

CHAPTER-III
BUDGETARY MANAGEMENT

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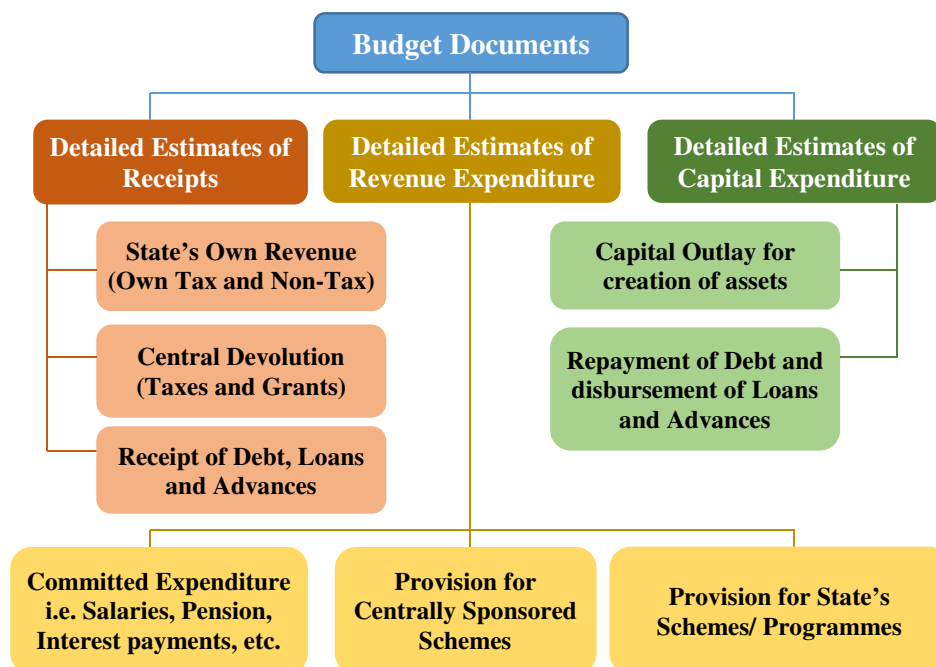
Budgetary Management

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, the Governor shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for that year, called “the Annual Financial Statement (Budget)”. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. Glossary of important budget related terms is given in **Appendix-3.1**.

As per the Himachal Pradesh Financial Rules, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State budget comprises the following documents and components as given in **Chart-3.1**.

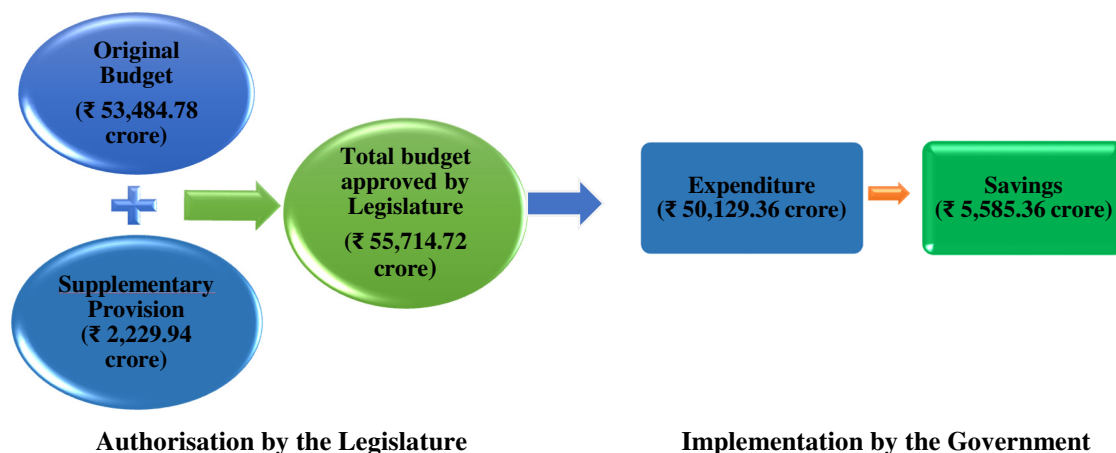
Chart-3.1: Details of State Budget Documents and Components



¹ **Charged expenditure:** Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

A summary of the budget implementation for the year 2021-22 is depicted in the **Chart-3.2** below:

Chart-3.2: Summary of budget implementation for the year 2021-22



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts.

3.1.1 Summary of total provisions, actual disbursements and savings during financial year

The total budget provision for expenditure in 2021-22 was ₹ 55,714.72 crore. The actual expenditure during the year was ₹ 50,129.36 crore (90 per cent). This resulted in savings of ₹ 5,585.36 crore (10 per cent). The summarised position of actual expenditure vis-à-vis budgetary provisions during 2021-22 for all 32 grants/appropriations is given in **Table-3.1**.

Table-3.1: Budget provision, actual disbursement and savings/excess during financial year 2021-22

(₹ in crore)

Total Budget provision		Disbursements		Saving (-)/ Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
45,270.18	10,444.54	41,019.93	9,109.43	-4,250.25	-1,335.11

Source: Appropriation Accounts.

3.1.2 Charged and voted disbursements

The position of total budget and disbursements categorised as charged and voted during the last five years (2017-22) is given in **Table-3.2**.

Table-3.2: Disbursement and savings/excess during 2017-18 to 2021-22

(₹ in crore)

Year	Total Budget Provision		Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2017-18	33,869	7,399	30,440	7,371	-3,428	-28
2018-19	37,936	9,048	33,620	8,849	-4,316	-199
2019-20	42,255	11,453	34,507	11,021	-7,748	-432
2020-21	45,157	16,440	37,440	15,699	-7,717	-741
2021-22	45,270	10,445	41,020	9,110	-4,250	-1,335

Source: Appropriation Accounts

As can be seen from **Table-3.2**, there were savings in both segments viz., voted and charged with an increasing trend since 2017-18. This indicates that the State Government needs to improve its budget management. Cases of substantial and persistent savings have been highlighted in **Para-3.3.7**.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes. These 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 in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate understanding of utilisation of funds, management of finances and monitoring of budgetary provisions, and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also seeks to ascertain whether the expenditure incurred is in conformity with relevant laws, rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

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. Further, expenditure should not be incurred on a scheme/service without provision of funds or after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Table-3.3 shows the summarised position of expenditure incurred without any budget provision. This is breach of constitutional provisions. State Government must avoid these expenditures. If under any circumstances the expenditure is inevitable, the Finance Department must follow the provisions under Article 205 and 206.

Table-3.3: Summary of expenditure without Budget Provision

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in lakh)	Name of Schemes/ Sub-Heads	
Voted				
5	2245-01-101-07-C00N	360.00	Expenditure on Supply of Medicines	
	2245-01-102-01-C00N	80.00	Supply of Drinking Water by Trucks, etc.	
	2245-02-101-01-C00N	3,070.00	Gratuitous Relief (Cash Doles) under Floods, Cyclones	
	2245-02-102-01-C00N	50.00	Expenditure on Drinking Water	
	2245-02-106-01-C00N	24,500.00	Repairs of Roads and Bridges	
	2245-02-109-01-C00N	13,400.00	Expenditure on Damaged Water Supply Drainage and Sewerage Works	
	2245-02-111-01-C00N	3049.00	Ex-Gratia Payment	
	2245-02-113-01-C00N	792.00	Assistance to Repair and Construction of Houses	
	2245-02-193-01-C00N	6,480.00	Assistance to Local Bodies and Other Non-Government Boards / Institutions	
	2245-80-102-02-S00N	1,000.00	Expenditure on Capacity Building Under Thirteenth Finance Commission	
8	2202-02-109-15-S00N	1,684.09	Srinivasa Ramanujan Student Digital Yojna	
	2202-80-107-09-S50N	413.00	Pre-Matric Scholarship to OBC Students	
9	2211-00-200-12-C00N	213.00	India COVID-19 Emergency Response and Health System Preparedness Package	
10	4059-01-051-15-S00N	1.94	Upgradation of Judiciary Infrastructure	
11	2401-00-789-22-A00N	0.50	Normal Extension Activities	
	2401-00-800-14-S00N	134.24	Crop Diversification Project Japan International Co-Operation Agency (JICA)	
14	2405-00-101-07-C53N	33.74	Blue Revolution-Integrated Development and Management of Fisheries	
	2405-00-101-07-C90N	314.57		
	2405-00-101-07-S10N	25.92		
	2405-00-101-07-S13N	10.55		
20	2505-02-101-01-C00N	200.00	Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA)	
	2515-00-102-23-C00N	533.61	Swachh Bharat Mission (Gramin)	
	2515-00-197-05-S00N	905.49	Grants to Panchayat Samitis	
	4216-03-800-01-S00N	115.00	Construction of Residence of Panchayat Inspector/Sub Inspectors	
22	4408-02-101-02-C00N	37.94	Himachal Pradesh State Consumer Redressal Forum	
28	2217-80-193-17-S00N	100.00	Development of Children Parks	
30	4059-80-051-06-S00N	161.20	Construction of Himachal Pradesh Institute of Public Administration Buildings	
31	2405-00-796-07-C53N	1.79	Blue Revolution	
	2405-00-796-07-S13N	0.56		
32	2216-03-789-05-S00N	91.35	Maintenance of Houses Under Mukhya Mantri Awam Yojna	
	2405-00-789-07-C53N	23.82	Neel Kranti Akikrit Matsya Palan Parvindh Awam Vikas	
	2405-00-789-07-C90N	138.87		
	2405-00-789-07-S10N	16.38		
	2405-00-789-07-S13N	7.45	Upgradation of Panchayati Raj Department/ PRIs	
	2515-00-789-10-S00N	11.55		
	4210-03-789-04-S10N	22.31		Medical College Nahan
	4711-01-800-05-S00N	0.99		Expenditure on Flood Control Works under RIDF NABARD
5055-00-789-03-S00N	403.00	Construction of Bus Stands at Sub Divisional/ Block Levels		
Total		58,383.86		

Source: Appropriation Accounts.

3.3.2 Misclassification of expenditure

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. State financial rules categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/ understatement of revenue expenditure and revenue deficit/ surplus.

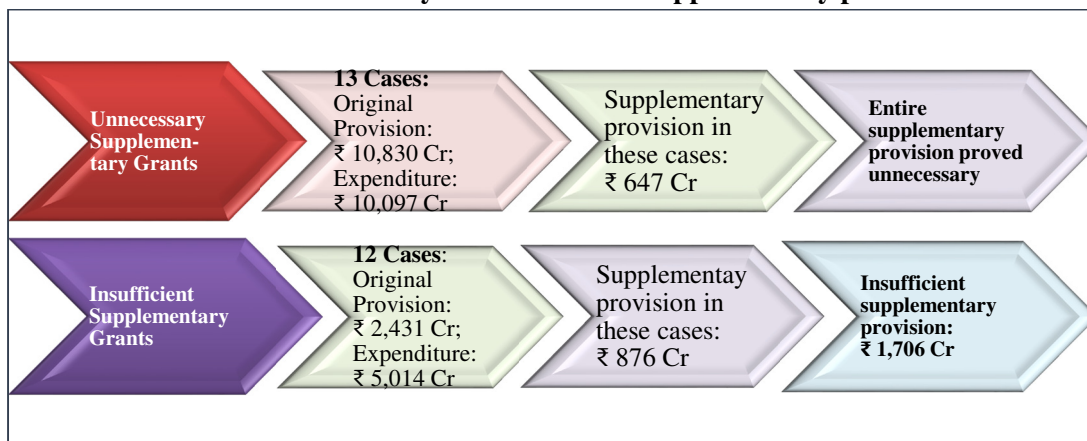
During test-check of transactions in the year 2021-22, it was noticed that expenditure of ₹ 2.77 crore was incorrectly booked under Revenue Section instead of Capital Section, as determined from the purpose of expenditure. Due to this misclassification, the State's Revenue surplus remained understated to the extent of ₹ 2.77 crore.

3.3.3 Unnecessary or insufficient supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

During 2021-22, there were 13 cases (₹ one crore or more in each case) under 11 grants (Revenue-Voted/ Capital-Voted) where supplementary provision of ₹ 647.13 crore proved unnecessary as expenditure did not reach even the level of original provision (**Table-3.4**). In 12 cases (**Table 3.5**), supplementary provision of ₹ 876.14 crore proved insufficient as it was not adequate to meet the requirement, leaving aggregate uncovered excess expenditure of ₹ 1,706.13 crore (**Chart-3.3**).

Chart-3.3: Unnecessary and insufficient supplementary provisions



Source: Appropriation Accounts.

Table-3.4: Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary

(₹ in crore)

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of original provisions
Revenue- Voted					
1.	04-General Administration	258.44	18.13	248.87	9.57
2.	09-Health and Family Welfare	2,415.89	84.25	2,256.28	159.61
3.	11-Agriculture	381.39	8.83	352.30	29.09
4.	16-Forest and Wildlife	710.41	58.56	634.58	75.83
5.	19-Social Justice and Empowerment	1,233.63	15.34	1,202.59	31.04
6.	20-Rural Development	1,103.60	125.51	1,095.01	8.59
7.	21-Co-operation	34.93	0.69	33.89	1.04
8.	26-Tourism	117.53	24.95	94.03	23.50
9.	32-Scheduled Caste Sub Plan	2,025.47	53.19	1,937.17	88.30
Capital- Voted					
10.	13-Irrigation, Water Supply and Sanitation	755.24	49.89	731.67	23.57
11.	16-Forest and Wildlife	11.30	0.26	10.20	1.10
12.	28-Urban Development, Town and Country Planning and Housing	181.82	2.24	85.02	96.80
13.	32-Scheduled Caste Sub Plan	1,600.60	205.31	1,415.45	185.15
Total		10,830.26	647.13	10,097.05	733.21

Source: Appropriation Accounts.

Table-3.5: Details of cases where supplementary provision (₹ one crore or more in each case) proved insufficient

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Excess
Revenue- Voted					
1.	05-Land Revenue and District Administration	1,298.70	7.67	1,773.33	466.96
2.	12-Horticulture	370.46	102.74	497.36	24.16
3.	23-Power Development	269.99	183.97	1,490.94	1,036.98
Capital- Voted					
4.	05-Land Revenue and District Administration	13.68	64.40	98.32	20.24
5.	07-Police and Allied Organisation	67.54	20.52	96.53	8.47
6.	08-Education	91.38	133.31	239.73	15.04
7.	09-Health and Family Welfare	92.66	118.45	229.36	18.25
8.	17-Election	0.75	19.30	39.35	19.30
9.	18-Industry, Minerals, Supplies and information Technology	31.84	5.38	111.88	74.67
10.	20-Rural Development	0.59	13.42	18.85	4.84
11.	25-Road and Water Transport	110.55	194.86	319.23	13.82
12.	27-Labour Employment and Training	83.35	12.12	98.87	3.40
Total		2,431.49	876.14	5,013.76	1,706.13

Although the demand for supplementary grants was made by the State Government based on the reasoning that additional expenditure was to be incurred in various schemes under the respective grants, yet the final expenditure was less than even the original provision in the 13 cases as indicated in **Table-3.4**. Further, in 12 cases as indicated in **Table-3.5**, the supplementary provisions were insufficient as the actual expenditure was more than the total budget provision. The above incidences indicate that the Administrative Department could not realistically assess the actual requirement of funds for the remaining period of financial year due to poor monitoring of expenditure.

3.3.4 Re-appropriations requiring prior legislative authorisation

'Re-appropriation' refers to the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. No re-appropriation should be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted and for no other.

During the year 2021-22, there was no case of re-appropriation from one grant to another or from supplementary grants.

Cases of unnecessary / insufficient re-appropriation within grants are detailed below.

3.3.5 Unnecessary and insufficient re-appropriations

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During the year 2021-22, there were various cases where re-appropriation proved either unnecessary or insufficient, details of which are shown in **Appendix-3.2**. **Table-3.6** and **Table-3.7** show details of some of the major instances (savings more than ₹ 10 crore) of unnecessary and insufficient re-appropriations respectively.

Table-3.6: Unnecessary re-appropriations resulting in savings

<i>(₹ in crore)</i>								
Sr. No.	Grant No.	Head of Account	Original budget	Supplementary grant	Re-appropriation	Total	Actual expenditure	Savings
1	05-Land Revenue and District Administration	2029-00-103-02	118.76	1.06	0.06	119.88	107.10	-12.78
2		2053-00-093-01	163.05	0.93	0.66	164.65	138.85	-25.79
3		2245-08-101-01	0.00	0.00	91.00	91.00	0.00	-91.00
4	07-Police and Allied Organisations	2055-00-108-01	94.05	0.00	8.61	102.66	85.29	-17.37
5		2055-00-109-03	69.47	0.00	2.25	71.72	59.84	-11.88
6	08-Education	2202-01-104-02	70.44	0.00	0.36	70.80	58.40	-12.40
7	09-Health and Family Welfare	2210-01-110-03	284.70	0.00	5.36	290.06	235.19	-54.87
8		2210-05-105-06	139.07	0.00	0.04	139.11	124.36	-14.75
9		5054-04-337-02	253.37	0.00	9.22	262.59	248.86	-13.74

Sr. No.	Grant No.	Head of Account	Original budget	Supplementary grant	Re-appropriation	Total	Actual expenditure	Savings
10	10-Public Works - Roads, Bridges and Buildings	5054-04-337-09	355.37	99.96	5.34	460.67	438.13	-22.54
11	20-Rural	2515-00-196-07	22.48	0.00	4.48	26.96	13.48	-13.48
12	Development	2515-00-197-07	21.86	0.00	4.21	26.08	13.25	-12.83
13		2515-00-198-06	102.02	2.83	19.58	124.43	61.83	-62.60
14	28-Urban Development, Town and Country Planning and Housing	4215-02-106-02	134.66	2.24	0.30	137.20	38.65	-98.55
15	31-Tribal Development	2055-00-796-01	56.49	0.00	0.66	57.15	46.80	-10.35

Source: Appropriation Accounts.

Table-3.7: Re-appropriations insufficient to meet excess expenditure

(₹ in crore)

Sr. No.	Grant No.	Head of Account	Original budget	Supplementary	Re-appropriation	Total	Actual expenditure	Excess
1	05-Land Revenue and District Administration	2245-02-106-01	0.00	0.00	65.15	65.15	131.18	66.03
2		2245-02-109-01	0.00	0.00	46.00	46.00	70.50	24.50
3		2245-02-111-01	0.00	0.00	35.00	35.00	101.24	66.24
4		2245-02-193-01	0.00	0.00	41.40	41.40	59.90	18.50
5		2245-80-102-05	0.00	0.00	22.72	22.72	37.07	14.35
6	09-Health and Family Welfare	2211-00-200-12	0.00	75.78	3.65	79.43	171.39	91.96
7	10-Public Works - Roads, Bridges and Buildings	3054-04-105-02	325.24	0.00	0.60	325.84	336.84	11.00
8	15-Planning and Backward Area Sub Plan	5054-04-800-06	38.00	0.00	7.27	45.27	55.81	10.54
9	32-Scheduled Caste Sub Plan	2225-01-789-08	10.00	0.00	5.55	15.55	32.35	16.80
10		2236-02-789-01	17.91	0.00	0.50	18.41	29.24	10.83

In all the above cases, re-appropriation orders were issued in the month of March 2022, specifying therein the need for additional expenditure under the respective schemes. However, re-appropriations in 15 cases (savings of ₹ 10 crore and more in each case) as shown in **Table-3.6** proved unnecessary, as the savings under these cases were more than the re-appropriated amount. On the other hand, re-appropriations in 10 cases as shown in **Table-3.7** proved insufficient as there was excess expenditure under these grants.

However, no case of re-appropriation from Capital to Revenue and vice-versa and from Voted to Charged or vice-versa was noticed during 2021-22.

3.3.6 Savings

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimation, it is not readily excusable. The golden rule for all estimating officers should be to provide in the budget, for everything that can be foreseen and to provide only as

much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts, which may modify that average.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of funds, which they could have utilised.

(i) Savings vis-à-vis allocations

Analysis of appropriations showed that in 45 cases, savings exceeded ₹ one crore or more, as detailed in **Appendix-3.3**. Against the total provision of ₹ 50,688 crore in these cases, ₹ 7,363 crore remained as savings in various grants. Out of the total unutilised amount / savings of ₹ 7,363 crore, substantial savings (₹ 100 crore and more in each case) were observed in 14 cases relating to 10 grants (Voted and Charged) amounting to ₹ 6,641 crore (90 per cent), details of which are given in **Table-3.8**.

Table-3.8: List of grants having large savings (above ₹ 100 crore) during the year

(₹ in crore)

Sr. No.	Grant Number	Original	Supplementary	Total provision	Actual expenditure	Savings	Surrender	Saving excluding surrender
Revenue (Voted)								
1	07	1,550.83	0.00	1,550.83	1,306.08	-244.75	-163.35	-81.40
2	08	7,087.45	0.00	7,087.45	5,991.02	-1,096.43	-717.67	-378.76
3	09	2,415.89	84.25	2,500.13	2,256.28	-243.85	0.00	-243.85
4	10	3,733.35	0.00	3,733.35	2,538.89	-1,194.46	-1,028.24	-166.22
5	16	710.41	58.56	768.96	634.58	-134.39	-82.42	-51.97
6	20	1,103.60	125.51	1,229.11	1,095.01	-134.10	0.00	-134.10
7	29	7,203.58	0.00	7,203.58	6,495.11	-708.47	-562.52	-145.95
8	31	1,664.21	0.00	1,664.21	1,260.79	-403.42	-112.92	-290.50
9	32	2,025.47	53.19	2,078.66	1,937.17	-141.50	-8.31	-133.19
Revenue (Charged)								
10	29	5,017.57	0.00	5,017.57	4,640.79	-376.78	-562.52	185.74
Capital (Voted)								
11	26	578.39	0.00	578.39	82.18	-496.21	-519.17	22.96
12	31	574.14	0.00	574.14	444.04	-130.10	-2.42	-127.69
13	32	1,600.60	205.31	1,805.91	1,415.45	-390.46	-278.88	-111.58
Capital (Charged)								
14	29	5,333.51	0.00	5,333.51	-946.41	-946.23	-946.41	0.19
Total		40,598.99	526.82	41,125.81	34,484.66	-6,641.15	-4,984.81	-1,656.33

Source: Appropriation Accounts.

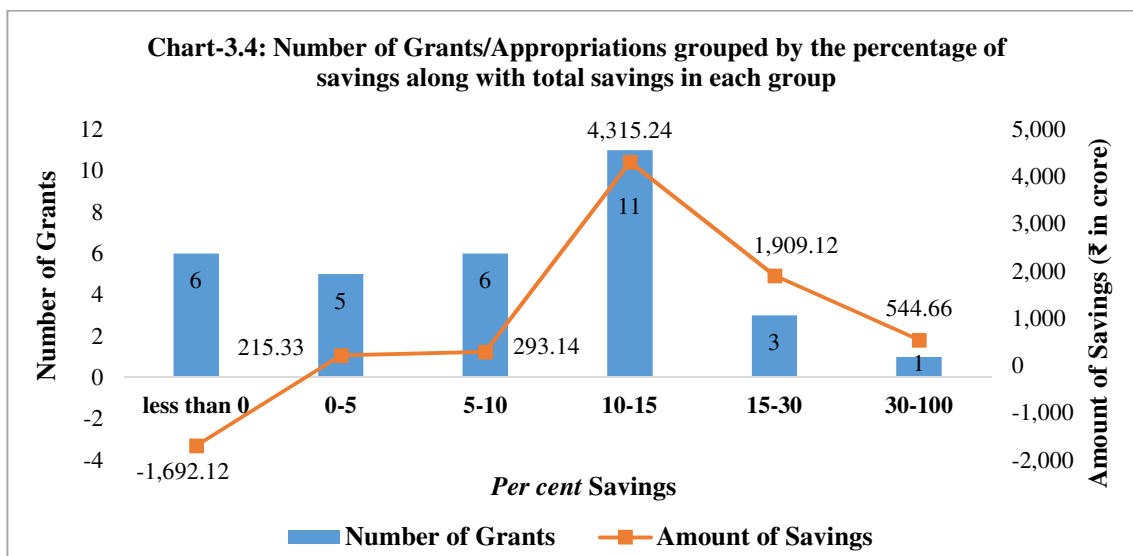
The savings were noticed under both the Sectors i.e. Social and Infrastructure. The major savings were noticed in Social sector under Public Works, Education, Finance, Tribal Development, Health and Family Welfare, etc. departments due to

non-filling up of vacant posts, non-conversion of work-charged staff into regular in Primary/Secondary schools and University and higher education, less expenditure on maintenance of various schemes/works, etc. Further, in the exit conference, the Finance Department stated that in addition to above reasons, the savings had occurred under salaries and pension because budget estimates were assessed keeping in view the impact of the revision of pay scales for the entire financial year. However, due to procedural delays, the Pay scale was revised in the last quarter of 2021-22, and as such the revision didn't give its full impact in the financial year 2021-22.

Further, under infrastructure (Capital) sector, major savings were noticed under Tourism and Civil Aviation, Jal Shakti Vibhag (Irrigation and Public Health), Public Works, etc. mainly due to non-implementation of various developmental works and development of airports/ heliports.

Thus, large savings under these grants implied that the State Government had made budget provisions without accurate estimation requirement of fund.

Chart-3.4 categorises grants / appropriations according to percentage of savings against budget allocations during the year 2021-22. It can be noted from the chart that in 11 grants, there were savings of ₹ 4,315.24 crore during the year.



No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. As can be seen from the test-checked departments (refer para 3.5.1.1 (f) and 3.5.2.1 (f)), there was a delay in submission of statements of excess and surrender which ranged between seven and 82 days. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for supplementary grants can be avoided. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and keeping a watch over the progress of the last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness and accuracy.

(ii) Persistent Savings

During the last five years, there were 28 cases (₹ one crore or more in each case) relating to 21 grants where persistent savings occurred (details given in **Appendix-3.4**), out of which seven cases (₹ 100 crore or more in each case) are depicted below in the **Table-3.9**.

Table-3.9: Details of persistent savings cases (₹ 100 crore or more in each case)

(₹ in crore)

Sr. No.	Grant Number	Name of Grant/ Appropriation	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue- Voted							
1	08	Education	665.02	955.16	1,110.61	1,362.09	1,096.43
2	09	Health and Family Welfare	211.66	330.83	377.72	489.64	243.85
3	20	Rural Development	402.93	383.93	351.17	163.47	134.10
4	29	Finance	266.88	939.93	1,212.96	1,202.66	708.47
5	31	Tribal Development	242.34	325.72	371.39	415.69	403.42
6	32	Scheduled Caste Sub Plan	405.83	390.87	513.37	264.69	141.50
Capital- Voted							
7	32	Scheduled Caste Sub Plan	132.87	154.08	231.62	149.75	390.46

Source: Appropriation Accounts.

The substantial persistent savings in the grants above indicated that budgetary controls in these departments were not effective and previous years' trends were not being taken into account while allocating funds. This had been pointed out in previous State Finance Audit Reports, but the State Government did not seem to have taken cognizance of the same.

(iii) Details of surrenders of funds in excess of ₹ 10 crore

Instances of surrender of funds in excess of ₹ 10 crore in each case during/at the end of March are given in **Table-3.10**.

Table-3.10: Details of surrender of funds in excess of ₹ 10 crore during/at the end of March

(₹ in crore)

Sr. No.	Grant Number	Original grant	Supplemen- tary grant	Total Provision	Actual expenditure	Savings	Amount Surrendered
1.	03	251.84	27.52	279.36	250.17	-29.19	15.62
2.	07	1,618.37	20.59	1,638.96	1,402.68	-236.27	163.35
3.	08	7,178.83	133.54	7,312.37	6,230.98	-1,081.40	717.67
4.	10	5,045.32	176.47	5,221.79	3,981.99	-1,239.79	1,028.24
5.	11	470.22	8.83	479.05	429.89	-49.16	46.26
6.	13	3,404.77	50.14	3,454.90	3,300.86	-154.04	259.45
7.	14	409.76	5.01	414.77	378.45	-36.32	29.11
8.	16	721.71	58.87	780.57	644.83	-135.75	82.54
9.	19	1,241.99	15.34	1,257.33	1,207.19	-50.14	26.68
10.	26	695.92	24.95	720.87	176.21	-544.66	622.22
11.	28	814.66	131.62	946.28	841.20	-105.08	96.00
12.	29	17,574.43	0.00	17,574.43	15,537.10	-2,037.33	1,727.39
13.	31	2,238.35	0.08	2,238.43	1,704.85	-533.58	115.34
14.	32	3,626.07	258.50	3,884.57	3,352.61	-531.96	287.18
Total		45,292.24	911.46	46,203.68	39,439.01	-6,764.67	5,217.05

Source: Appropriation Accounts.

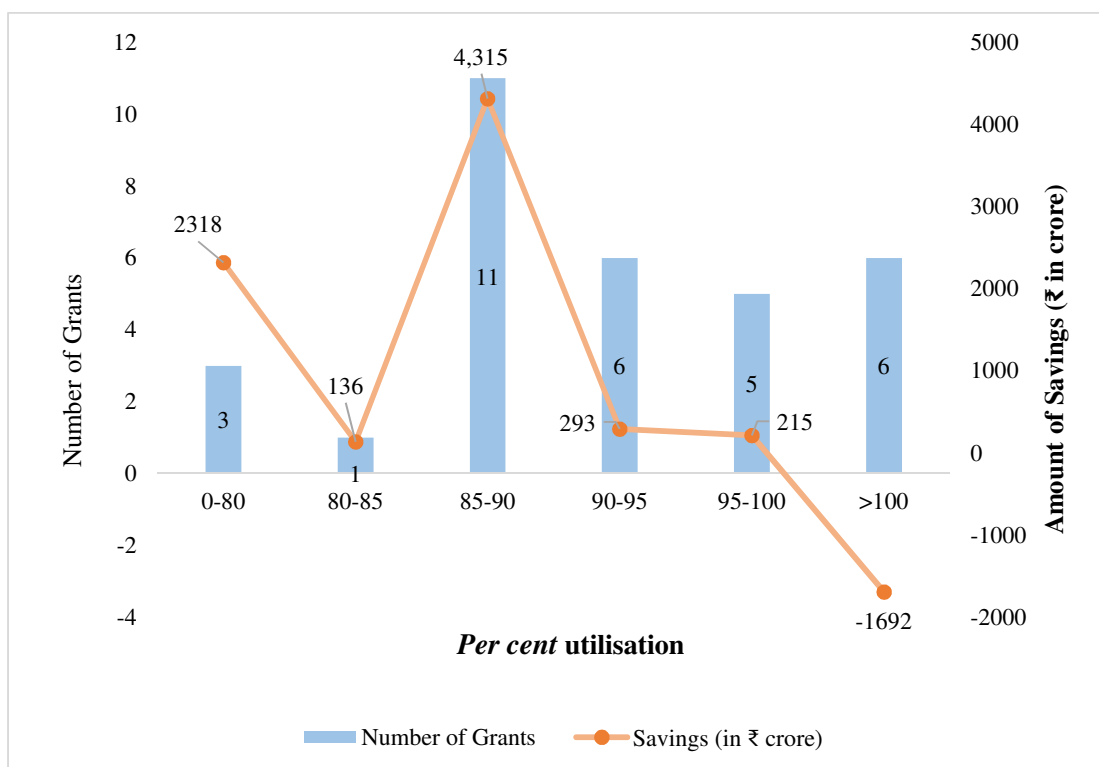
As given in the table above, in 14 cases, amount ₹ 5,217.05 crore (₹ 10 crore or more in each case) (11.52 per cent of total budget allocation) was surrendered in the month of March 2022.

During checking/scrutiny of surrender and reappropriation orders, it was noticed that out of total 32 grants, surrender/reappropriation orders were made in 30 grants on the last day of March. Only for two grants, it was on 7th March. Thus, surrender of funds at the end of the year indicated poor monitoring of expenditure, weak financial controls and meant that funds could not be utilised for other purposes.

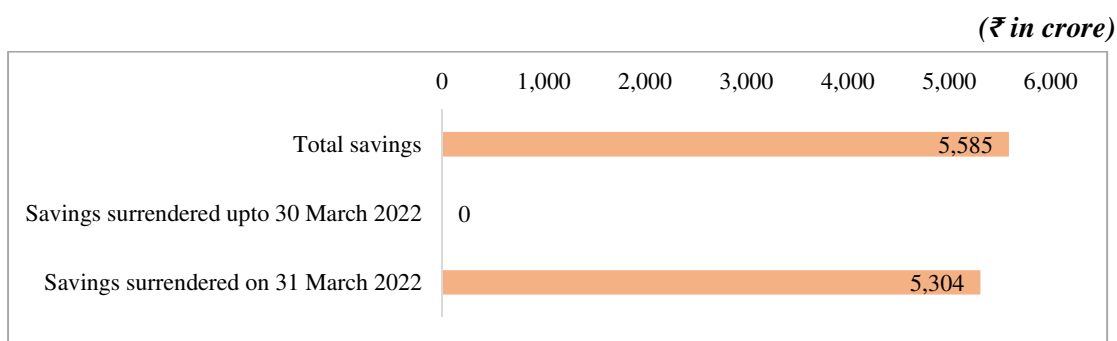
(iv) Distribution of the number of Grants/ Appropriations grouped by percentage of utilisation

The distribution of the number of Grants/ Appropriations grouped by percentage of utilisation is given in the **Chart-3.5**.

Chart-3.5: Distribution of the number of Grants/Appropriations grouped by percentage of utilisation



- During 2021-22, under one grant namely Grant No. 26-Tourism and Civil Aviation, utilisation was only 24 per cent of the available funds resulting in savings of ₹ 544.66 crore.
- In six grants, utilisation was more than 100 per cent, particularly in Grant No 23 -Power Development, where utilisation was 255 per cent, resulting in excess expenditure of ₹ 1,112 crore due to enhanced amount of land compensation to Renuka Ji Dam Oustees whose land was acquired by HP Power Corporation Limited on the direction of Hon'ble High Court of Himachal Pradesh.

Chart-3.6: Savings and surrenders before close of financial year 2021-22

As observed from surrender orders provided by the State Government, all surrenders (₹ 5,304 crore) were made on 31 March 2022. This indicated poor management of funds resulting in sub-optimal utilisation of financial resources.

3.3.7 Excess expenditure and its regularisation

As per Article 204 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 the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/ appropriations 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). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

3.3.7.1 Excess expenditure relating to financial year 2021-22

Excess expenditure over budget provision is not only in contravention of provisions requiring legislative sanction, but also indicative of poor planning. It can be avoided by keeping track of progression of expenditure with reference to budgetary outlays. Details of excess expenditure over the budget provision for the financial year 2021-22 are given in **Table-3.11**.

Table-3.11: Summary of excess disbursements over grants/ appropriations during 2021-22
(in ₹)

Sr. No.	Name of Grant	Voted		Charged	
		Revenue	Capital	Revenue	Capital
1.	05-Land Revenue and District Administration	4,66,95,61,477	20,24,00,000	0	0
2.	06-Excise and Taxation	0	14,70,829	0	0
3.	07-Police and Allied Organisations	0	8,47,44,598	3	0
4.	08-Education	0	15,03,61,271	0	0
5.	09-Health and Family Welfare	0	18,24,51,519	0	0
6.	12-Horticulture	24,16,48,889	0	0	0

Sr. No.	Name of Grant	Voted		Charged	
		Revenue	Capital	Revenue	Capital
7.	17-Election	0	19,30,00,000	0	0
8.	18-Industries, Minerals, Supplies and Information Technology	0	74,66,87,810	0	0
9.	20-Rural Development	0	4,84,00,000	0	0
10.	23-Power Development	10,36,97,87,955	74,91,79,000	0	0
11.	25-Road and Water Transport	0	13,82,12,643	0	0
12.	27-Labour Employment and Training	0	3,40,00,000	0	0
13.	28-Urban Development, Town and Country Planning and Housing	0	0	0	68
14.	30-Miscellaneous General Services	0	97,53,080	0	0
	Total	15,28,09,98,321	2,54,06,60,750	3	68

Source: Appropriation Accounts.

As seen the above, in 17 cases (relating to 13 grants and two appropriations), excess expenditure of ₹ 1,782.17 crore over the budget provision was incurred during 2021-22, which requires regularisation from the State Legislature.

Details of excess disbursement over the authorisation from the Consolidated Fund of State under schemes, contributing significantly to the above during the financial year 2021-22 are given in **Appendix-3.5**.

During the exit conference, the Finance Department attributed that the excess expenditure of ₹ 1,037.92 crore under Major Head 2801-80-800-07 was mainly due to the enhanced amount of land compensation paid on the directions of Hon'ble High Court of Himachal Pradesh to Renuka Ji Dam Oustees whose land was acquired by HP Power Corporation Limited.

3.3.7.2 Persistent excesses in certain grants

A number of grants witnessed excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

It was, however, noticed that during the five-year period from 2017-18 to 2021-22, there were no cases of persistent excess in any grant.

3.3.7.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive.

Excess expenditure of ₹ 8,818.47 crore under 17 grants and 11 appropriations incurred during the years 2014-15 to 2020-21 was yet to be regularised by the State Legislature as of September 2022. An age-wise analysis shows that out of excess expenditure of ₹ 8,818.47 crore pertaining to 2014-21, ₹ 7,471.73 crore (84.73 per cent) of excess expenditure pertained to period of more than five years i.e. before 2016-17.

In addition to the above, excess expenditure of ₹ 1,782.17 crore incurred over authorisation made in 13 grants and two appropriations during the financial year 2021-22, also requires regularisation.

The year-wise summary of excess expenditure pending regularisation is given in **Table-3.12:**

Table-3.12: Excess expenditure relating to previous years (2014-21) requiring regularisation

Year	Number of Grants/ Appropriations	Grant/ Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Account (Figures in ₹)	Status of regularisation
2014-15	10 Grants 6 Appropriations	1, 2, 6, 11, 12, 13, 18, 19, 23 (Revenue) 23 (Capital) and 1, 10, 19, 29 (Revenue), 29 (Capital), 31	15,85,69,18,458	During exit conference, Finance Department stated that memorandums were sent to HP Vidhan Sabha but excesses are yet to be regularised by the Public Accounts Committee (PAC).
2015-16	7 Grants 4 Appropriations	5, 8, 10, 13, 19, 23, 28 (Revenue) and 13, 16, 29 (Revenue) 29 (Capital)	28,48,43,38,113	
2016-17	5 Grants 3 Appropriations	2, 13 (Revenue) 3, 10, 23 (Capital) and 1, 16 (Revenue) 29 (Capital)	30,37,60,82,471	
2017-18	2 Grants 1 Appropriation	5, 10 (Revenue) and 10 (Capital)	3,86,76,41,211	
2018-19	6 Grants 5 Appropriations	05, 13, 22 (Revenue), 03, 10, 12 (Capital) and 07, 20, 25 (Revenue), 10, 29 (Capital)	8,21,37,16,840	Under process
2019-20	4 Grants 3 Appropriations	22 (Revenue), 13, 21, 28 (Capital) and 05 (Revenue), 13, 29 (Capital)	49,91,20,218	
2020-21	3 Grants 2 Appropriation	28 (Revenue), 10, 25 (Capital) 13 (Revenue), 31 (Capital)	88,69,12,706	
Total			88,18,47,30,017	

Source: Appropriation Accounts.

3.3.8 Grant-in-aid for creation of capital assets

As per IGAS-2, grants-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as grants-in-aid are to be spent by the grantee, except in cases where it has

been specifically authorised by the President on the advice of the Comptroller and Auditor General of India.

During 2021-22, an amount of ₹ 833.26 crore was extended as grants-in-aid for capital assets and the whole amount was booked under revenue heads and classified as revenue expenditure in the accounts in compliance with IGAS-2.

3.4 Comments on effectiveness of budgetary and accounting processes

3.4.1 Budget projection and gap between expectation and actual

The summarised position of original and supplementary provisions *vis-à-vis* actual expenditure during 2021-22 in respect of 32 grants/ appropriations is given in **Table-3.13**.

Table-3.13: Summarised position of Budget (Original/ Supplementary) provisions *vis-à-vis* Actual Expenditure during 2021-22

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total provision	Actual Expenditure	Excess (+)/ Savings (-)	Surrender during March	
							Amount	Per cent w.r.t. total provision
Voted	I. Revenue	36,628.99	1,118.70	37,747.69	34,570.20	-3,177.49	3,175.80	8.41
	II. Capital	6,071.33	1,092.46	7,163.79	6,071.76	-1,092.03	924.95	12.91
	III. Loans and Advances	353.87	4.83	358.70	377.97	19.27	43.05	12.00
	Total	43,054.19	2,215.99	45,270.18	41,019.93	-4,250.25	4,143.80	9.15
Charged	I. Revenue	5,097.08	8.18	5,105.26	4,716.55	-388.71	214.05	4.19
	II. Capital	0.00	5.77	5.77	5.60	-0.17	0	0
	III. Public Debt repayments	5,333.51	0	5,333.51	4,387.28	-946.23	946.41	17.74
	Total	10,430.59	13.95	10,444.54	9,109.43	-1,335.11	1,160.46	11.11
Grand Total	53,484.78	2,229.94	55,714.72	50,129.36	-5,585.36	5,304.26	9.52	

Source: Appropriation Accounts.

As shown in the above table, there was an overall saving of ₹ 5,585.36 crore which was the net result of saving of ₹ 7,367.53 crore in 30 grants and nine appropriations offset by excess of ₹ 1,782.17 crore in 13 grants and two appropriations.

Details of original budget, revised estimates and actual expenditure during 2017-18 to 2021-22 are given in **Table-3.14**.

Table-3.14: Original Budget, Revised Estimate and Actual Expenditure during 2017-22

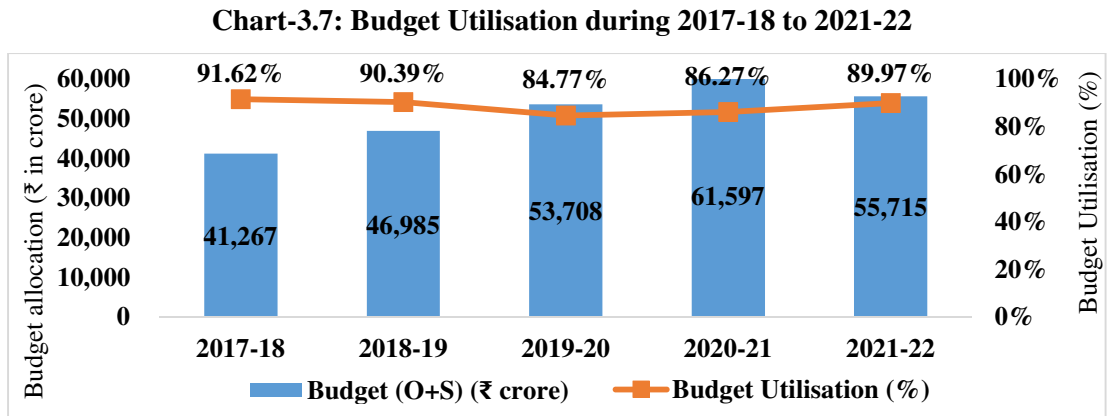
(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Original Budget	37,940	43,842	46,971	52,472	53,485
Supplementary Budget	3,327	3,143	6,737	9,125	2,230
Total (Original + Supplementary)	41,267	46,985	53,708	61,597	55,715
Revised Estimate	38,995	43,625	49,688	53,460	48,834
Actual Expenditure	37,811	42,469	45,528	53,139	50,129
Saving (-)/ Excess (+)	-3,456	-4,516	-8,180	-8,458	-5,585
Percentage of Saving (-)/ Excess (+) to total budget	-8.37	-9.61	-15.23	-13.73	-10.02

Source: Appropriation Accounts and Budget documents of respective years.

As can be seen from the above table, the savings showed an increasing trend during 2017-21, whereas the savings decreased during 2021-22 as compared to last two years. Huge amount of savings indicated sub-optimal utilisation of budgetary outlays as well as inefficient budgetary processes.

The trend of budget allocation (original and supplementary) and utilisation thereagainst is depicted in **Chart-3.7**.



Source: Appropriation Accounts.

As can be seen from the above table, the percentage of budget utilisation against total allocation showed a declining trend during 2017-18 to 2019-20 whereas it shows increasing trend during the periods 2020-22.

3.4.2 Supplementary budget and opportunity cost

While obtaining legislative authorisation for supplementary provisions, departments sometimes report large additional requirements for different purposes under various schemes/activities but are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. At the same time, other schemes remain incomplete due to want of funds, resulting in not only the denial of benefits to the public at large but also in escalation of project cost.

Details of unutilised funds under 'Capital-Voted' section are given in **Table-3.15** below:

Table-3.15: Details of unutilised funds under 'Capital-Voted' section

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital- Voted						
1.	01-Vidhan Sabha	3.05	0.09	3.14	2.19	0.95
2.	10-Public Works - Roads, Bridges and Buildings	1,311.97	176.26	1,488.23	1,442.91	45.33
3.	13-Irrigation, Water Supply and Sanitation	755.24	49.89	805.13	731.67	73.46
4.	16-Forest and Wildlife	11.30	0.26	11.56	10.20	1.36
5.	28-Urban Development, Town and Country Planning and Housing	181.82	2.24	184.06	85.02	99.04
6.	32-Scheduled Caste Sub Plan	1,600.60	205.31	1,805.91	1,415.45	390.46
Total:		3,863.98	434.05	4,298.03	3,687.44	610.60

Source: Appropriation Accounts.

Due to non-availability of information from State Government in respect of schemes/projects which could not be completed for want of funds during the year, it could not be ascertained whether savings of ₹ 610.60 crore under the 'Capital-Voted' section could have been utilised for completion of those schemes/projects which remained incomplete due to want of funds.

3.4.3 Major policy pronouncements in budget and actual expenditure

The Government announces several new policies/ schemes for implementation through the Budget Speech and other budget documents, which are either for that particular financial year (one-time activity) or the subsequent financial years (of recurring nature).

Some of the major policy pronouncements in the budget and actual expenditure thereagainst during 2021-22 are given in **Table-3.16**.

Table-3.16: Major policy pronouncements in budget and actual expenditure during 2021-22
(₹ in crore)

Sr. No.	Name of the Scheme	Grant No.	Classification	Budget Provisions	Actual expenditure	Savings (-)/ Excess (+)
1.	Japan International Cooperation Agency Assisted Crop Diversification Project Phase II (JICA)	31	2401-00-796-64	1.80	1.80	0.00
2	Prakritik Khet Khush-haal Kisan	11	2401-00-105-12	17.62	19.74	2.12
3		31	2401-00-796-55	0.25	0.25	0.00
4		32	2401-00-789-45	2.20	2.20	0.00
5	Himachal Grihani Suvidha Yojna	22	2408-01-800-02	13.48	13.48	0.00
6		31	2408-01-796-10	0.90	0.90	0.00
7		32	2408-01-789-05	2.52	2.52	0.00
8	Swaran Jayanti Samridh Baagwaan	12	2401-00-119-82	5.00	0.00	-5.00
9	Krishi Utpadan Sanrakshan Yojna (Anti Hail Net Structure)	31	2401-00-796-67	0.90	0.23	-0.67
10		32	2401-00-789-65	2.52	2.52	0.00
11	Mukhya Mantri Gram Kaushal Yojna	31	2501-06-796-10	0.90	0.90	0.00
12		32	2501-06-789-12	2.52	2.52	0.00
13	Swachh Bharat Mission (Gramin)	32	2515-00-789-13	0.46	15.48	15.02
14	Top 100 Chhatravriti Yojna	08	2202-01-109-03	2.00	0.70	-1.30
15	Medha Protsahan Yojna	08	2202-02-109-27	3.29	1.97	-1.32
16		31	2202-02-796-30	0.45	0.30	-0.15
17		32	2202-02-789-30	1.26	0.71	-0.55
18	Srinivasa Ramanujan Student Digital Yojna	08	2202-02-109-15	0.00	16.84	16.84
19		31	2202-02-796-13	2.25	5.29	3.04
20		32	2202-02-789-12	6.30	10.83	4.53
21	Himachal Health Care Scheme (HIMCARE)	31	2210-06-796-17	7.65	7.65	0.00
22	Mukhya Mantri Swavlamban Yojna	31	2851-00-796-30	7.20	3.04	-4.16
23		32	2851-00-789-36	20.15	11.72	-8.43
24	Formalisation of Micro Food Processing Enterprises –Atma Nirbhar Bharat	32	2851-00-789-35	0.68	0.62	-0.06
25		32	2851-00-789-35	0.08	0.00	-0.08
26	Mukhya Mantri Yuva Khel Protsahan Yojna	31	4202-03-796-04	0.45	0.30	-0.15
Total				102.83	122.53	19.70

Source: Budget Speech and Appropriation Accounts.

As is evident from the table above, against the total budget provision of ₹ 102.83 crore made for the above schemes, expenditure of ₹ 122.53 crore was incurred during 2021-22 which resulted in excess expenditure of ₹ 19.70 crore over the budget

provision. On the other hand, in two cases/schemes (Sr. No. 8 and 25), there was no expenditure incurred, thus depriving beneficiaries of the intended benefits.

3.4.4 Expenditure vis-à-vis Budget provided for schemes

Several policy initiatives of the Government are partially executed or not executed due to non-approval of scheme guidelines/ modalities, non-commencement of works for want of administrative sanctions, non-release of budget, etc. This deprives beneficiaries of the intended benefits. Savings in such schemes deprives other departments of funds, which they could have been appropriately utilised.

During 2021-22, there were 81 schemes where budget provision (of ₹ one crore and above) was made but no expenditure was incurred or where entire budget provision was reduced to zero (details are given in **Appendix-3.6**). Out of which, there were 10 schemes (₹ five crore and above in each case) for which substantial provision was made but no expenditure was incurred during the year as depicted in **Table-3.17**.

Table-3.17: Details of schemes for which substantial provision was made but no expenditure was incurred

(₹ in crore)

Sr. No.	Name of Grant	Scheme name	Approved outlay	Remarks
1.	08-Education	Post Matric Scholarship to Other Backward Classes (OBC) Students	5.00	No expenditure was incurred on these schemes during the year. No reasons were intimated for the lack of expenditure under these schemes.
2.	13-Irrigation, Water Supply and Sanitation	Diversion of Flow Irrigation Scheme in various District under Pradhan Mantri Krishi (AIBP)	32.21	
3.	29-Finance	Payments before 1.11.1966	9.81	
4.	31-Tribal Development	Development of Airports and Heliports	81.50	
5.		Upgradation/maintenance of existing Information Communication Technology Laboratory & other Lab Facilities	12.60	
6.		Pradhan Mantri Sinchayee Yojana-Har Khet Ko Paani	7.01	
7.	23-Power Development	Loan to Himachal Pradesh Power Corporation for Projects	21.01	
8.			19.65	
9.	32-Scheduled Caste Sub-plan	Remodeling/Renovation of Old Water Supply Schemes	5.03	
10.		World Bank Assisted Integrated Financial Management System (EAP)	9.07	

Source: Appropriation Accounts.

It was further noted that out of the 81 schemes where budget provision of ₹ one crore and above was made but no expenditure was incurred, there were 22 schemes in which the entire budget provision (₹ five crore and above) was removed either by re-appropriation or by surrender in the revised outlay. The details of these 22 schemes are given in **Table- 3.18**:

Table-3.18: Details of schemes where entire budget provision was reduced to zero

(₹ in crore)

Sl. No.	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
1.	Compensatory Afforestation (Cost and Payment of Net Present Value of Forest Department)	5.04	-5.04	0	0
2.	Construction of Roads under Central Road	9.90	-9.90	0	0

Sl. No.	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
	Fund				
3.	Deen Dayal Upadhyay Grameen Kaushal Yojna	5.06	-5.06	0	0
4.	Development Of Airports/ Heliports	278.65	-13.62	-265.03	0
5.	Expenditure on Infrastructure Facilities	13.75	-6.52	-7.23	0
6.	Government Residential Buildings	21.00	-21.00	0	0
7.	Grants under Article 275 (1) of the Constitution	14.92	0	-14.92	0
8.	Helicopter facility to Tribal Areas	8.00	-2.67	-5.32	0
9.	Loan to Himachal Pradesh Power Corporation for Projects	37.34	0	-37.34	0
10.	National Rurban Mission	6.12	-6.12	0	0
11.	Pensioners of Funds Reserve with Finance Department	57.61	-57.55	0	0
12.	Post Matric Scholarship to Scheduled Caste	34.28	-34.28	0	0
13.	Students	12.15	-12.15	0	0
14.	Pradhan Mantri Matsya Sampada Yojna	5.30	0	-5.30	0
15.	Pre-Matric Scholarship to Scheduled Caste Students	6.05	-6.05	0	0
16.	Purchase of Plant Protection Equipment	12.93	0	-12.93	0
17.	Remodelling/Renovation of Old Rural Water Supply Schemes (Externally Aided Project)	13.16	-13.16	0	0
18.	Shyama Parshad Mukherji Rubran Mission	15.99	-15.99	0	0
19.	Sub-Mission on Agriculture Mechanisation	13.35	0	-13.35	0
20.		6.46	0	-6.46	0
21.	Swaran Jayanti Gram Sadak Rakh Rakhaav	10.00	-10.00	0	0
22.	Swaran Jayanti Samridh Baagwaan	5.00	-5.00	0	0

Source: Appropriation Accounts.

Non-utilisation of funds on sanctioned schemes shows that the State Government departments had either not adequately planned for launching such schemes or did not have the capacity for their implementation. Poor scheme implementation capacities increase the tendency of departments to retain cash balances outside the Government Account in bank accounts or surrender funds at the end of the year, thereby depriving other departments of funds which could have been utilised.

3.4.5 Rush of expenditure

Government funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure.

Details of grants where substantial expenditure was incurred in last quarter (ranged between 50 per cent and 71 per cent) and during March (ranged between 12 per cent and 65 per cent) of 2022 are given in **Table-3.19**:

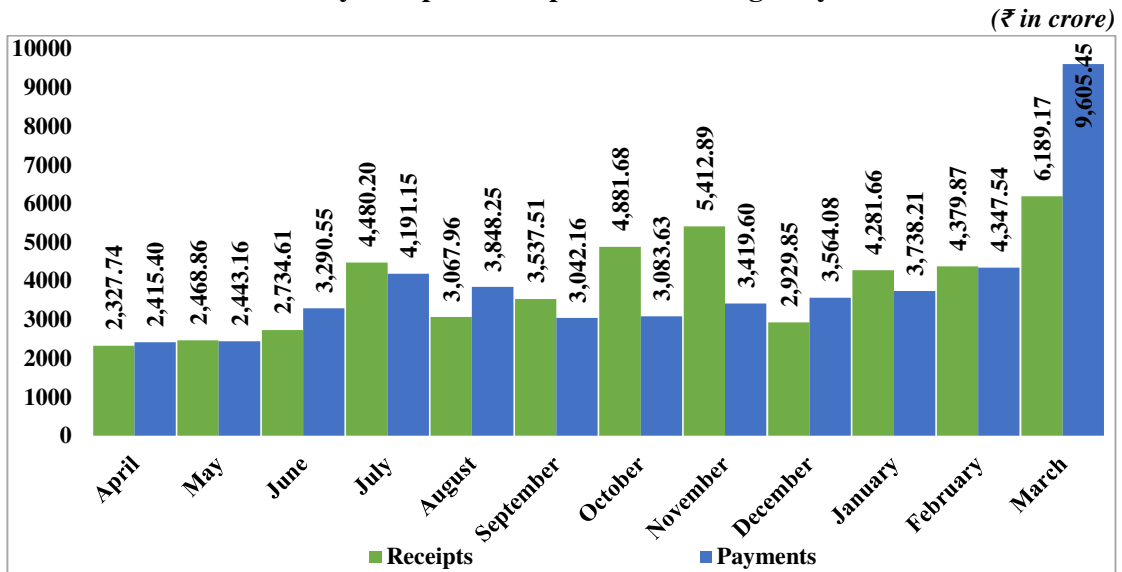
Table-3.19: Grants where substantial expenditure was incurred in the last quarter

Sr. No.	Name of the Grant	Total Expendi-ture (₹ in crore)	Expenditure during last quarter		Expenditure during March	
			₹ in crore	In per cent	₹ in crore	In per cent
1.	18-Industries, Minerals, Supplies and Information Technology	268.97	160.36	59.62	139.94	52.03
2.	22- Food and Civil Supplies	282.58	151.82	53.73	43.21	15.29

Sr. No.	Name of the Grant	Total Expenditure (₹ in crore)	Expenditure during last quarter		Expenditure during March	
			₹ in crore	In per cent	₹ in crore	In per cent
3.	23-Power Development	1,830.97	1,298.99	70.95	1186.35	64.79
5.	28-Urban Development, Town and Country Planning and Housing	841.20	459.66	54.64	103.47	12.30
6.	30-Misc. General Services	149.96	75.01	50.02	39.40	26.28

Month-wise details of receipts and expenditure incurred during 2021-22 are given in the **Chart-3.8**.

Chart-3.8: Monthly receipts and expenditure during the year 2021-22



Source: Monthly Civil Account.

Rush of expenditure during the last quarter, especially during the month of March, showed non-adherence to financial rules. The State Government may consider devising suitable mechanism to avoid rush of expenditure in the last quarter/month of the financial year.

3.5 Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of two grants viz., Grant No. 8 - 'Education' and Grant No. 13 - 'Jal Shakti Vibhag (Irrigation & Public Health Department)' for the year 2021-22 revealed the following:

3.5.1 Grant No. 8 - Education

This Grant is administrated by Education Department and includes Major Heads: 2059-Public Works, 2202-General Education, 2205-Art and Culture, 4202-Capital Outlay on Education, Sports, Art and Culture and 6202-Loans for Education, Sports, Art and Culture.

3.5.1.1 Budget and Expenditure

The overall position of funds allotted, expenditure incurred and savings/ excesses under Revenue and Capital sections for the year 2021-22 is given in **Table 3.20** below.

Table-3.20: Budget provision, expenditure, excess/ savings*(₹ in crore)*

Year	Section	Original Provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Saving (-)
2019-20	Revenue	6,641.11	0.30	6,641.41	5,530.35	-1,111.06
	Capital	96.85	10.40	107.25	77.02	-30.23
	Total	6,737.96	10.70	6,748.66	5,607.37	-1,141.29 (16.91)
2020-21	Revenue	7,068.14	0.73	7068.87	5,706.77	-1,362.10
	Capital	111.50	18.96	130.46	130.44	-0.02
	Total	7,179.64	19.69	7,199.33	5,837.21	-1,362.12 (18.92)
2021-22	Revenue	7,087.45	0.10	7,087.55	5,991.12	-1,096.43
	Capital	91.38	133.44	224.82	239.85	15.03
	Total	7,178.83	133.54	7,312.37	6,230.97	-1,081.40 (14.79)

Source: Appropriation Accounts

It can be seen from the above table that there was persistent savings during 2019-22 under this grant in both Revenue and Capital section. Savings/ un-utilised budget provision ranged between 14 per cent and 19 per cent during 2019-22. During 2021-22, the original allocation (₹ 7,178.83 crore) to this Grant was 13 per cent of the total budget provision (₹ 55,715 crore). Out of total available budget provision (original+ supplementary) of ₹ 7,312.37 crore, ₹ 1,081.40 crore (14.79 per cent) could not be spent, resulting in savings.

(a) Entire provision remained unutilised

Scrutiny of the records pertaining to this Grant revealed that there were 11 heads of account (as detailed in **Appendix 3.7**), where no expenditure was incurred, and the entire budget provision of ₹ 8.19 crore was removed by re-appropriation in the revised outlay.

Further, in two cases/schemes, entire budget allocation of ₹ 7.45 crore remained unutilised during 2021-22, indicating non-implementation of schemes as shown in the **Table 3.21** below:

Table: 3.21: Entire provision remained unutilised*(₹ in crore)*

Sr. No.	Major Head of Account	Approved budget	Supplementary Grant	Re-appropriation	Revised budget	Expenditure
1.	2202-80-107-08 C00N (Post Matric Scholarship to OBC Students)	5.00	0	0	5.00	0
2.	2202-80-107-20 C00N (Scholarship for Economically Backward Classes General Students)	2.45	0	0	2.45	0
	Total:	7.45	0	0	7.45	0

(b) Expenditure over budget provision

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.

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 discussions on the Appropriation Accounts by the Public Accounts Committee (PAC). Scrutiny of the records revealed that the department incurred excess expenditure over the budget provision of ₹ 15.75 crore under Capital head i.e. 4202-01-203-01 S00N (colleges building). Scrutiny further revealed that in addition to original grant of ₹ 42.49 crore, the department received a supplementary grant of ₹ 66.50 crore during 2021-22. Against total available grant of ₹ 108.99 crore, the department incurred ₹ 124.74 crore, leading to excess expenditure amounting to ₹ 15.75 crore over the total budget provision. This indicated that the department made unrealistic budget provisions which dilutes the process of budget making and control over expenditure.

While confirming the facts, Department stated that additional grant of ₹ 15.75 crore was provided (March 2022) by the Advisor Planning, Government of Himachal Pradesh for completion of construction works but it was not reflected in the re-appropriation order by Finance Department and therefore, there was no excess expenditure over the budget. The reply of the department is not acceptable as prior approval of the Finance Department should have been obtained before re-appropriation by the Department.

(c) Unrealistic/insufficient re-appropriations

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

During scrutiny of records pertaining to this Grant it was noticed that during 2021-22, there were 43 cases where re-appropriation proved unrealistic or insufficient, details of which are shown in **Appendix-3.8. Table-3.22** shows details of some of the major instances of unrealistic/insufficient re-appropriations.

Table 3.22: Unrealistic re-appropriations resulting in savings

(₹ in crore)								
Sr. No.	Department	Scheme/ Programme	Major Head of Account	Approved budget	Re-appropriation	Revised budget	Expenditure	Savings
1.	Elementary Education	Directorate	2202-01-001-01-SOON	26.22	-8.47	17.75	14.37	-3.38
2.		Expenditure on Middle schools	2202-01-101-03-SOON	1,421.80	-188.46	1,233.34	1,229.00	-4.34
3.		Star Project	2202-01-113-01-C90N	0.01	49.69	49.70	33.26	-16.44
4.		Mid Day Meal	2202-01-800-01-C90N	63.38	-3.10	60.38	48.59	-11.79
5.	Higher Education	Expenditure on Secondary Schools	2202-02-109-01 S00N	2,486.67	-98.89	2,387.78	2,183.29	-204.49
6.		Expenditure on Government Colleges	2202-03-103-01 S00N	358.49	-16.33	342.16	300.64	-41.52

It can be seen from the above table that in five cases (except Sr. No. 3), even after budget provision was reduced by re-appropriation, the actual expenditure was not up to the level of revised budget provisions and remained unutilised at the end of the year.

On the other hand, budget/fund allocated through re-appropriations under one case (Sr. No. 3), also remained unutilised. Thus, unrealistic provision of funds in the original grant and further by way of re-appropriation had resulted in savings, which indicates not only casual approach in preparation of budget estimates and demand of funds through re-appropriation but also non-utilisation of the funds on sanctioned schemes.

After confirming the facts and figures, the department stated that savings were due to non-appointment of contract and SMC employees against sanctioned strength, retirement of regular employees and vacant post, etc. The other reasons for savings were non-receipt of funds from GoI, decrease of employees under MDM scheme and non-utilisation of stitching charges due to non-availability of bank account numbers of migratory students/ migration of students to private schools, etc. The reply is not acceptable as all these facts and assumptions should have been taken into cognizance while re-appropriating/ re-allocating the funds. This process of the State Government/Department indicated unrealistic/inefficient budgeting.

(d) Unauthorised supplementary grant / re-appropriation in the absence of original provisions

A supplementary grant or appropriation is an addition to the original authorised grant or appropriation. Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

Scrutiny of the records of Education Department revealed that in the absence of original provision of budget in two heads of account, the department allocated an amount of ₹ 429.16 lakh by way of supplementary grant and re-appropriation diluted the process of budget making and control over expenditure. Even after re-appropriation/ supplementary grant, the department could not utilise the grant in full, as ₹ 0.31 lakh remained unutilised. Details of unauthorised supplementary grant / re-appropriation are given in **Table 3.23** below.

Table 3.23: Details showing supplementary grant, re-appropriation and expenditure incurred in the absence of original budget

(₹ in lakh)								
Sr. No.	Scheme/ Programme	Major Head of Account	Original budget	Supplementary Grant	Re-appropriation	Revised budget	Expenditure	Saving/ Excess
1	Pre-Matric Scholarship to OBC	2202-80-107-09 S50N	0	0	413.00	413.00	413.00	0
2	Rashtriya Uchchatar Shiksha Abhiyan (RUSA)	2202-03-103-07 S00N	0	0.04	16.12	16.16	15.85	-0.31
Total			0	0.04	429.12	429.16	428.85	-0.31

While confirming the facts, the Department stated that the supplementary grant/ re-appropriation had been made during the financial year to meet out the previous year's liabilities. The reply of the department is not acceptable as when the department was aware of previous year's liabilities especially in respect of the above schemes, which

are ongoing, it should have taken cognizance of the same and made provisions in the original budget itself. Even the re-appropriations/ supplementary grants were made in excess, resulting in savings.

(e) 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.

Scrutiny of the records of Education Department revealed that in 14 heads of account as given in **Appendix 3.9**, more than 50 *per cent* of the total expenditure had been incurred in the month of March 2022. This is in contradiction of the provisions of rules *ibid*. Out of 14 heads of account under two Major Heads (2202 and 4202), in 10 heads of account (Sr. No. 1 to 8, 12 and 13 of **Appendix 3.9**), the substantial expenditure (ranged between 80 *per cent* and 100 *per cent*) was incurred during March 2022.

Rush of expenditure at the close of the year can lead to infructuous, wasteful or ill planned expenditure. The department should ensure that 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.

After confirming the facts and figures, the department stated that due to late receipt of funds, delay in finalisation of specification by the technical committee for the items to be procured and late conveying of administrative approval and expenditure sanctions, it had to resort to expenditure in March. The reply is not acceptable as the department should have taken cognizance of all these issues and maintained a steady pace of expenditure during the year. Further, to avoid rush of expenditure at the end of financial year, the State Government should have prescribed quarter-wise norms.

(f) Delay in submission of statements of excess and surrender

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 1 October and 15 January or well before the close of the financial year respectively.

Further, as per instructions issued (August 2021) by the Finance Department to the Government of Himachal Pradesh, the first, second and final statements of excess and surrender were required to be submitted to the Finance Department by 31 October, 31 January and 15 March respectively of every year.

Scrutiny of the records of Education Department showed that statements of excess and surrender had been submitted belatedly to Finance Department. The delay in submission of statements ranged between 15 and 82 days. This showed that the

prescribed time schedule of submission of statements of excess and surrender was not fully followed by the department which could be a contributing factor towards persistent savings under this Grant in both Revenue and Capital section (*see paragraph 3.5.1.1*) during 2019-22. The detail of dates of submission of statements of excess and surrender is given in **Table 3.24** below.

Table 3.24: Details of submission of statements of excess and surrender

Particular	Due date	Submission date	Delay (in days)
Elementary Education			
First excess and surrender statement	31-10-2021	16-11-2021	16
Higher Education			
First excess and surrender statement	31-10-2021	21-01-2022	82
Final excess and surrender statement	15-03-2022	30-03-2022	15

In this regard, Department of Elementary Education stated that due to heavy rush of work, the first statement of excess and surrender could not be submitted to the Government in time and in future, timely submission of statements would be ensured.

In response, Department of Higher Education stated that for the first time, the statement has been submitted on 16th March 2022 but due to receipt of funds under various heads of account from Government, the revised statement was submitted on 30th March 2022. The replies of the department are not acceptable as this is the fact that the department did not follow the time schedules for submission of statements of excess and surrender.

3.5.2 Grant No. 13 – Jal Shakti Vibhag (Irrigation & Public Health Department)

This Grant is administrated by Jal Shakti Vibhag (Irrigation and Public Health Department) and includes 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, 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 Projects).

3.5.2.1 Budget and Expenditure

The overall position of funds allotted, expenditure incurred and savings/ excesses under revenue and capital sections of the grant for the year 2021-22 is given in **Table 3.25**:

Table-3.25: Details of funds allocated, expenditure incurred and savings/ excesses

(₹ in crore)

Year	Section	Original Provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Saving (-)
2019-20	Revenue	2,586.54	0.22	2,586.76	2,358.76	-228.00
	Capital	709.05	186.92	895.97	944.28	48.31
	Total	3,295.59	187.14	3,482.73	3,303.04	-179.69 (5.16)
2020-21	Revenue	3,808.98	0.09	3,809.07	1,439.22	-2,369.85
	Capital	951.48	2.95	954.43	922.80	-31.63
	Total	4,760.46	3.04	4,763.50	2,362.02	-2,401.48 (50.41)
2021-22	Revenue	2,649.53	0	2,649.53	2,569.12	-80.41
	Capital	755.24	50.14	805.38	731.75	-73.63
	Total	3,404.77	50.14	3,454.91	3,300.87	-154.04 (4.46)

Source: Appropriation Accounts

It can be seen from the above table that there were persistent savings during 2019-22 under this grant. Savings/ un-utilised budget provision ranged between four *per cent* and as high as 50 *per cent* during 2019-22. During 2021-22, the original budget allocation (₹ 3,454.91 crore) to this Grant was six *per cent* of the total budget (₹ 55,715 crore). Out of total available budget provision of ₹ 3,454.91 crore, ₹ 3,300.87 crore was incurred and ₹ 154.04 crore could not be spent, resulting in savings.

The following points emerged from the scrutiny of records of the department:

(a) Savings

Rule 31(4) of Himachal Pradesh Financial Rules 2009, provides that the revised estimates of both plan and non-plan expenditure and budget estimates for non-plan expenditure after being scrutinised and approved by the Administrative department concerned shall be forwarded to the Finance Department in such manner and form as may be prescribed. Similarly, Rule 41 also stipulates that the head of the department through their administrative department, shall surrender to the Finance Department by the date prescribed before the close of financial year, all the anticipated savings noticed in the grants of appropriation controlled by them.

Scrutiny of the records pertaining to this Grant (Jal Shakti Vibhag) revealed that –

- (i) During 2021-22, out of 56 cases (given in **Appendix 3.10**), savings in 33 cases were more than ₹ 10 lakh or more in each case.
- (ii) In 56 cases, out of total grant of ₹ 2,729.85 crore, ₹ 542.86 crore (20 *per cent*) remained unutilised at the end of the year 2021-22.

This indicates that the department either made unrealistic budget provisions or did not disburse/surrender the amount as per prescribed procedure/rule depriving the other heads where these funds could have been used.

After confirming the facts and figures, the department stated that savings pertained to suspense/ stock/ manufacture/ misc. advances, adjustment of recoveries, various schemes, etc. Due to COVID-19 Pandemic, the works in the department could not be executed fully, therefore adjustment of funds under heads of account could not be made.

Department further stated that the amount pertaining to salary could not be utilised fully due to non-filling of vacant posts. All the savings could not have been surrendered in expectation of announcement of arrears/Central release, etc.

The reply is not acceptable as savings as well as provisions which cannot be utilised shall be surrendered to the Government immediately as and when they are foreseen, without waiting for the end of the financial year. No savings shall be held in reserve for future excesses according to Rule 41(2) of Himachal Pradesh Financial Rules 2009.

(b) Unrealistic preparation/formulation of budget estimates

As per rules 28 (3) of the HP Financial Rules, 2009, all the Departments shall comply with the guidelines issued by Finance Department from time to time for preparation of budget estimates.

(i) Scrutiny of the records of the Department showed that there were 43 heads of accounts (as detailed in **Appendix 3.11**), where no expenditure was incurred, and the entire budget provision of ₹ 18.30 crore was removed by re-appropriation in the revised outlay. Some instances where entire budget provision was reduced to zero by way of re-appropriation, are given in **Table-3.26** below:

Table 3.26: Details of cases/schemes where entire budget provision was reduced to zero by re-appropriation of total approved budget

(₹ in lakh)

Sr. No.	Head of Account	Original Budget	Supplementary Grant	Re-appropriation	Expenditure
Revenue Head					
1.	2701-15-799-01-S00N-79-Suspense	28.30	0	-28.30	0
2.	2701-16-799-01-S00N-79-Suspense	120.29	0	-120.29	0
3.	2701-16-799-02-S00N-79-Stock Manufacture	21.23	0	-21.23	0
4.	2701-16-799-03-S00N-79- Public Works Misc. Advances	49.53	0	-49.53	0
5.	2711-01-799-03-S00N-79-Public Works Misc. Advances	97.65	0	-97.65	0
Capital Head					
6.	4215-01-102-26-S00N	1,316.00	0	-1,316.00	0
7.	4215-01-102-28-S00N	150.00	0	-150.00	0

This indicates that the budget provisions were formulated without estimating their requirement, which diluted the process of budget making and control over expenditure.

(ii) In another instance, during scrutiny of the records of the department, it was noted that there were 10 heads of accounts/ schemes for which substantial provision of ₹ 42.43 crore was made but no expenditure was incurred during the year 2021-22, as depicted in **Table-3.27**. Further, the department had not complied with the provision of Rule 41 (2) of HPFR 2009 and savings were held in reserve for future excesses at the end of the financial year.

Table 3.27: Details of head of accounts/ schemes for which substantial provision was made but no expenditure was incurred*(₹ in lakh)*

Sr. No.	Head of Account	Sanctioned Budget	Supplementary Grant	Re-appropriation	Final Budget	Expenditure
Revenue Section						
1	2700-01-799-01-S00N79-Suspense	358.05	0	0	358.05	0
2	2700-01-799-03-S00N79-Public Works Misc. Advances	187.17	0	0	187.17	0
3	2701-11-799-01-S00N-79-Suspense	4.24	0	0	4.24	0
4	2701-11-799-02-S00N-79-Stock Manufacture	1.41	0	0	1.41	0
5	2701-11-799-03-S00N-79-Public Works Misc. Advances	1.41	0	0	1.41	0
6	2701-21-799-01-S00N-79-Suspense	70.76	0	0	70.76	0
7	2701-21-799-02-S00N-79-Stock Manufacture	14.15	0	0	14.15	0
8	2701-21-799-03-SOON-79-Public Works Misc. Advances	6.37	0	0	6.37	0
Total Revenue Head		643.56	0	0	643.56	0
Capital Head						
9	4702-00-101-07 LIS PMKSY C90N	3,220.80	0	0	3,220.80	0
10	4702-00-101-06 LIS PMKSY S10N	379.00	0	0	379.00	0
Total Capital Head		3,599.80	0	0	3,599.80	0
Grand total (Revenue & Capital Head)		4,243.36	0	0	4,243.36	0

After confirming the facts and figures, the Department stated that under Revenue section, due to Covid-19 Pandemic, the works could not be executed fully as per estimates, which resulted in less demand of material. Therefore, adjustment of funds against these heads of accounts could not be made. The Department further stated that under Capital Section, the funds could not be utilised due to non-approval of schemes and non-receipt of funds under Central Share. The reply is not acceptable as the department should have considered all components *vis-à-vis* Centre Share / State Share, previous liabilities, etc., before finalisation of budget provisions of a particular financial year.

(c) Unnecessary/excessive reappropriations

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Further, funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year.

During scrutiny of the records of the Department, it was noted that during 2021-22, in 14 cases, reduction of provision by re-appropriation proved insufficient as there were savings under these heads of account at the end of the year. Details of such 14 cases, are shown in the **Table 3.28** below.

Table 3.28: Details of cases where provision though reduced by re-appropriation had savings

(₹ in crore)

Sr. No.	Heads of Accounts	Original grant	Supplementary grant	Re-appropriation	Total grant	Expenditure	Savings
Revenue Section							
1	2215-01-001-01-SOONM	28.37	0.20	-0.90	27.67	25.21	-2.46
2	2215-01-001-02-SOON	6.83	0.00	-0.25	6.58	6.07	-0.51
3	2215-01-001-02-SOON	110.66	0.09	-1.33	109.42	97.83	-11.59
4	2215-01-005-01-SOONM	4.34	0.00	-0.39	3.94	3.04	-0.90
5	2215-01-101-02-SOON	296.91	0.00	-35.46	261.45	242.61	-18.85
6	2215-01-101-04-SOON-NP-21MTS	130.43	0.00	-35.21	95.22	75.98	-19.24
7	2215-01-102-03-SOON	664.04	0.00	-84.57	579.46	537.91	-41.55
8	2215-01-102-12-SOON	423.32	0.00	-83.86	339.46	236.30	-103.16
9	2700-01-001-01-SOON	9.41	0.00	-0.94	8.46	7.49	-0.97
10	2702-80-001-01-SOON	83.42	0.00	-5.61	77.80	67.97	-9.83
11	2702-80-001-02-SOON-NP	250.92	0.00	-30.95	219.97	192.00	-27.98
12	2702-80-001-06-SOON	250.92	0.00	-22.64	228.28	163.69	-64.58
Capital Section							
13	4215-01-101-01-SOON(P) UWSS-in various Districts	33.66	0.00	-0.13	33.53	30.43	-3.10
14	4702-00-101-03-SOON LIS NABARD	52.11	0.00	-3.11	49.00	48.36	-0.64

The Government may consider putting in place stringent mechanism for estimating probable expenditure during the year and projected requirements for ensuring accurate budgeting.

(d) Unjustified supplementary grant / re-appropriation in the absence of original provisions

A supplementary grant or appropriation is an addition to the original authorised grant or appropriation. Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

Scrutiny of the records relating to this Grant showed that in seven heads of account, there was no original provision during 2021-22. The department incurred an expenditure of ₹ 13.89 crore on these sub-heads by way of supplementary grant and re-appropriation. The department made provision of ₹ 14.06 crore (by re-appropriation of ₹ 0.15 crore and supplementary grant of ₹ 13.91 crore) in these sub-heads during the year. Despite this, the department could not utilise the grant in full as ₹ 0.17 crore remained unutilised. In the absence of original provision of budget, the re-appropriation/ supplementary grant made was unjustified and also proved that unrealistic estimation of budget provision was made which diluted the process of budget making and control over expenditure. The details of unjustified supplementary grant / re-appropriation are given in **Table 3.29** below.

Table 3.29: Details showing re-appropriation made, supplementary grant and expenditure incurred in the absence of original budget

(₹ in lakh)

Sr. No.	Head of Account	Original Budget	Supplementary Grant	Re-appropriation	Final Budget	Expenditure	Saving/ Excess
1	4215-01-102-01 SOONM 29-Compensation (Voted)	0	24.60	0	24.60	24.61	0.01
2	4215-01-102-01--SOONM 29-Compensation (Charged)	0	7.66	0	7.66	7.65	-0.01
3	4701-21-800-01-S00N	0	552.00	0	552.00	551.97	-0.03
4	29-Compensation (Voted)	0	0.01	14.49	14.50	14.50	0
5	4711-01-800-13-SOON Channelisation of Swan from Doulatpur to Gagret Bridge PR IV	0	17.17	0	17.17	0	-17.17
6	4711-01-800-15-SOON FPW in Chhouch Khad	0	790	0	790.00	790.00	0
Total		0	1,391.44	14.49	1,405.93	1,388.73	-17.20

While confirming the facts and figures, the department stated that supplementary grants/ re-appropriations in these cases had been made for emergent payment of compensation on account of land acquired from the different land holders for construction of various water supply schemes, land acquisition in court matter, clearance of pending liabilities, etc. Further, the department stated that all supplementary and re-appropriations made during the year are based on facts and are correct and justified. The reply is not acceptable as the department should have considered all components related to payment of compensation on account of land acquisition, court related matter and previous liabilities etc. and should have suitably made the budget provisions under these heads of account for the financial year.

(e) Delay in submission of statements of excess and surrender

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 1 October and 15 January or well before the close of the financial year respectively.

Further as per instructions issued (August 2021) by Finance Department, Government of Himachal Pradesh, the first, second and third statements of excess and surrender were required to be submitted to the Finance Department on 31 October, 31 January 2022 and 15 March respectively.

Scrutiny of the records pertaining to this Grant revealed that statements of excess and surrender had been submitted belatedly to Finance Department. The delay in submission of statements ranged between seven and 46 days. This showed that the

prescribed time schedule of submission of statements of excess and surrender was not followed by the department which could be a contributing factor towards persistent savings under this Grant during 2019-22 (*see paragraph 3.5.2.1*). The details are given in **Table 3.30** below:

Table 3.30: Details of submission of statements of excess and surrender

Sr. No.	Particulars	Due date	Submission date	Delay (in days)
1	First excess and surrender statement	31-10-2021	16-12-2021	46
2	Second excess and surrender statement	31-01-2022	07-02-2022	7
3	Third (Final) excess and surrender statement	15-03-2022	28-03-2022	13

After confirming the facts, the department stated that due to Corona pandemic, the excess and surrender statements could not be submitted in time, however, department was always keen to submit the same in time. The reply is not acceptable as it was evident that the department failed to follow the time schedules for submission of statements.

(f) Funds transferred by the GoI directly to State Implementing Agencies outside the State Budget

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No. 1 (13)/PFMS/FCD/2020 dated 8 December 2021 provides that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IAs) to the Single Nodal Account of the Single Nodal Agency.

During scrutiny of records relating to this Grant, it was noted that a Centrally Sponsored Scheme (90:10 sharing pattern) namely *Jal Jeevan Mission (JJM)* (formerly National Rural Drinking Water Programme (NRDWP)) is being implemented by the department with one of the objectives to provide Functional Household Tap Connection (FHTC) to every rural household i.e., *Har Ghar Nal Se Jal* (HGNSJ). Scrutiny further revealed that being a CSS, the department opened (July 2019) a Single Nodal Account (SNA). The funds (Central Share) under this scheme were being released by the GoI through the State treasury into SNA account upto May 2021.

However, since the Central share along with the due State matching share was not being timely transferred to the SNA of the Mission, it was decided in February 2021 by the Department of Drinking Water and Sanitation, National Jal Jeevan Mission, Government of India, Ministry of *Jal Shakti* for "Operationalisation of 'Escrow Account' of SWSMs. As such, the SNA account so opened, was converted (April 2021) into an Escrow Account.

It was further noticed that during 2021-22, only Ist tranche of Ist Instalment of ₹ 193.12 crore under category Non-SCC-STC (Grant-13), SCC (Grant-32) and STC (Grant-31) was received in SNA account maintained by the Department. Thereafter, 2nd tranche of Ist Instalment onwards, ₹ 1,077.50 crore were released directly by the GoI, outside the State Budget, into the Escrow Account of Implementing Agency i.e *Jal Jeevan Mission of Jal Shakti Vibhag*, which is a matter of concern. The details of funds transferred by the GoI to State Government/ State Implementing Agency during 2021-22 are given in the **Table 3.31** below.

Table 3.31: Detail showing fund released by GoI to State Government/ Implementing Agency under the scheme JJM for the year 2021-22

Sr. No.	Sanction number	Dated	Amount released through State Government account (SNA-65063927212)	Amount released through out of State Government account (Escrow Account-65063927212)
			(₹ in crore)	
1	G-11011/2/2021-JJM-DDWS-Part-I/08	13-05-2021	193.12	
2	W-11020/27/2020-JJM-I-DDWS/23	30-07-2021	0.00	193.12
3	W-11020/27/2020-JJM-I-DDWS/39	30-11-2021	0.00	193.12
4	W-11020/27/2020-JJM-I-DDWS/58	28-01-2022	0.00	193.12
5	W-11020/3/2022-JJM-I-DDWS/77	30-03-2022	0.00	498.14
Total			193.12	1,077.50

Thus, the funds released directly to implementing agency by the GoI without routing through the State Budget/Treasury impacted adversely the whole process of making of State Budget and position of the State resources/ finances.

3.6 Conclusions

- Budgetary management was sub-optimal, as overall utilisation of budget was almost 90 *per cent* of total grants and appropriations during 2021-22. Budgetary allocations were not accurately made as out of the total 32 grants, in 10 grants there were savings of more than ₹ 100 crore; and in six grants there were persistent savings of more than ₹ 100 crore for the last five years. Supplementary provisions were also not accurately made as in 25 cases the supplementary provisions were either unwarranted or excessive.

- There was rush of expenditure towards the end of the financial year. Under six grants substantial expenditure was incurred in last quarter (ranged between 51-71 *per cent*) and during March (ranged between 12-65 *per cent*) of 2022.
- In 13 grants and two appropriations, expenditure of ₹ 1,782.17 crore was in excess of the authorisation made by the State Legislature. The excess expenditure is required to be regularised by the State Legislature along with excess expenditure of ₹ 8,818.47 crore pertaining to the period 2014-15 to 2020-21.
- Out of 80 schemes, in 10 schemes, no expenditure was incurred in spite of budget provisions of more than ₹ five crore being available in each case. Further, in 22 schemes the entire budget provision (₹ five crore and more in each case) was removed either by re-appropriation or by surrender. This indicates weak financial planning and management by the State Government departments resulting in denial of intended benefits and blocking of resources.

3.7 Recommendations

- The State Government should be more scientific and accurate in its assumptions for preparing budget estimates.
- The State Government should ensure regular monitoring to ascertain the progress of expenditure with reference to the stipulated quarterly targets, and to assess anticipated savings/ excess. Surrenders of anticipated savings should be made well before the close of the financial year so that they can be utilised for other schemes. Excess expenditure over authorisation approved by the Legislature must be avoided and regularised at the earliest.