

CHAPTER-II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

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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 2014-15 against 32 grants/appropriations is given in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-à-vis original/supplementary provisions for the year 2014-15
(₹ in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving ¹ (-)/ Excess (+)	Amount Surrendered	Amount Surrendered on 31 March	Percentage of savings surrendered by 31 March (Col.7/Col.6)
	1	2	3	4	5	6	7	8	9
Voted	I Revenue	18,878.33	1,298.82	20,177.15	19,214.26	(-)962.89	1,660.90	1,660.90	172
	II Capital	1,992.58	565.58	2,558.16	2,506.41	(-)51.75	35.28	35.28	68
	III Loans and Advances	367.03	81.33	448.36	474.19	25.83	60.78	60.78	-
Total Voted		21,237.94	1,945.73	23,183.67	22,194.86	(-)988.81	1,756.96	1,756.96	177.68
Charged	IV Revenue	2,794.71	2.36	2,797.07	2,894.20	97.13	60.94	60.94	-
	V Capital	-	23.49	23.49	23.12	(-)0.37	- ²	- ³	-
	VI Public Debt Repayment	1,510.96	5,782.02	7,292.98	8,259.82	966.84	-	-	-
Total Charged		4,305.67	5,807.87	10,113.54	11,177.14	1,063.60	60.94	60.94	-
Appropriation to Contingency Fund (if any)			-	-	-	-	-	-	-
Grand Total		25,543.61	7,753.60	33,297.21	33,372.00	74.79	1,817.90	1,817.90	-

Source: Appropriation Accounts

¹ Shortfall in utilisation of funds

² ₹ 16,000/- only

³ ₹ 16,000/- only

The overall excess expenditure of ₹ 74.79 crore registered under Grants/Appropriations during the year 2014-15 was the result of excess of ₹ 1,585.69 crore (Reference: Summary of Appropriation Accounts) in six Grants and five Appropriations under Revenue Section and four Grants and one Appropriation under Capital Section, offset by saving of ₹ 1,510.90 crore (Reference: Summary of Appropriation Accounts) in 26 Grants and four Appropriations under Revenue Section and 21 Grants and two Appropriations under Capital Section.

Grants against which significant savings of more than ₹ 25 crore were noticed during the year were Land Revenue and District Administration (Revenue-Voted), Education (Revenue-Voted), Health and Family Welfare (Revenue-Voted), Rural Development (Revenue-Voted), Food and Civil Supplies (Revenue-Voted), Labour Employment and Training (Revenue-Voted) and Finance (Revenue-Voted). Similarly, grants/appropriation against which significant excess expenditure over the allotments noticed during the year 2014-15 were Agriculture (Revenue-Voted), Irrigation, Water Supply and Sanitation (Revenue-Voted), Finance (Revenue-Charged), 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 2015) in respect of 205 sub-heads (Excess: 93 sub-heads; Savings: 112 sub-heads) from the respective controlling officers. The reasons were awaited (September 2015).

2.3 Financial Accountability and Budget Management

2.3.1 Excess Expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article.

Notwithstanding the above, excess expenditure over budget provision increased from ₹ 474.86 crore in 2013-14 to ₹ 1,585.69 crore in 2014-15. Details of expenditure where aggregate expenditure (₹ 14,670.30 crore) exceeded by ₹ 1,585.05 crore from the approved provisions by more than ₹ one crore each and also by more than 20 per cent of the total provision (one) in nine cases are given in **Appendix 2.1**. Reasons for excess expenditure were awaited (September 2015) from the departments.

Firm measures need to be put in place to avoid excess expenditure by defaulter departments. There is no cogent reason for the inevitability of excess expenditure when Government gets opportunities to present the Supplementary Demands for Grants during the three sessions of Legislature in a year. The exceeding of Budgetary Grant is the result of bad planning, lack of foresight and ineffective monitoring on the part of budget estimates as well as Supplementary Demands for Grants.

2.3.1.1 Excess over provisions 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 ₹ 5,055.89 crore (**Appendix 2.2**) for the years 2009-10 to 2013-14 was yet to be regularized as of September 2015. The excess expenditure of ₹ 1585.69 crore (**Appendix 2.3**) incurred in 10 grants and six appropriations during the year 2014-15 also requires regularisation.

2.3.1.2 Persistent Excess

In Grant No. 13-Irrigation, Water Supply and Sanitation, there was persistent excess expenditure in Revenue-Voted during 2010-11 (₹ 586.72 crore), 2011-12 (₹ 350.71 crore), 2012-13 (₹ 285.21 crore), 2013-14 (₹ 255.33 crore) and 2014-15 (₹ 474.07 crore).

The persistent excess expenditure indicated that there was lack of concerted efforts by I&PH department and previous year trends were not taken into account while allocating the funds to avoid excess expenditure year after year.

2.3.1.3 Expenditure without Provision

As per the Himachal Pradesh Budget Manual (HPBM), expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that in 20 cases detailed in **Appendix 2.4**, the expenditure of ₹ 35.80 crore was incurred without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Expenditure in excess of appropriation or without appropriations is indicative of lapses in budgetary control mechanism and is also irregular as has been incurred without its approval in State Legislature.

2.3.1.4 Inadequate/Unnecessary / Excessive supplementary provisions resulting in excess expenditure

Supplementary grant aggregating ₹ 343.99 crore (**Appendix 2.5**) obtained in six cases, exceeding ₹ one crore in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision. Supplementary provision of ₹ 5,967 crore obtained in seven cases (more than ₹ one crore in each case) proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 1,011.84 crore (**Appendix 2.6**). Of the uncovered excess, ₹ 966.83 crore (96 per cent) was incurred under grant number 29- Finance (Capital- Charged) by the Finance Department.

2.3.2 Excessive / unnecessary/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings / excess of over ₹ one crore in 54 sub-heads (**Appendix 2.7**). Of these,

excess / savings of more than ₹ 10 crore occurred in 13 sub-heads. Further, there was an excess expenditure of ₹ 9.14 crore under Grant No. 11- Agriculture under the head 2415-01-004-02 (Grants-in-aid to Himachal Pradesh Krishi Vishav Vidyalya for Research) where the re-appropriation of ₹ 16.34 crore proved to be insufficient.

2.3.3 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 23 sub-heads (**Appendix 2.8**), expenditure exceeding ₹ 10 crore constituting more than 50 per cent of the total expenditure for the year was incurred in the month of March 2015. 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 2.2**.

Table 2.2: Cases of Rush of Expenditure towards the fag end of the financial year 2014-15
(₹ in crore)

Sr. No.	Major Head (Voted/Charged)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2015	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2245 (Voted)-Relief on account of Natural Calamities	164.35	92.76	56	12.33	8
2.	2801(Voted)-Power	403.78	330.00	82	330.00	82
3.	4216(Voted)-Capital Outlay on Housing	16.52	11.05	67	11.05	67
4.	4701(Voted)-Capital Outlay on Medium Irrigation	22.91	22.81	99	22.81	99
5.	4705 (Voted)-Capital Outlay on Command Area Development	18.74	15.29	82	15.29	82
6.	5054 (Charged)-Capital Outlay on Roads and Bridges	21.49	16.08	75	16.08	75
Total		647.79	487.99	75	407.56	63

Source: Information compiled by Accountant General (Accounts & Entitlement) office

2.3.4 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit showed that in 30 cases, savings exceeded by ₹ one crore in each case and by more than 20 per cent of the total provision (**Appendix 2.9**) in three cases. Out of the total saving of ₹ 1,510.90 crore, substantial saving of ₹ 1,228.60 crore (81 per cent) was in four cases alone relating to four grants where saving was more than ₹ 100 crore in each case as indicated in **Table 2.3**.

Table 2.3: List of grants with savings of more than ₹ 100 crore
(₹ in crore)

Sr. No.	Number and name of the Grant	Total provision	Actual Expenditure	Savings (percentage)	Schemes with substantial savings
Revenue-Voted					
1.	08-Education	4,086.12	3,700.75	385.37(9)	Middle School: 221.64 Secondary School: 38.21
2.	09- Health and Family Welfare	1,247.36	1,095.47	151.89(12)	Urban Health: 38.36 Provision under National Rural Health Mission: 46.72
3.	20-Rural Development	948.43	838.57	109.86(12)	MGNREGS: 20.17
4.	29-Finance	3,546.79	2,965.31	581.48(16)	Superannuation from 01-11-1966: 92.37 Payment from 01-11-1966: 57.00 Payments from 01-11-1966 Gratuities: 129.96
Total		9,828.70	8,600.10	1,228.60	

Source: Appropriation Accounts
Figures in parenthesis indicate percentage.

Reasons for substantial savings (shortfall in utilization) against Grants No. 09-Health and Family Welfare, 20-Rural Development and 29-Finance were not assigned (September 2015) by the State Government.

2.3.4.1 Persistent savings

In eight cases, there were persistent savings of more than ₹ one crore each year during the last five years as per the details given in **Table 2.4**.

Table 2.4: List of grants with persistent savings during 2010-15

Sr. No.	Grant number and name	Amount of Savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
(₹ in crore)						
Revenue-Voted						
1.	03-Administration of Justice	16.51	15.96	14.78	16.71	4.52
2.	08-Education	33.53	205.11	119.99	342.46	385.37
3.	15-Planning and Backward Area Sub-Plan	7.78	9.43	6.89	13.44	11.61
4.	20-Rural Development	4.06	75.07	72.69	60.04	109.86
Capital-Voted						
5.	10-Public Works-Roads, Bridges and Buildings	1.58	51.22	45.41	77.21	11.83
6.	29-Finance	1.84	1.67	5.07	4.52	5.49
7.	31-Tribal Development	1.67	12.55	8.54	45.42	7.17
8.	32-Scheduled Caste Sub-Plan	18.49	2.39	61.22	83.63	9.27

Source: Appropriation Accounts

A significant portion of savings under Grant No. 8-Education had occurred under Middle School during 2012-13 (₹ 81.44 crore), 2013-14 (₹ 204.90 crore) and 2014-15 (₹ 221.64 crore). This indicated inadequate financial control.

2.3.4.2 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 34 sub-heads (**Appendix 2.10**) on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 291.30 crore in these 34 schemes, ₹ 215.04 crore (74 per cent) were surrendered, which included cent per cent surrender in 17 schemes (₹ 72.23 crore) (**Appendix 2.11**). Of the 17 schemes, substantial surrenders were made under 'Scholarships to Minority Community Students' (Centrally Sponsored Scheme) (₹ 3.29 crore) under Grant No. 08-Education, 'Expenditure on Maintenance of Roads under Thirteenth Finance Commission Award' (₹ 41.62 crore) under Grant No. 10-Public Works-Roads, Bridges and Buildings and 'Assistance to Electricity Board' (₹ 12.59 crore) and 'Expenditure on creation of State Art Industries (₹ 3.77 crore)' under Grant No. 32-Scheduled Caste Sub-Plan.

Further, in 16 cases, there was surrender of more than ₹ 10 crore each involving ₹ 1,648.74 crore on 31 March 2015 (**Appendix 2.12**). Surrender of funds on the last working day of March 2015 indicated inadequate financial control leading to non-utilisation of funds for other developmental purposes in the needy areas.

2.3.4.3 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 latest by 15 January by the spending Department. It was, however, noticed that in the following grants, out of total savings of ₹ 651.70 crore, only ₹ 474.71 crore was surrendered as detailed in **Table 2.5**.

Table 2.5: Cases of saving of ₹one crore and above not surrendered
(₹ in crore)

Sr. No.	Number and name of Grant	Saving	Surrender	Saving which were not surrendered
Revenue-Voted				
1.	07-Police and Allied Organisations	9.14	8.83	0.31
2.	14-Animal Husbandry, Dairy Development and Fisheries	6.72	5.45	1.27
3.	18-Industries, Minerals, Supplies and Information Technology	5.20	3.08	2.12
4.	29-Finance	581.48	428.49	152.99
Capital-Voted				
5.	09-Health and Family Welfare	6.44	5.23	1.21
6.	10-Public Works-Roads, Bridges and Buildings	11.83	9.95	1.88
7.	13-Irrigation, Water Supply and Sanitation	8.96	8.62	0.34
8.	29-Finance	5.49	5.06	0.43
9.	31-Tribal Development	7.17	-	7.17
10.	32-Scheduled Caste Sub-Plan	9.27	-	9.27
Total		651.70	474.71	176.99

As evident from above table, despite large amount of savings sufficient surrenders were not made under grant numbers 18-Industries, Minerals, Supplies and Information Technology: ₹ 2.12 crore (Revenue-Voted) and 29- Finance: ₹ 152.99 crore (Revenue-Voted). Further, no surrenders were made against sufficient savings under grant numbers 31-Tribal Development (Capital-Voted) and 32-Scheduled Caste Sub-Plan (Capital-Voted).

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, the amounts drawn were neither spent for the specific purposes nor refunded into treasury before closure of financial year 2014-15.

Executive Engineers (EEs) of six⁴ divisions of Irrigation and Public Health (I&PH) and Public Works (PW) departments drew (March 2013 and March 2014) ₹ 58.79 crore for execution of 52 works⁵ and simultaneously transferred the funds to

⁴ Hamirpur: ₹ 36.50 crore; Paonta Sahib: ₹ 6.77 crore; No. 1 Una (I&PH): ₹ 5.55 crore and Dalhousie: ₹ 1.10 crore; Dharmi: ₹ 6.24 crore and Hamirpur (PW): ₹ 2.63 crore.

⁵ Construction of (C/o) Medium Irrigation Project Nadaun Area (one); Channelisation of Bata-River Phase-I (one); C/o and augmentation of LIS, LWSS and WSS (10); Flood Protection Work and Channelisation (two); Installation of Hand Pump (one) (I&PH) and Special repair/ annual surfacing/annual repair and maintenance/improvement/upgradation of roads (six); C/o roads (six); C/o office /circuit house/rest house/training centre buildings/accommodation/parking (15) and other Miscellaneous developmental works (10) (PW).

other divisions (I&PH and PW) and sub-divisions⁶ (I&PH and PW) under their control. In the financial year 2014-15, the amount of ₹ 11.79 crore was received back from the divisions (I&PH and PW) between May 2013 and June 2014 and was kept under the deposit head. The sub-divisions (I&PH and PW) also kept (March-May 2014) the amount of ₹ 47.00 crore under the deposit head.

It was further noticed that the concerned EEs could not utilise the whole amount and funds aggregating ₹ 30.80 crore⁷ remained unutilised (October 2014 and March 2015) with them under deposit head. Funds were drawn by the EEs at the fag end of financial year to avoid lapse of budget grant. The EEs admitted the facts (October 2014- March 2015).

Drawal of funds for expenditure and keeping it in deposit head weakens the budgetary control mechanism as it is booked as expenditure in State accounts whereas the amount is yet to be spent.

2.3.6 Parking of funds outside Government account

Rule 2.10 (b) (5) of Himachal Pradesh Financial Rules stipulates that no money should be drawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance and it is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take a considerable time. The Drawing and Disbursing Officers (DDOs) were not authorised by any general or specific rules to deposit unutilised funds in banks.

Scrutiny of records of three DDOs of Women and Child Development and Rural Development departments revealed that ₹ 1.18 crore were drawn in 2007-08, 2012-13 and 2013-14 by these DDOs for purchase of utensils, Pre-School Kit, Water Storage tank, Incentive grant to Mahila Mandals, etc. Due to inability of the departments to spend the amount, the whole amount of ₹ 1.18 crore were lying unutilised in the banks as of November and December 2014 as per details given in the **Appendix 2.13**. The concerned DDOs stated (November 2014 and January 2015) that the unspent amounts lying in the banks would be utilised shortly. The replies were not acceptable as some of the funds were lying in the banks for the last six and half years.

2.4 Pendency in submission of Detailed Contingent Bills

As per Rules 5.74 and 5.75 of Himachal Pradesh Treasury (HPT) 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 and in order to obviate chances of advances of one

⁶ No. II Una (I&PH): ₹ 5.55 crore; No. III Shimla (PW): ₹ 6.24 crore; Majra and Paonta (I&PH): ₹ 6.77 crore; Hamirpur (I&PH): ₹ 36.50 crore; Dalhousie (PW): ₹ 1.10 crore and Hamirpur (PW): ₹ 2.63 crore.

⁷ Hamirpur: ₹ 17.29 crore; Paonta Sahib: ₹ 4.38 crore; No. I Una (I&PH): ₹ 3.92 crore; Dalhousie: ₹ 0.76 crore; Dhami: ₹ 1.97 crore and Hamirpur (PW): ₹ 2.48 crore.

financial year spilling over to another, no advance shall be granted in the month of March. In the State, out of ₹ 47.78 crore drawn on AC bills upto March 2015 by 11 DDOs, the total amount of Detailed Countersigned Contingent (DC) bills received upto 31 May 2015 was only ₹ 1.83 crore resulting in an outstanding balance of ₹ 45.95 crore which was 96 per cent of the total AC bills drawn upto March 2015. Year-wise and department-wise details are given in **Appendix 2.14**.

Further, the Health and Family Welfare Department was selected in audit for detailed scrutiny of AC/DC Bills. Information collected (May 2015) and further scrutiny (September 2015) of records of Health and Family Welfare Department revealed that during the years 2012-14, 25 AC bills amounting to ₹ 11.91 crore were drawn for purchase of medicines in favour of Managing Director, Himachal Pradesh State Civil Supplies Corporation Limited, Shimla and 13 AC bills amounting to ₹ 13.98 crore were drawn and released to 13 Chief Medical Officers (CMOs) (Indenting Officers) on closing day of the financial year 2014-15. The AC Bills were lying unadjusted as of 31 August 2015, which was contrary to the HPT Rules. The details are as follows in **Table 2.6**.

Table 2.6: Abstract Contingent bills lying unadjusted as of August 2015

(₹ in crore)

Sr. No.	Year	Number of AC bills	Date and Month of drawal of AC bills	Amount
1.	2012-13	16	30-03-2013	11.25
2.	2013-14	9	December 2013 and February 2014	0.66
3.	2014-15	13	31-03-2015	13.98
	Total	38		25.89

The department had drawn AC bills during the years 2012-13 and 2013-14 without adjusting the first advance which was also not in accordance with the rules *ibid*.

On this being pointed out the department while accepting the facts stated (September 2015) that due to non-receipt of final adjustment account of medicines against the advances paid to the Himachal Pradesh State Civil Supplies Corporation and concerned offices, the department could not adjust the same. The reply was not acceptable as the advances were made by the department at the fag end of financial years 2012-13 and 2014-15 by exhausting whole year and further sanctioned advance in the year 2013-14 without adjusting the first. Thus, the department failed to follow specified internal control measure as laid down in the HPT Rules.

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 showed that there were 109 PDAs in 15 District Treasuries at the beginning of the year 2014-15. Out of these 109 PDAs, 11 PDAs were closed and 15 PDAs were opened during the

year. The position of balances lying in these 113 accounts as on 31 March 2015 is given as under:

- 100 PDAs having balance of ₹ 360.80 crore had been in operation during the year.
- 13 PDAs involving an amount of ₹ 0.20 crore remained inoperative during the current year. These PDAs also remained inoperative over the past five years.

Unspent balances lying in PDAs are required to be transferred back to the Consolidated Fund. There were unspent balances of ₹ 361 crore in 113 PDAs (**Appendix 2.15**) which require investigation.

2.6 Outcome of Review of Selected Grant

A review of budgetary procedure and control over expenditure in respect of grant number 13⁸-Irrigation, Water Supply and Sanitation was conducted (July 2015) and 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 2014-15 is given in **Table 2.7**.

Table 2.7: Position of funds allocated and expenditure incurred during 2014-15

	Total Grant	Expenditure incurred	Excess (+)/Savings (-)
Revenue Section	1,699.84	2,173.90	474.06
Capital Section	532.40	523.13	(-) 9.27
Total	2,232.24	2,697.03	464.79

Source: Appropriation Accounts

2.6.2 Excess over the budget provisions due to un-realistic estimation

Against the provision of ₹ 1,699.84 crore under seven Major Heads (**Table- 2.8**), an expenditure of ₹ 2,173.90 crore was incurred during 2014-15. This resulted in excess expenditure of ₹ 474.06 crore. It was observed that the huge excess was mainly due to accumulation of ₹ 416.79 crore under Suspense Heads (Suspense Stock: ₹ 257.70 crore, Stock Manufacture: ₹ 7.46 crore and Miscellaneous Public Works Advances: ₹ 151.63 crore) under Major Heads 2215 and 2711. This is indicative of inefficient planning and unrealistic estimation. Excess expenditure of ₹ 474.06 crore over the Voted provision in Revenue Section requires regularisation.

⁸ Including major heads 2059-Public Works, 2215-Water Supply and Sanitation, 2216-Housing, 2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation, 2711-Flood Control and Drainage under Revenue Section and 4215-Capital Outlay on Water Supply and Sanitation, 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 and Drainage in Capital Section.

Table 2.8: Excess over the budget provisions

(₹ in crore)

Sr. No.	Major head	Total budget provision				Expenditure	Excess (+)/ Saving (-) over total provision
		Original	Supplementary	Re-appropriation	Total		
Revenue Section-Voted							
1.	2.	3.	4.	5.	6.	7.	8.
1.	2059-Public Works	0.64	-	-	0.64	0.62	(-) 0.02
2.	2215-Water Supply and Sanitation	1,152.45	-*	10.74	1,163.19	1,511.89	348.70
3.	2216-Housing	0.04	-	-	0.04	0.04	-**
4.	2700-Major Irrigation	18.66	-	(-) 3.79	14.87	13.69	(-) 1.18
5.	2701-Medium Irrigation	10.76	-	0.71	11.47	11.49	0.02
6.	2702-Minor Irrigation	512.11	-	(-) 61.23	450.88	465.56	14.68
7.	2711-Flood Control and Drainage	5.18	-***	3.79	8.97	170.61	161.64
Total		1,699.84	-	(-) 49.78	1,650.06	2,173.90	523.84

* ₹4,000 only ** ₹13,130 only *** ₹1,000 only

Assistant Controller (F&A) stated (July 2015) that excess expenditure under Major Heads 2215 and 2711 was due to booking of material under suspense heads and shall be regularised shortly. The reply was not acceptable as the expenditure should not have been incurred without the budget provision.

2.6.3 Inadequate supplementary provision

Against the requirement of additional provision of ₹ 525.04 crore under four Major Heads (Table 2.8) supplementary provision of negligible amount of ₹ five thousand was obtained by the Department. This is indicative of unrealistic estimation.

No concrete reasons for unrealistic estimation were furnished by the Department.

2.6.4 Injudicious re-appropriation

During 2014-15, the re-appropriation of ₹ 14.53 crore under Major Heads (2215 and 2711) proved insufficient as the expenditure exceeded by ₹ 510.34 crore against the original provision of ₹ 1,157.63 crore. Further, withdrawal of ₹ 61.23 crore under Major Head 2702-Minor Irrigation by obtaining re-appropriation was injudicious, as there was ultimate savings of ₹ 46.55 crore.

Assistant Controller (F&A) stated (July 2015) that the excess expenditure under Major Heads 2215 and 2711 was due to booking of material under suspense heads and under Major Head 2702 was due to payment of salary to the employees. The reply was not acceptable as the expenditure should not have been incurred without making the budget provision under Major Heads 2215 and 2711 and the funds should have been surrendered under the Major Head 2702 keeping in view the future requirement.

2.6.5 Surrender of funds

(i) Under Revenue Section of the grant, an expenditure of ₹ 2,173.90 crore was incurred against the provision of ₹ 1,699.84 crore during 2014-15 resulting in excess

expenditure of ₹ 474.06 crore (Table 2.7). However, the department incorrectly surrendered (March 2015) ₹ 49.78 crore against excess expenditure of ₹ 474.06 crore.

(ii) Under Capital Section of the grant, against the provision of ₹ 532.40 crore, an expenditure of ₹ 523.13 crore was incurred during 2014-15 resulting in savings of ₹ 9.27 crore (Table 2.7). However, the department surrendered (March 2015) ₹ 8.62 crore resulting in less surrender of ₹ 0.65 crore.

Incorrect/less surrender of ₹ 49.78 crore and ₹ 0.65 crore indicated deficient financial management.

2.6.6 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 2014-15, as per details tabulated below:

Table 2.9: Rush of expenditure

(₹ in crore)					
Month	Expenditure	Quarter	Prescribed norm of expenditure during the quarter (Percentage)	Quarterly expenditure	Percentage of actual expenditure
April/2014	18.04	1 st	20	386.19	14
May/2014	216.44				
June/2014	151.71				
July/2014	137.87	2 nd	25	502.73	19
August/2014	202.94				
September/2014	161.92				
October/2014	212.87	3 rd	30	606.28	22
November/2014	188.93				
December/2014	204.48				
January/2015	217.36	4 th	25	1,201.83	45
February/2015	228.75				
March/2015	755.72				
Total	2,697.03			2,697.03	

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

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 2014-15 as 45 per cent and during the month of March 2015 alone it was 28 per cent (₹ 755.72 crore) of the total expenditure (₹ 2,697.03 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.

2.6.7 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 25th October and 1st 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 for 2014-15 on 24th December 2013 and 11th February 2015 causing thereby a delay of 60 days and 72 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 2014-15.

Assistant Controller (F&A) stated (July 2015) that the reasons for delay was time taken in receipt of expenditure statement from various field units. The reply shows lack of internal control in the department.

2.7 Outcome of Inspection of Treasuries

2.7.1 Excess payment of Pensionary benefits

During inspection of District Treasuries/Treasuries/Sub-treasuries by the office of the Accountant General (A&E) for the year 2013-14, the test-check of pension payment records showed that six District Treasury Officers and two Treasury Officers had made overpayment to the extent of ₹ 9.81 lakh to 17 pensioners and family pensioners as per detail given in **Table 2.10**. The excess payment had occurred due to non-reduction/early restoration of commuted portion of pension of the concerned pensioners and authorisation of family pension after attaining the age of 25 years, marriage of family pensioner and payment of enhanced family pension after prescribed period.

Table 2.10: Excess payment of pensionary benefits (on account of Commutation/Family Pension) during 2013-14 (Inspection Reports issued in 2014-15)

(₹ in lakh)

Sr. No.	Name of District Treasury (DT)/ Treasury/Sub-Treasury (ST)	Nature of overpayment	Number of cases	Payment		
				Through Bank	Through Treasury(Th T)	Treasury-wise Total
1	2	3	4	5	6	7
1.	DT, Kangra	Commutation	3	--	Th T	1.51
2.	DT, Kinnaur at Reckong peo	Family Pension	1	--	Th T	1.04
3.	DT, Kullu	Commutation Family Pension	2 1	--	Th T Th T	1.83
4.	DT, Keylong	Commutation	2	--	Th T	0.49
5.	DT, Solan	Family Pension	3	--	Th T	0.35
6.	DT, Una	Commutation	2	--	Th T	3.52
7.	Treasury, Kaza	Family Pension Pension	1 1	--	Th T Th T	0.87
8.	ST, Dodra-Kwar	Family Pension	1	--	Th T	0.20
Total			17	--		9.81

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2014-15 prepared by Accountant General (A&E)

2.7.2 Excess drawal of funds over Letter of Credit

In accordance with the provisions envisaged in Rule 5.121(a) of Himachal Pradesh Treasury Rules 2007, necessary instructions shall be issued by the District Treasury Officer/Treasury Officer to the bank concerned not to accept any cheque issued by an officer of the Public Works/I&PH departments who has exceeded the limit stipulated in the Letter of Credit (LOC). Fresh instructions are required to be issued to honour the cheque as soon as further amount of LOC is placed at the disposal of the LOC holder.

During local inspection of treasuries, it was noticed that an amount of ₹ 9.45 crore was drawn in excess of the prescribed LOC limit by 12 cheque drawing DDOs in eight District Treasuries/Sub-Treasuries (**Table 2.11**). Thus, the drawal of funds in excess of LOC limit rendered the system of budgetary control ineffective.

Table 2.11: Excess drawal of funds over LOC (Inspection Reports issued in 2014-15)
(₹ in lakh)

Sr. No	Name of District Treasury (DT)/Sub-Treasury (ST)	Amount of excess drawal	Name of DDO's
1.	DT, Kangra at Dharamshala	5.20	EE, NH, PWD, Nurpur
2.	ST, Nurpur	45.89 2.17	EE, I&PH, Nurpur EE, Phina Singh MIP Divn., Sadwan, Nurpur
3.	ST, Kasba Kotla	578.59	EE, SNPDP, Terrace, Distt. Kangra
4.	DT, Shimla	0.46	EE, Hydel Construction and Maintenance Division, Shimla
5.	ST, Jubbal	8.34	EE, PWD, Jubbal
6.	ST, Rohru	90.00	EE, PWD, Rohru
7.	ST, Chirgaon	12.11	AE, PWD, Chirgaon
8.	DT, Sirmour at Nahan	62.54 10.67 45.00 84.27	EE, PWD, Nahan EE, PWD, Paonta Sahib EE, PWD, Rajgarh EE, I&PH, Paonta Sahib
Total		945.24 lakh or say 9.45 crore	12 DDOs

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2014-15 prepared by Accountant General (A&E)

2.7.3 Drawal of cheques after expiry of currency period

In accordance with the provisions contained in Rules 2.16 of Himachal Pradesh Financial Rules, 1971 (Volume-I) and 5.16.1 of Himachal Pradesh Treasury Rules, 2007, the cheques remain current for three months after the month of issue. The Finance Department vide letter dated 7th November, 2008 and 12th November, 2008 adopted modified system of Letter of Credit (LOC) which provides that the cheques presented in banks on or after 1st December, 2008 shall not be paid by the bank until those are passed by the Treasury.

During local inspection of District Treasuries/Treasuries, it was noticed that in two cases, payment amounting to ₹ 5.95 lakh was drawn after expiry of currency period of cheques as per detail given in **Table 2.12**.

Table 2.12: Drawal of cheques after expiry of currency period (Inspection Reports issued in 2014-15)
(in ₹)

Sr. No.	Name of District Treasury (DT)/Sub-Treasury (ST)	Amount of Cheque	Number of Cases	Name of DDO
1.	ST, Dehra	24,300/-	1	AE, I&PH, S/Div., Dada Siba
2.	DT, Shimla	5,70,593/-	1	AE, I&PH, S/Div., Theog
	Total	5,94,893/- or say 5.95 lakh		

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2014-15 prepared by Accountant General (A&E)

2.8 Conclusion and Recommendations

The overall excess of ₹ 74.79 crore registered under grants/appropriation during the year 2014-15 was the net result of excess of ₹ 1,585.69 crore offset by savings of ₹ 1,510.90 crore. The excess expenditure of ₹ 1,585.69 crore of 2014-15 in addition to ₹ 5,055.89 crore for the years 2009-14, requires regularisation of the State Legislature.

The State Government should ensure timely submission of explanations for excess expenditure.

Supplementary provision aggregating ₹ 343.99 crore obtained in six cases (₹ One crore or more in each case) during the year 2014-15 proved unnecessary as original provisions were sufficient to meet the expenditure and in seven cases, supplementary provision of ₹ 5,967 crore (more than ₹ one crore in each case) proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 1,011.84 crore.

The State Government may fine tune the mechanism for preparation of budget estimates so as to avoid large savings/excesses.

In 16 cases, ₹ 1,648.74 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case). There were instances of injudicious re-appropriations, which resulted in excess / savings of over ₹ One crore under 54 sub-heads. Rush of expenditure in the last quarter of the financial year indicated lack of budgetary control in the departments. AC bills amounting to ₹ 45.95 crore drawn during 2010-15 remained unadjusted as of May-July 2015 due to non-submission of DC bills. An amount of ₹ 9.45 crore was drawn in excess of the prescribed Letter of Credit limit by 12 cheque drawing DDOs in eight District Treasuries/sub-treasuries.

The State Government may ensure surrendering of savings by stipulated date for their effective utilisation by needy departments. Expenditure should be planned and incurred in a manner to avoid rush of expenditure at the end of the year. The State Government should take initiatives for speedy submission of DC bills against the amount drawn on Abstract Contingent Bills within the timeframe as stipulated in the extant rules. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.