on energy charges during 2011-12 without any budget provision. Since expenditure under the Grant had exceeded the total appropriation authorised by the State Legislature, action of the Finance Department was contrary to rule 37(3) of State Financial Rules to authorise the I&PH Department for issue of LOC without any provision of funds. Reasons for issue of LOC without budget provisions were awaited (September 2012).

#### **2.6.9 Delay in submission of budgetary return**

As per Himachal Pradesh Budget Manual, the Head of Department is required to submit budget estimates and the statement of excesses and surrenders to the Finance Department by 25<sup>th</sup> October and 1<sup>st</sup> December, respectively. It was, however, noticed that the E-in-C of I&PH Department had submitted the budget estimates and the statement of excesses and surrenders during 2011-12 on 30<sup>th</sup> January 2012 and 18<sup>th</sup> February 2012 causing thereby a delay of 96 days and 78 days, respectively. This showed that the prescribed time schedule of submission of budget estimates and statements of excesses and surrenders was not followed by the Department during 2011-12.

#### **2.6.10 Non-submission of liability statements to the Finance Department**

As required under Himachal Pradesh Budget Manual, liability statements to exercise effective control over expenditure and preparation of correct budget estimates were not sent by the Engineer-in-Chief, I&PH Department to the Finance Department during 2011-12.

Liability register to keep track of undisclosed/undischarged liabilities, required to be maintained as per budget manual, was also not maintained by the Engineer-in-Chief.

### **2.7 Conclusion**

The overall savings of ₹19.56 crore registered under grants/appropriation during the year 2011-12 was the net result of savings of ₹772.07 crore offset by excess of ₹752.51 crore. Thus, excess expenditure of ₹752.51 crore requires regularisation of the State Legislature.

In the Report of the Comptroller and Auditor General of India on the State Finances for the year ended 31 March 2011, Government of Himachal Pradesh, persistent incurring of excess expenditure under two grants viz. Public Works and Animal Husbandry, Dairy Development and Fisheries during the last five years was pointed out. This irregularity was still found persisting under Grant No. 10-Public Works-Roads, Bridges and Buildings as ₹221.99 crore were spent under the Grant in excess of budgetary provision during 2011-12. Besides, Grant No.13-Irrigation, Water Supply and Sanitation had also posted large excesses persistently during the last five years. There were also persistent savings under three grants (03-Administration of Justice, 15-Planning and Backward Area Sub-Plan and 29-Finance) during the last five years.

Supplementary provision aggregating ₹41.16 crore obtained in seven cases (₹50 lakh or more in each case) during the year 2011-12 proved unnecessary as original provisions were sufficient enough to meet the expenditure. In nine cases, the amount surrendered (₹50 lakh or more in each case) was in excess of actual saving. There were instances of inadequate provision, injudicious re-appropriations besides rush of expenditure in the last quarter of the financial year indicating lack of or inadequate budgetary control in the departments. Parking of funds in Deposit Accounts and Personal Deposit Accounts is fraught with the risk of misuse of funds and therefore, needs to be avoided. Savings either not surrendered or surrendered at the fag end of the financial year leave no scope for utilising the funds for developmental works in other needy areas.

## **2.8 Recommendations**

The Government may ensure that:

- all the departments should submit realistic budget estimate, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/excesses;
- all the departments should closely monitor the expenditure against the allocations and incurring of excess expenditure over the grants should be strictly avoided;
- all the departments may work out savings before hand and ensure their surrender by stipulated date for their effective utilisation by other departments requiring funds;
- a monitoring mechanism is in place in the departments to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules.