

CHAPTER - III

Budgetary Management

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BUDGETARY MANAGEMENT

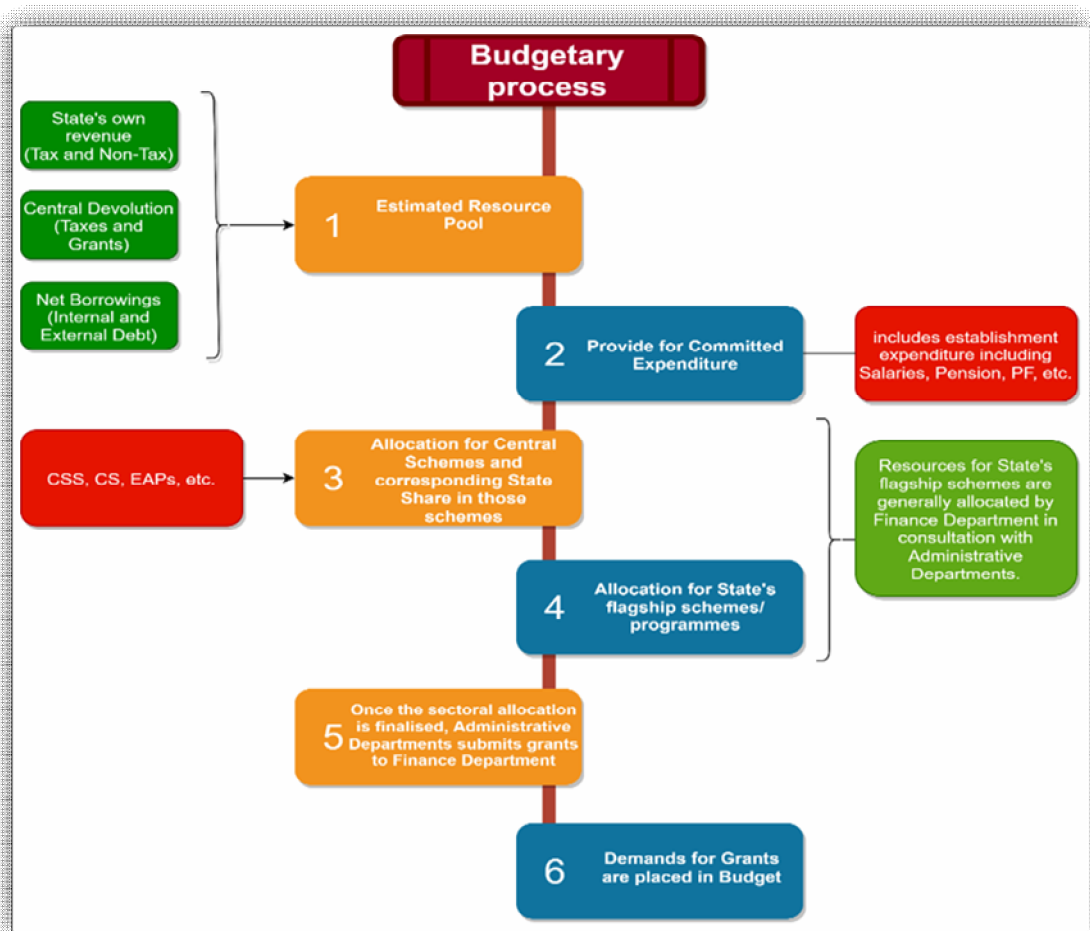
This Chapter deals with the integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants, and the concomitant financial management, assessing whether decisions taken at the policy level are implemented at the administrative level without diversion of funds.

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Uttar Pradesh Budget Manual (UPBM) specifies the Budget preparation process for the Government of Uttar Pradesh.

As per Para 8 of UPBM, the Finance Department is responsible for the preparation of the annual budget. The Heads of Departments and other estimating officers prepare the estimates for each head of account with which they are concerned and forward these to the Finance Department. The budget is prepared on the basis of the material furnished by the departmental officers and the administrative departments of the Secretariat. The budget preparation process is given in **Chart 3.1**.

Chart 3.1: Budget preparation process

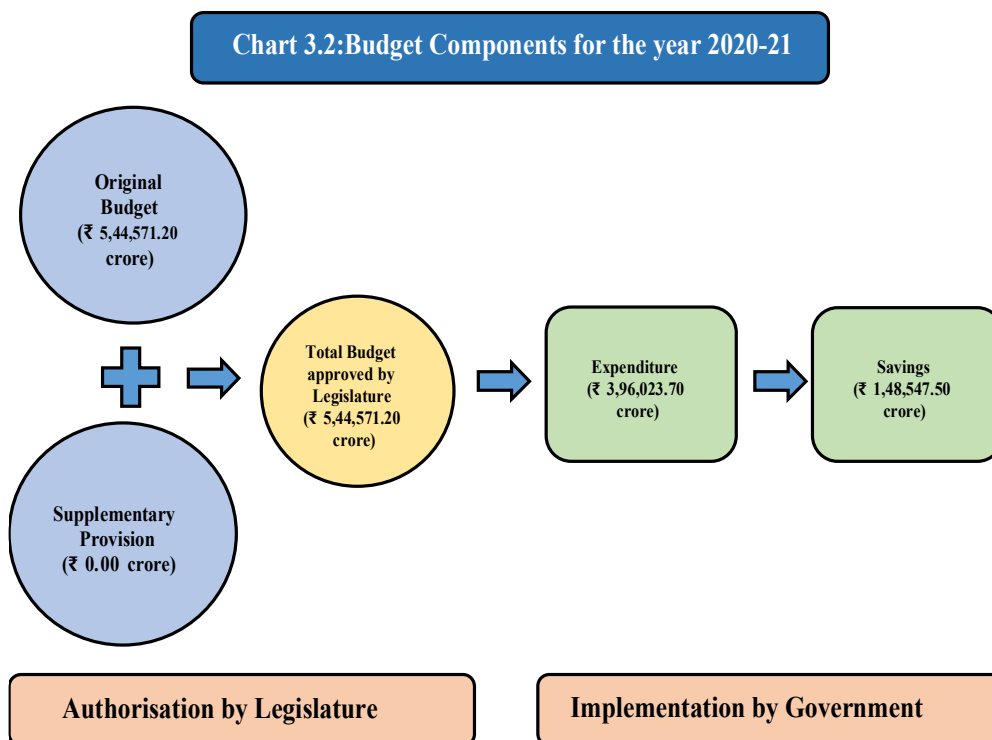


CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAPs: Externally Aided Projects.

After the finalisation of the Budget with the inclusion of provision therein for new expenditure, it is presented, under Article 202 of the Constitution, to both the Houses of the State Legislature on the recommendation of the Governor. After the Grants have been voted by the Legislative Assembly, a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the Voted as well as the Charged expenditure is introduced in the Legislative Assembly. When the Appropriation Bill is passed by both the Houses of the Legislature and it has also received the assent of the Governor, the amounts shown therein can be expended during the financial year concerned.

Article 205 of the Constitution of India prescribes that a Supplementary Grant or Appropriation over the provisions passed in the Appropriation Act for the year can be made during the current financial year to meet expenditure where provisions of the Appropriation Act is found to be insufficient, or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the original budget, or if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within the same Grant or Charged Appropriation. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure on existing service under another unit within the same section (*viz.*, Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. The various components of budget for the year 2020-21 are depicted in **Chart 3.2**.



Source: Uttar Pradesh Annual Financial Statement and Appropriation Accounts for the year 2020-21.

Appropriation Accounts depict the original budget provision, 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 under Articles 204 and 205 of the Constitution of India in respect of both Charged and Voted items of budget. 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 law, relevant rules, regulations and instructions.

3.1.1 Summary of total provisions, actual expenditure and savings during 2020-21

Summarised position of total budget provisions, expenditure and savings are given in **Table 3.1**.

Table 3.1: Budget provision, expenditure and savings during 2020-21

(₹ in crore)

	Total Budget provision		Expenditure		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	3,45,100	64,127	2,63,323	39,047	81,777	25,080
Capital	1,00,407	34,937	66,856	26,798	33,551	8,139

Source: Appropriation Accounts 2020-21

During the financial year 2020-21, the actual expenditure was substantially lower than the budget provisions both under Revenue and Capital Sections which witnessed savings of 26.11 per cent and 30.80 per cent. The total expenditure against the budget provision was 76.30 per cent in Revenue Voted section, 60.89 per cent in Revenue Charged section, 66.58 per cent in Capital Voted section and 76.70 per cent in Capital Charged section of Grants/Appropriations.

3.1.2 Charged and Voted expenditure

Break-up of total expenditure into Charged and Voted and savings thereon during the period 2016-21 is detailed in **Table 3.2**.

Table 3.2: Expenditure under Voted and Charged during the period 2016-21

(₹ in crore)

Year	Revenue				Capital			
	Expenditure		Savings		Expenditure		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2016-17	2,01,666	38,072	28,724	510	89,186	20,309	14,129	4,767
2017-18	2,26,083	41,806	59,686	4,111	51,973	15,014	23,000	6,972
2018-19	2,47,287	58,976	51,703	433	82,792	20,729	27,377	9,838
2019-20	2,66,083	35,367	64,113	22,640	75,556	22,420	27,637	12,993
2020-21	2,63,323	39,047	81,777	25,080	66,856	26,798	33,551	8,139

Source: Appropriation Accounts of respective years

Table 3.2 shows that during the period 2016-20, the expenditure under Revenue Voted Section has consistently risen from ₹ 2,01,666 crore during the year 2016-17 to ₹ 2,66,083 crore up to the year 2019-20 which decreased marginally to ₹ 2,63,323 crore in the year 2020-21. However, savings under Revenue Voted section has increased from 14.24 per cent in 2016-17 to 31.06 per cent in the year 2020-21, which is reflecting widened gap between planning and execution.

Similarly, expenditure under Capital Voted section was volatile during the period 2016-21 and it was highest during the year 2016-17 and lowest during the year 2017-18. During the year 2020-21, the expenditure under Capital Voted Section was ₹ 66,856 crore which was 11.51 per cent less than the expenditure during 2019-20.

3.2 Comments on integrity of budgetary and accounting process

Deviations from prescribed budgetary and accounting process procedures are discussed in this section.

3.2.1 Excess expenditure and its regularisation

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution.

Audit noticed that there was an excess disbursement of ₹ 8.10 crore over the authorisation made by the State Legislature under two Grants and one Appropriation during the financial year 2020-21 as detailed in **Table 3.3**.

Table 3.3: Excess disbursement over the authorisation from the Consolidated Fund of State during the year 2020-21

(₹ in crore)			
Description of grant/ appropriation	Total grant/ appropriation	Actual Expenditure	Excess disbursement
57-Public Works Department (Bridges)- Revenue Voted	575.31	575.54	0.23
55- Public Works Department (Buildings)-Capital Voted	52.14	58.56	6.42
55- Public Works Department (Buildings)-Capital Charged	0.70	2.15	1.45
Total			8.10

Source: Appropriation Accounts 2020-21

As disclosed in the Appropriation Accounts 2020-21, the reason for excess expenditure was not intimated by the State Government. The excess expenditure over the budgetary provision was indicative of ineffective monitoring on the part of budget controlling authority while preparing both Budget Estimates. The excess disbursement needs to be regularised through the State Legislature.

3.2.1.1 Regularisation of excess expenditure of previous financial years

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service, then for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Para 137 of UPBM lays down that if after the close of the year, it is revealed that any expenditure was incurred under any Grant or Charged Appropriation in excess of the total appropriation for that year under that Grant or Charged Appropriation, the excess expenditure should be regularised, on the basis of the recommendation of the Committee on Public Accounts, by presenting to the Legislative Assembly demands for excess grants as required under Article 205(1)(b) of the Constitution.

Excess disbursements amounting to ₹ 32,525.36 crore under 102 grants and 47 appropriations pertaining to the years 2005-06 to 2019-20, as commented

in the Appropriation Accounts of respective years, are yet to be regularised by the State Legislature as detailed in **Table 3.4**.

Table 3.4: Excess expenditure of previous financial years**(₹ in crore)**

Year	Description of Grant/ Appropriation	Amounts of excess expenditure required to be regularised
2005-06	Revenue Voted- 8,12,53,55,57,58,72 Capital Voted-15,16,18,23, 33, 34,37,38,40, 55,56, 57,58,73,75,96 Revenue Charged-1,52; Capital Charged-52,55	869.05
2006-07	Revenue Voted-9,13,55,58,61,62,73,91,95 Capital Voted-3,16,31, 37, 55,57,58,89,96 Revenue Charged-2,3,10,52,62,89	2,484.47
2007-08	Revenue Voted-51,55,57,58,62; Capital Voted-13,16,55,58,63,83,96 Revenue Charged-51,66	3,610.65
2008-09	Revenue Voted-62,96; Capital Voted-55,58,96 Revenue Charged-52	3,399.42
2009-10	Revenue Voted-58; Capital Voted-1,16,55,58,59 Revenue Charged-3,10,16,48,52,66	1,250.16
2010-11	Revenue Voted-30,51,91; Capital Voted-10,55,58 Revenue Charged-10,23,61,82	1,702.62
2011-12	Revenue Voted-21,62,91; Capital Voted-1,55,58 Revenue Charged-13,18,23,61,62,82	1,889.66
2012-13	Revenue Voted-51,57; Capital Voted-55,58 Revenue Charged-55,62,89	2,380.23
2013-14	Capital Voted - 55, 58 Capital Charged - 52	2,608.18
2014-15	Revenue Voted - 57,91; Capital Voted -1,40,55,57,58 Revenue Charged -13	2,225.32
2015-16	Capital Voted - 55,57,58,87 Revenue Charged - 2,23,52,62	1,566.71
2016-17	Capital Voted - 55,58,87 Revenue Charged - 89; Capital Charged – 61	5,662.17
2017-18	Revenue Voted- 62; Capital voted-55 Revenue Charged-91; Capital Charged-58	1,337.17
2018-19	Revenue Voted -57; Capital Voted – 55, 57, 58 Revenue Charged – 52; Capital Charged – 10, 21, 55	1,539.44
2019-20	Capital Charged – 55	0.11
Total excess expenditure relating to previous years requiring regularisation		32,525.36

Source: Appropriation Accounts of respective years

Excess expenditure vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public money and its non-regularisation is an infringement of the constitutional provision. The excess expenditure over the authorisation and non-regularisation of excess expenditure have been regularly reported in previous State Finance Audit Reports of Uttar Pradesh. However, the cases of excess expenditure pertaining to the years 2005-06 to 2019-20 are yet to be placed before State Legislature for regularisation by the Finance Department. This is in violation of Articles 204 and 205 of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature.

3.2.2 Misclassification of expenditure

As per the Uttar Pradesh Budget Manual (UPBM), the classification of expenditure between Capital and Revenue is as follows:

(a) Capital Expenditure: Capital expenditure may be broadly defined as expenditure incurred with the object of increasing concrete assets of material and permanent character. Capital bears all charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority.

(b) Revenue Expenditure: Revenue expenditure is recurring in nature and is intended to be met from revenue receipts. Further, as per Indian Government Accounting Standard-2 (IGAS-2), expenditure on grants-in-aid is recorded as revenue expenditure in the books of the grantor and as revenue receipts in the books of recipients. Revenue expenditure also covers the expenses on maintenance and upkeep of capital projects.

However, misclassification of expenditure were noticed in a number of cases during the year 2020-21, as discussed in succeeding paragraphs:

3.2.2.1 Classification of Revenue Expenditure as Capital Expenditure

The Finance Department has adopted a list of Object heads as primary unit of appropriation showing economic nature of expenditure. As such, certain Object heads correspond only to Revenue nature of expenditure as they do not result in creation of assets as defined in UPBM. However, expenditures of revenue nature as summarised in **Table 3.5** were booked as Capital expenditure.

Table 3.5: Classification of Revenue expenditure as Capital Expenditure

(₹ in crore)				
Sl. No.	Object Head	Object Head Nomenclature	Major Head	Expenditure in 2020-21
1.	15	Maintenance of Vehicles and Purchase of Petrol etc.: This includes provision for petrol/diesel and maintenance related to motor vehicles for the use of government offices/ functional establishments/guest houses, etc. The expenditure on the arrangement of motor vehicles on the contract basis for government purpose is also included under this item.	4406	0.12
2.	16	Payment for commercial and special services: This includes expenses on legal/ expert services, fee for consultancy services, dues to examiners, etc.	4059 and 5054	11.44
3.	25	Minor construction works: As provided in Financial Hand Book Vol-VI para 314, works costing more than ₹ 1.00 lakh but not more than ₹ 2.00 lakh are minor works	4055, 4058, 4059, 4070, 4202, 4210, 4216, 4225, 4235, 4250, 4406, 4702, 4851 and 4853	74.39
4.	47	Computer Maintenance / Purchase of relevant Stationery: This includes expenditure on maintenance of computers and on the purchase of computer stationery, printer ribbon/cartridges etc.	4202 and 5054	0.62
Total				86.57

Source: Finance Accounts 2020-21

Thus, due to misclassification, expenditure of ₹ 86.57 crore has been booked as Capital expenditure instead of Revenue expenditure. This also resulted in understatement of Revenue Deficit of the State during 2020-21 by ₹ 86.57 crore.

3.2.2.2 Classification of Capital Expenditure as Revenue Expenditure

Certain Object heads can only be associated with capital nature of expenditure since assets are created from these provisions and need to be budgeted and accounted for accordingly. Audit scrutiny revealed that out of total expenditure of ₹ 83.28 crore under Object Head 14 – Purchase of Vehicle, ₹ 1.19 crore was classified under revenue expenditure instead of capital expenditure as summarised in **Table 3.6**.

Table 3.6: Classification of Capital expenditure as Revenue expenditure

(₹ in crore)				
Sl. No.	Object Head	Object Head Nomenclature	Major Head	Expenditure in 2020-21
1.	14	Purchase of Vehicles: This includes expenses on purchase of Motor vehicles for use of government offices/functional units/guest houses, etc.	2012 and 2014	1.19
Total				1.19

Source: Finance Accounts 2020-21

Revenue Deficit of the State during the year 2020-21 was overstated by ₹ 1.19 crore due to misclassification of expenditure under Object Head 14 – Purchase of Vehicle.

3.2.3 Lump sum budgetary provisions

Availability of reliable, relevant and timely information about the institutional arrangements for public finance allows for the assessment of a Government's financial position and the true cost of government activities. Transparency is a means to strengthening governance.

As per Para 31 of UPBM, lump sum provisions should not, as a rule, be made in the estimates except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses of a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provisions proposed are required to be given in the budget note accompanying the lump sum estimates.

During the year 2020-21, lump sum provisions of ₹ 6,821.68 crore were made under various Heads of 22 Grants without indicating scheme details (**Appendix-3.1**). Out of these lump sum provisions, actual expenditure of ₹ 3,471.10 crore (50.88 *per cent* of the provision) was incurred.

In case of Capital (Voted) section of Grant No. 58-Public Works Department (Communications-Roads), the lump sum provisions of ₹ 2,396.50 crore were made for road works, which constituted 19.28 *per cent* of the budgeted provisions under Capital (Voted) section of the Grant. Out of this, the actual expenditure was ₹ 2,357.93 crore. Lump sum provisions without identifying the exact object of expenditure is against transparent budgetary practices.

3.2.4 Sub-Head/Detailed Head not created for accountal of Green Tax

The State Government did not create/operate distinct sub-head/detailed head for accountal of collected Green tax which resulted into receipt of ₹ 17.35 crore on account of Green Tax not being shown in the Government account distinctly and the collected revenue was also not utilised for intended purpose.

Uttar Pradesh Motor Vehicles Taxation (Amendment) Act 2014 provides that no motor vehicle other than a transport vehicle shall be used in any public place after the expiry of validity of registration under the Motor Vehicle Act, 1988 unless a Green Tax at the rate specified by a notification by the State Government has been paid in respect thereof. The purpose of Green Tax was to control environmental pollution and the revenue so collected was to be utilised for protection of environment. Government of Uttar Pradesh notified (January 2015) that Green Tax at the rate 10 *per cent* on onetime tax paid at the time of registration, would be payable at the time of renewal of registration of motor vehicle.

Information provided (October 2021) by Transport Commissioner, Government of Uttar Pradesh revealed that the Transport Department had realised Green Tax amounting to ₹ 17.35 crore³⁷ during the period 2015-16 to 2020-21. The information on the number of renewal of registration of other than transport vehicles was awaited (March 2022) from the office of Transport Commissioner. Audit scrutiny revealed that no separate sub-head/detailed head has been created for accounting of Green Tax and therefore, the same was deposited in the Major Head-0041-Vehicle Tax along with other taxes levied by the State Government. The office of Transport Commissioner could not provide the status of actual utilisation of Green Tax for protection of the environment and only stated that Green Tax is State's revenue and funds are allocated by the Government for expenditure on various schemes in the Department. Thus, the stated objective of controlling environmental pollution by utilising revenue so received from the Green tax was not being met.

The matter was also highlighted in Paragraph 3.2.5 of the State Finances Audit Report for the year ended 31 March 2020 but no corrective action was taken by the Government. The matter was again reported to the Government (October 2021); their reply was awaited (March 2022).

3.2.5 Operation of Major Head 2043-Collection Charges under State Goods and Service Tax

Para 21 of UPBM states that the List of Major and Minor heads of account of State receipts and disbursements, as prescribed by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, Government of India on the advice of the Comptroller and Auditor General of India in terms of Article 150 of the Constitution of India should be used for the classification of heads of account. Further, Rule 26 of Government Accounting Rules 1990 prescribes that the classification prescribed in the List

³⁷ Year-wise Green Tax realised was: year 2015-16 - ₹ 1.49 crore, year 2016-17 - ₹ 1.72 crore, year 2017-18 - ₹ 2.12 crore, year 2018-19 - ₹ 2.66 crore, year 2019-20 - ₹ 4.40 crore and year 2020-21 - ₹ 4.96 crore.

of Major and Minor Heads of Accounts of Union and States (including the code number assigned up to the major heads and minor heads thereunder) should be strictly followed.

The CGA opened (June 2017) new Major Head 2043-Collection Charges under State Goods and Service Tax for booking of expenditure related to State Goods and Service Tax (SGST) with effect from financial year 2017-18. However, it was observed that the State Government had not operated MH 2043 and instead, the expenditure related to SGST collection were being incorrectly booked under MH 2040 (Taxes on Sales, Trades, etc) in Grant No. 89 (Institutional Finance Department – Commercial Tax), which is in violation of Rule 26 of Government Accounting Rules 1990. The matter was also highlighted in Paragraph 3.2.6 of the State Finances Audit Report for the year ended 31 March 2020 but no corrective action was taken by the Government.

3.2.6 Discrepancy in depiction of Central Schemes/Centrally Sponsored Schemes

The Uttar Pradesh Budget Manual and the Guidelines issued for preparation of Budget provide that the budget provisions should be made with specified funding pattern (Central share/ State share/Financial Institution) with appropriate detailed head under sub-head in respect of Central schemes/ Central Sponsored Schemes.

Scrutiny of Budget Documents for 2020-21 revealed that the aforesaid criteria for recording funding pattern was not adhered. In case of 17 programmes under Central schemes/ Centrally Sponsored Schemes (*Appendix-3.2*) funding pattern (Central share/ State share/ Financial Institution) was not mentioned with detailed head. Further, in case of six programmes under Central schemes/ Centrally Sponsored Schemes (*Appendix-3.3*) the sum total of Central share and State share was either more, or less than 100 *per cent* without specifying any reason and funding share of other Financial Institution/grantee was not recorded in applicable cases.

The matter was also highlighted in Paragraph 3.2.7 of the State Finances Audit Report for the year ended 31 March 2020 but no corrective action was taken by the Government.

3.3 Comments on effectiveness of budgetary and accounting process

Details of budgetary allocations, actual disbursement, savings and surrenders and their impact on envisaged Schemes/Projects are discussed in succeeding paragraphs.

3.3.1 Budget projection and gap between expectation and actual

The summarised position of Budget provisions, Supplementary provisions, actual expenditure against total budget provisions and savings under Revenue Voted, Revenue Charged, Capital Voted and Capital Charged sections for the financial year 2020-21 is detailed in **Table 3.7**.

Table 3.7: Summarised position of Actual Expenditure vis-à-vis Budget provisions during the year 2020-21

(₹ in crore)

Nature of expenditure		Original Grant /Appropriation*	Actual Expenditure	Savings	Surrender	
					Amount	Percentage
Voted	I. Revenue	3,45,100.06	2,63,323.16	81,776.90	238.54	0.29
	II. Capital	98,769.67	65,703.21	33,066.46	1,238.74	3.75
	III. Loans & Advances	1,636.85	1,152.61	484.24	0	0.00
	Total	4,45,506.58	3,30,178.98	1,15,327.60	1,477.28	1.28
Charged	V. Revenue	64,127.32	39,046.73	25,080.59	0.15	0.00
	VII. Capital	39.87	20.50	19.37	0.08	0.41
	VIII. Public Debt- Repayment	34,897.43	26,777.49	8,119.94	0	0.00
	Total	99,064.62	65,844.72	33,219.90	0.23	0.00
Grand Total		5,44,571.20	3,96,023.70	1,48,547.50	1,477.51	0.99

Source: Appropriation Accounts 2020-21

*No supplementary provision was made during the year 2020-21, therefore, original grant/appropriation represents total provision during the year.

During 2020-21, actual expenditure was ₹ 3,96,023.70 crore against the total provision of ₹ 5,44,571.20 crore. The overall savings of ₹ 1,48,547.50 crore was 27.28 per cent of total provision, which included savings under Revenue Voted (23.70 per cent), Capital Voted (33.41 per cent), Revenue Charged (39.11 per cent) and Capital Charged (23.30 per cent) sections. This indicated wide gap between planning and execution by the State Government.

3.3.2 Budget Provision, Actual Expenditure and Savings during the last five years (2016-21)

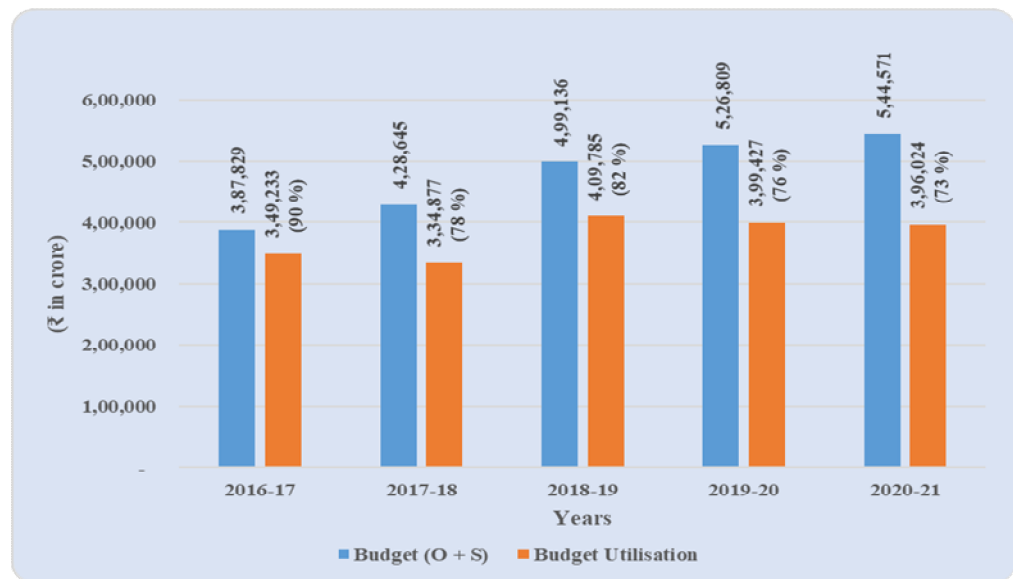
The budget provision, actual expenditure and savings during the last five years (2016-21) is presented in **Table 3.8**.

Table 3.8: Budget provisions, actual expenditure and savings during the period 2016-21
(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	3,60,797.65	4,17,256.95	4,56,248.38	5,09,003.49	5,44,571.20
Supplementary Budget	27,030.98	11,388.17	42,887.73	17,805.73	0.00
Total Budget Provision	3,87,828.63	4,28,645.12	4,99,136.11	5,26,809.22	5,44,571.20
Actual Expenditure	3,49,232.60	3,34,876.62	4,09,784.50	3,99,426.75	3,96,023.70
Savings	38,596.03	93,768.50	89,351.61	1,27,382.47	1,48,547.50
Percentage of Saving to total Budget Provision	9.95	21.88	17.90	24.18	27.28

Source: Appropriation Accounts of respective years

Table 3.8 indicates that during the period 2016-21, savings varied between 9.95 per cent (2016-17) to 27.28 per cent (2020-21) of budget provisions. Pattern of lower budget utilisation against provision during the last five years (2016-21) can also be visualised in **Chart 3.3**.

Chart 3.3: Budget provisions and utilisation of budget during last five years (2016-21)

Source: Appropriation Accounts of respective years

Chart 3.3 shows that the budgetary provisions increased consistently during the last five years (2016-21) but utilisation of budget had reducing trend between 2018-19 and 2020-21. There was a reduction of ₹ 13,760.80 crore (3.36 per cent) in actual expenditure during 2020-21 over 2019-20. Thus, the benefit of higher provisions for the year 2020-21 was neutralised by lower budget utilisation.

3.3.3 Unspent budget provisions

Defective or inaccurate budgeting, necessitating large surrenders or resulting in excesses has been considered a serious financial irregularity in terms of Para 174 of UPBM. The guidelines for preparation of budget, issued by the Finance Department every year at the commencement of budgetary process, also lays stress on accuracy of estimates and contemplates of fixing personal responsibility of officers found responsible for framing inaccurate demands.

Persistent savings (₹ 100 crore and above) had been commented upon in previous State Finances Audit Reports of Uttar Pradesh and the State Government was recommended to review the reasons for non-utilisation of provisions under various schemes for more judicious provision in future years. Audit scrutiny of budget provision vis-à-vis Savings with regards to 91 grants under Appropriation Accounts for the year 2020-21 revealed that in 45 cases pertaining to 45 Grants under Revenue-Voted and in 25 cases pertaining to 25 Grants under Capital-Voted sections (where savings in each case were more than ₹ 100 crore), savings of ₹ 80,922.06 crore and ₹ 32,802.79 crore respectively were recorded. Similarly, in three cases pertaining to three Grants under Revenue Charged Section and in one case pertaining to one Grant under Capital Charged Sections (where savings in each case were more than ₹ 100 crore), savings of ₹ 24,975.52 crore and ₹ 10,142.61 crore respectively were recorded. Thus, there were total savings amounting to ₹ 1,48,842.98 crore in 74 cases of 52 Grants (exceeding ₹ 100 crore in each case) as detailed in *Appendix-3.4* and summarised in **Table 3.9**.

Table 3.9: Summary of grants having large savings above ₹ 100 crore during the period 2020-21

(₹ in crore)

Sl. No	Section of Grant	Number of Cases	Original Provision	Expenditure	Savings	Savings over total provisions (per cent)
1	Revenue Voted	45	3,19,517.49	2,38,595.43	80,922.06	25.33
2	Capital Voted	25	93,648.03	60,845.24	32,802.79	35.03
Total Voted		70	4,13,165.52	2,99,440.67	1,13,724.85	27.53
1.	Revenue Charged	03	63,687.27	38,711.75	24,975.52	39.22
2.	Capital Charged	01	30,485.01	20,342.40	10,142.61	33.27
Total Charged		04	94,172.28	59,054.15	35,118.13	37.29
Grand Total		74	5,07,337.80	3,58,494.82	1,48,842.98	29.34

Source: Appropriation Accounts 2020-21

Large savings are indicative of poor budgeting or shortfall in performance or both, in respect of concerned schemes being implemented by the Department.

3.3.4 Persistent Savings

In 28 cases involving 24 grants, it was noticed that there were persistent savings (₹ 100 crore and above) during the last five years ranging between ₹ 100.12 crore and ₹ 17,493.77 crore. The persistent savings is detailed in *Appendix-3.5* and summarised in **Table 3.10**.

Table 3.10: Summary of grants having persistent savings during the period 2016-21

(₹ in crore)

Nature of expenditure	No. of Grants	Amount of Savings				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Voted	23	23,622.92	56,198.83	37,825.43	47,801.39	53,290.45
Capital Voted	05	4,844.76	6,720.57	11,031.78	12,483.18	10,924.60
Total	28	28,467.68	62,919.40	48,857.21	60,284.57	64,215.05

Source: Appropriation Accounts of respective years

Persistent savings in substantial number of grants over the years is indicative of improper assessment of the requirement of fund by the State Government repeatedly.

3.3.5 Unnecessary Re-appropriation

Para 147 of UPBM stipulates that expenditure under each unit of appropriation should be kept within the amount originally provided under that unit of appropriation. However, if the original/ supplementary provision on a scheme/ service is found short of requirement, the Government may resort to re-appropriation which is transfer of savings from one head of the grant to another, within the same section of the grant.

Audit noticed that during 2020-21, in 52 sub-heads involving 20 Grants (*Appendix-3.6*), the original budget provision was ₹ 10,288.94 crore and further augmentation of ₹ 1,298.55 crore was made through re-appropriation. However, re-appropriation proved unnecessary, as in each case, expenditure

was within the original budget provision under these sub-heads. There were overall savings of ₹ 5,887.91 crore in these 52 sub-heads as summarised in **Table 3.11**.

Table 3.11: Summarised position of unnecessary re-appropriation

(₹ in crore)						
Grants	Sub Head	Original Provision	Re-appropriations	Total provision	Expenditure	Savings
20	52	10,288.94	1,298.55	11,587.49	5,699.58	5,887.91

Source: Appropriation Accounts 2020-21

This shows absence of adequate justification for resorting to re-appropriation under these Grants while sufficient budgetary provisions were already available.

3.3.6 Rush of expenditure

Maintaining a steady pace of expenditure has universally been accepted as a sound public financial management practice. In General Financial Rules applicable in the Central Government, rush of expenditure, particularly in the closing month of financial year, has been regarded as a breach of financial propriety. However, no specific instructions have been given in the UPBM to prevent rush of expenditure.

From the Appropriation Accounts for the year 2020-21, it was noticed that in 12 grants, 50 per cent and above expenditure of their total budgeted provisions were incurred in the last month of the financial year 2020-21 i.e., March 2021. The details of budget provision, and expenditure thereon is given in **Table 3.12**.

Table 3.12: Grants with more than 50 per cent of expenditure in March 2021

(₹ in crore)										
Sl. No	Grant No.	Description of Grant	1st Quarter	2nd Quarter	3rd Quarter	4 th Quarter	Total Expenditure	Expenditure in March 2021	Expenditure in 4 th Quarter as percentage of total expenditure	Expenditure in March as percentage of total expenditure
1	38	Civil Aviation Department	10.19	15.05	46.21	1,745.43	1,816.88	1,619.88	96.07	89.16
2	53	National Integration Department	0.01	0.00	0.05	0.64	0.71	0.53	90.14	74.65
3	56	Public Works Department (Special Area Programme)	0.00	16.10	37.10	289.71	342.91	227.85	84.49	66.45
4	45	Environment Department	1.08	0.97	0.96	8.02	11.02	7.18	72.78	65.15
5	79	Social Welfare Department (Welfare of the Handicapped & Backward Classes)	319.33	200.92	258.58	1,737.51	2,516.35	1,557.33	69.05	61.89
6	55	Public Works Department (Buildings)	1.25	10.71	31.17	139.65	182.78	111.02	76.40	60.74
7	44	Tourism Department	5.92	19.53	82.07	381.88	489.40	294.15	78.03	60.10

Sl. No	Grant No.	Description of Grant	1st Quarter	2nd Quarter	3rd Quarter	4 th Quarter	Total Expenditure	Expenditure in March 2021	Expenditure in 4 th Quarter as percentage of total expenditure	Expenditure in March as percentage of total expenditure
8	18	Agriculture and Other Allied Departments (Co-operative)	37.57	34.17	136.42	533.81	741.98	444.43	71.94	59.90
9	40	Planning Department	40.07	42.01	74.89	599.90	756.86	437.40	79.26	57.79
10	76	Labour Department (Labour Welfare)	70.54	65.38	76.87	349.80	562.59	306.35	62.18	54.45
11	58	Public Works Department (Communication Roads)	368.60	2,303.50	3,522.26	15,400.86	21,595.22	11,689.05	71.32	54.13
12	57	Public Works Department (Communication-Bridges)	26.61	167.08	433.06	2,178.46	2,805.20	1,505.33	77.66	53.66

Source: VLC data maintained by the office of Accountant General (A&E) Uttar Pradesh

In case of Grant No. 38-Civil Aviation Department, out of total expenditure of ₹ 1,816.88 crore during the year 2020-21, ₹ 1,619.88 crore (89.16 per cent) were expended in the last month of the financial year and ₹ 1,745.43 crore (96.07 per cent) were incurred in the last quarter of the financial year. Further examination revealed that out of ₹ 1,745.43 crore incurred under Grant No. 38 – Civil Aviation Department during the fourth quarter of financial year 2020-21, ₹ 475.86 crore³⁸ was transferred to Personal Deposit/Personal Ledger Account under the head 8443 (Civil Deposits)-117 (Deposits for work done for public bodies or private individuals). This transfer of money to Personal Deposit was in violation of instructions (March 2018) issued by the State Government to administrative departments to stop the practice of keeping money under Personal Deposit/Personal Ledger Account after withdrawal from Consolidated Fund.

3.3.7 Major policy pronouncements in budget and their actual funding for ensuring implementation

Para 212 of UPBM outlines the Guidelines for formulation and appraisal of schemes and projects as follows: ‘Rigorous project formulation and appraisal have a major bearing on the relevance and impact of projects as well as on their timely implementation. Additional time and effort spent at the project formulation and appraisal stage would result in qualitative improvement in terms of ultimate project impact.’

Audit scrutiny of Appropriation Accounts 2020-21 revealed that there were Schemes for which the Government made Original provisions but did not expend any money without any reason disclosed in the Appropriation

³⁸ ₹ 100.00 crore - Challan No. B50530004 dated 15 February 2021, ₹ 322.00 crore - Challan No. B50530001 dated 05 March 2021 and ₹ 53.86 crore - Challan No. B50530002 dated 31 March 2021

Accounts. Similarly, there were instances where Original provisions were re-appropriated to other projects/schemes with no expenditure on those schemes for which appropriations were originally made. Details of such instances are discussed below:

Scheme for which budget provisions could not be utilised

From Appropriation Accounts 2020-21, it was noticed that the State Government did not incur any expenditure on 251 schemes (**Appendix-3.7**) under 57 Grants for which budget provision of one crore and above were made, as summarised in **Table 3.13**.

Table 3.13: Summary of schemes in which original provisions not utilised
(₹ in crore)

Number of Grants	Number of Schemes	Original Provision	Total Expenditure	Saving
57	251	50,616.51	0.00	50,616.51

Source: Appropriation Accounts 2020-21

Scheme from which budget provisions were re-appropriated to other Schemes

The State Government provisioned ₹ 1,917.65 crore for 22 schemes under nine Grants during the year 2020-21 (**Appendix-3.8**), but no expenditure was incurred and the provisions were re-appropriated (₹ 1,515.99 crore) from these schemes.

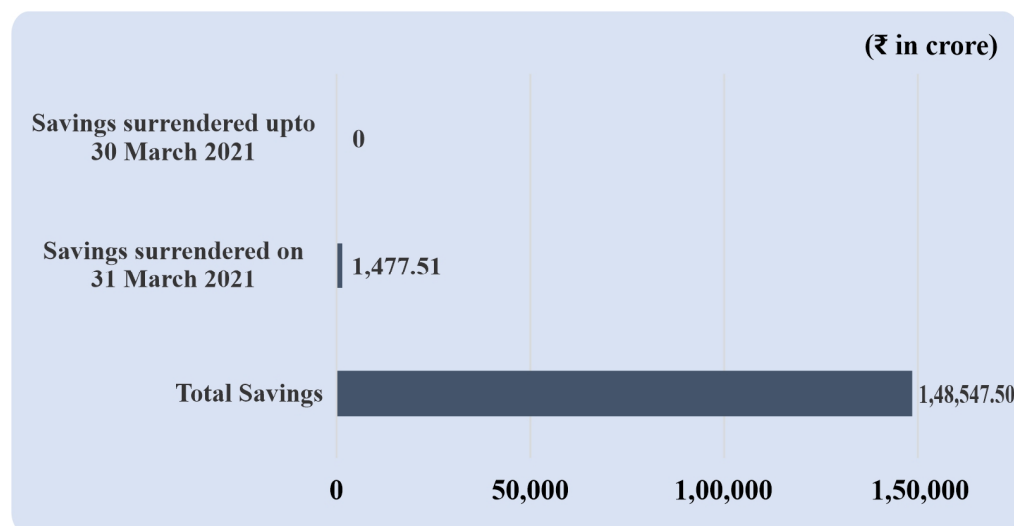
Non-utilisation of funds under above 273 schemes indicated that either the budgeting was done without due prudence or there was serious slippage in programme implementation.

3.3.8 Delayed surrender of Savings

Para 141 of UPBM directs Controlling Officers that all final savings must be surrendered to the Finance Department by 25th March. Officers making belated surrenders, when savings could reasonably have been foreseen and surrendered earlier, would be held responsible for the resultant financial irregularity if the Finance Department is not able to accept such surrenders.

The details of savings and surrenders during the year 2020-21 is plotted in **Chart 3.4**.

Chart 3.4: Total Savings and Surrenders during the year 2020-21



Source: Appropriation Accounts 2020-21

It can be seen in **Chart 3.4** that only ₹ 1,477.51 crore (1 per cent) out of total savings of ₹ 1,48,547.50 crore were surrendered on the last day of financial year and the remaining amount of ₹ 1,47,069.99 crore lapsed. Further, all the surrenders were done on the last day of the financial year in gross violation of the directions of UPBM.

3.4 Contingency Fund

Under the Uttar Pradesh Contingency Fund Act, 1950, the State Government maintains Contingency Fund with a corpus of ₹ 600 crore. As per Uttar Pradesh Contingency Fund Rules, advances from the Fund shall be made only to meet unforeseen and emergent expenditure, pending its authorisation by the Legislature following which it is recouped.

The State Government sanctioned (January 2021) ₹ 100 crore from the Contingency Fund (8000-201) for advance soil work for plantation in rainy season 2021, which was finally to be debited on 4406-Capital Outlay on Forestry and Wild Life, 01- Forestry, 102- Social and Farm Forestry, 03- Social Forestry (District Plan), 24- Major Works under grant 60- Forest Department. Audit noticed that money withdrawn from the Contingency Fund was not recouped (March 2021).

3.5 Conclusion

- Out of total budget provision of ₹ 5,44,571.20 crore during the year 2020-21, there were overall savings of ₹ 1,48,547.50 crore. Budgetary provisions increased consistently during the last five years (2016-21) but utilisation of budget had reducing trend between 2018-19 and 2020-21.
- There were cases of misclassification of expenditure, rush of expenditure in the last quarter of the financial year, unutilised provisions under large number of schemes and unnecessary re-appropriation of budget provisions. Besides, Departmental Controlling Officers did not surrender savings and 99 per cent of savings lapsed.
- There was an excess disbursement of ₹ 8.10 crore over the authorisation made by the State Legislature under two Grants and one Appropriation during the financial year 2020-21. Excess disbursements of ₹ 32,525.36 crore under 102 Grants and 47 Appropriations pertaining to the years 2005-06 to 2019-20 are yet to be regularised by the State Legislature. Excess expenditure require regularisation under Article 205 of the Constitution of India.
- State Government had not recouped advance of ₹ 100 crore taken from the Contingency Fund.

3.6 Recommendations

- *The Finance Department should review the reasons due to which the provisions under various Grants/Appropriations remained unutilised and take steps to make more judicious budget provisions in future years.*
- *Re-appropriations should be based on careful assessment of fund requirements. Finance Department may advice line departments to improve accuracy in cost estimation of Schemes/Projects at the time of submitting Revised Estimates in order to optimise utilisation of funds.*

- *The Finance Department should monitor trend of expenditure by Departmental Controlling Officers, so that funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapse of allocations.*
- *Classification of some expenditure items as Capital or Revenue nature included in certain Object Heads, as pointed out in Paragraph 3.2.2, needs review and redressal to align it with UPBM.*
- *The Government may consider issuing guidelines to control rush of expenditure towards the closing months of the financial year especially in the month of March in order to maintain a steady pace of expenditure.*
- *The State Government should ensure that all the existing cases of excess expenditure are placed before the State Legislature for regularisation in term of the provisions contained in Article 205 of the Constitution.*
- *The State Government should ensure timely recoupment of advances taken from the Contingency fund.*

