CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are, therefore, complementary to Finance Accounts.

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-2013 against 32 grants/appropriations is given in **Table 2.1.**

Table 2.1

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

(₹ in crore)

Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving* (-)/ Excess (+)
Voted					
Revenue	15137.16	677.38	15814.54	15635.58	(-) 178.96
Capital	2009.44	122.09	2131.53	2027.53	(-) 104.00
Loans and Advances	367.17	16.22	383.39	468.58	(+) 85.19
Total Voted	**17513.77**	**815.69**	**18329.46**	**18131.69**	**(-) 197.77**
Charged					
Revenue	*2287.26*	*50.44*	*2337.70*	*2410.57*	*(+) 72.87*
Capital	*--*	*4.03*	*4.03*	*4.03*	*--*
Public Debt-Repayment	*1937.30*	*--*	*1937.30*	*2116.96*	*(+) 179.66*
Total Charged	***4224.56***	***54.47***	***4279.03***	***4531.56***	***(+) 252.53***
Appropriation to Contingency Fund (if any)					
	–	**–**	**–**	**--**	**--**
Grand Total	**21738.33**	**870.16**	**22608.49**	**22663.25**	**(+) 54.76**

Source: Appropriation Accounts

* *Shortfall in utilisation of funds*

The overall excess expenditure of ₹54.76 crore registered under Grants/Appropriation during the year 2012-13 was the result of excess of ₹703.08 crore in six Grants and three Appropriations under Revenue Section and six Grants and one Appropriation under Capital Section, offset by saving of ₹648.32 crore in 26 Grants and four Appropriations under Revenue Section and 22 Grants and one Appropriation under Capital Section.

Grants against which significant savings of more than ₹25 crore were noticed during the year were Land Revenue and District Administration (Revenue-Voted), Education (Revenue-Voted), Health and Family Welfare (Revenue-Voted), Agriculture (Revenue-Voted), Rural Development (Revenue-Voted), Power Development (Revenue-Voted), Finance (Revenue-Voted) and Public Works-Roads, Bridges and Buildings (Capital-Voted) and Scheduled Caste Sub-Plan (Capital-Voted). Similarly, grants/appropriation against which significant excess expenditure over the allotments noticed during the year 2012-13 were Public Works-Roads, Bridges and Buildings (Revenue-Voted), Irrigation, Water Supply and Sanitation (Revenue-Voted), Finance (Revenue-Charged), Irrigation, Water Supply and Sanitation (Capital-Voted), Power Development (Capital-Voted) and Finance (Capital-Charged).

The reasons for savings/excesses were called for by the Office of the Accountant General (A&E), Himachal Pradesh (July 2013) in respect of 1037 sub-heads from the respective controlling officers. Of these, explanations for variations in respect of 287 sub-heads (Saving: 182 sub-heads; Excess: 105 sub-heads) were awaited (September 2013).

2.3 Financial Accountability and Budget Management

2.3.1 Savings

The outcome of the appropriation audit showed that in 29 cases, savings exceeded by ₹ one crore in each case and by more than 20 *per cent* of the total provision **(Appendix 2.1)** in four cases. Out of the total saving of ₹648.32 crore, substantial saving of ₹316 crore (49 *per cent*) was in four cases alone relating to four grants where saving was more than ₹50 crore in each case as indicated in **Table 2.2.**

Table 2.2

List of grants with savings of more than ₹50 crore

(₹ in crore)

Sr. No.	Number and name of the Grant	Original	Supple-mentary	Total	Actual Expenditure	Savings
Revenue-Voted						
1.	08-Education	3108.58	75.83	3184.41	3064.42	119.99
2.	09-Health and Family Welfare	901.74	21.14	922.88	860.77	62.11
3.	20-Rural Development	377.89	28.10	405.99	333.30	72.69
Capital-Voted						
4.	32-Scheduled Caste Sub-Plan	533.17	19.11	552.28	491.07	61.21
	Total	**4921.38**	**144.18**	**5065.56**	**4749.56**	**316.00**

Source: Appropriation Accounts

Reasons for substantial savings (shortfall in utilisation) against each grant were not assigned (September 2013) by the State government.

2.3.2 Persistent savings

In four cases, there were persistent savings of more than ₹one crore in each during the last five years as per the details given in **Table 2.3.**

Table 2.3
List of grants with persistent savings during 2008-13

(₹ in crore)

Sr. No.	Grant number and name	Amount of Savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue-Voted						
1.	03-Administration of Justice	3.66	2.84	16.51	15.96	14.78
2.	15-Planning and Backward Area Sub-Plan	15.06	9.99	7.78	9.43	6.89
3.	20-Rural Development	8.48	2.06	4.06	75.07	72.69
Capital-Voted						
4.	29-Finance	2.32	4.19	1.84	1.67	5.07

Source: Appropriation Accounts

A significant portion of savings under Grant No. 20-Rural Development had occurred under Mahatma Gandhi National Rural Employment Guarantee Scheme during 2011-12 (₹57.86 crore) and 2012-13 (₹18.16 crore). This indicated inadequate financial control. Reasons for these persistent savings were awaited from the State government (September 2013).

2.3.3 Excess Expenditure

In 10 cases, expenditure aggregating ₹9781.61 crore exceeded the approved provisions by more than ₹ one crore in each case and also by more than 20 *per cent* of the total provision (four cases) resulting in excess expenditure of ₹702.56 crore (**Appendix 2.2 and Table 2.4**).

Table 2.4
List of grants where expenditure was more than ₹one crore each and more than 20 *per cent* of the total provision

(₹ in crore)

Sr. No.	Grant number and name	Total Grant/ Appropriation	Expenditure	Excess Expenditure	Percentage of Excess Expenditure (more than 20 *per cent)*
Revenue-Voted					
1.	13-Irrigation, Water Supply and Sanitation	1387.90	1673.11	285.21	21
Capital-Voted					
2.	18-Industries, Minerals, Supplies and Information Technology	20.56	27.56	7.00	34
3.	21-Co-operation	0.85	11.42	10.57	1244
4.	23-Power Development	393.56	481.09	87.53	22
Total		**1802.87**	**2193.18**	**390.31**	

Source: Appropriation Accounts

Reasons for excess expenditure were awaited (September 2013) from the departments.

2.3.4 Persistent excess expenditure

In two cases, there was persistent excess expenditure during the last five years as shown in **Table 2.5.**

Table 2.5
List of grants indicating persistent excess expenditure during 2008-13

(₹ in crore)

Sr. No.	Number and name of the Grant	Amount of Excess Expenditure				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue-Voted						
1.	**10-Public Works-Roads, Bridges and Buildings**	134.46	215.36	219.60	221.99	35.57
2.	**13-Irrigation, Water Supply and Sanitation**	340.76	236.55	586.72	350.71	285.21

Source: Appropriation Accounts

The persistent excess expenditure indicates that the budgetary controls in the departments were ineffective and budget estimates were prepared on unrealistic basis.

2.3.5 Expenditure without Provision

As per the Himachal Pradesh Budget Manual (HPBM), expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that in 15 cases detailed in **Table 2.6** the expenditure of ₹37.32 crore was incurred without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.6
Expenditure incurred without provision during 2012-13

(₹ in crore)

Sr. No.	Number and name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
05-Land Revenue and District Administration-			
1.	2245/80/102/01 (Expenditure on Natural Disasters, Contingency Plans in Disaster Prone Areas)	0.23	Reasons were awaited.
07-Police and Allied Organisations-			
2.	2070/00/104/02 (State Vigilance and Anti Corruption Bureau- Investigating Range Staff)	0.69	Reasons were awaited.
11-Agriculture-			
3.	2402/102/10 (Assistance to Small and Marginal Farmers for Increasing Agriculture Production)	0.03	Reasons were awaited.
13-Irrigation, Water Supply and Sanitation-			
4.	2215/01/001/01 (Direction)	0.30	Reasons were awaited.
5.	2215/01/001/02 (Execution)	0.60	
6.	2215/01/102/03 (Maintenance and Repair of Rural Water Supply Scheme)	0.09	
7.	4701/15/799/02 (Stock Manufacture)	0.06	
8.	4701/16/799/01, 02 and 03 (Stock, Stock Manufacture and Miscellaneous Advance)	0.22	
9.	4702/799/01, 02 and 03 (Stock, Stock Manufacture and Miscellaneous Public Works Advances)	28.39	

Sr. No.	Number and name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
19-Social Justice and Empowerment-			
10.	2235/60/200/11 (Reimbursement of Medical	0.05	Reasons were awaited.
	Expenditure of Pensioners)		
11.	4235/02/800/02 (Construction of Sainik Rest House and Buildings)	0.08	
29-Finance-			
12.	**7610/202/01 (Loans to government servants for purchase of Motor Cars)**	0.01	Reasons were awaited.
31-Tribal Development-			
13.	**2215/01/796/04, 05 and 06 (Stock, Stock Manufacture and Miscellaneous Public Works Advances)**	2.34	
14.	**2405/796/03 (Expenditure on Fisheries under Special Central Assistance for the Pockets of Chamba and Bhittyal)**	0.01	Reasons were awaited.
15.	**2702/80/796/08, 09 and 10 (Stock, Stock Manufacture and Miscellaneous Advances)**	4.22	
	Total	**37.32**	

Source: Appropriation Accounts

2.3.6 Drawal of funds to avoid lapse of budget grant

Rule 5.71 (c) (5) of Himachal Pradesh Treasury Rules stipulates that no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the following cases, the amounts drawn were neither spent for the specific purposes nor refunded into treasury before closure of financial year 2012-13:

2.3.6.1 Unutilised funds

(i) Director, Scheduled Castes, Other Backward Classes and Minority Affairs, Shimla drew (July 2009) ₹1.10 crore for raising two storey above the existing one storey building of District Welfare Office, Mandi but the amount remained unutilised with the executing agency i.e., Himachal Pradesh Housing and Urban Development Authority (HIMUDA) as of August 2013 due to revision of estimates and cancellation of tenders time and again.

(ii) Director, Urban Development Shimla drew (April 2008-April 2009) ₹1.04 crore for construction of parkings at three[1] places but the amount remained unutilised with the executing agencies as of August 2013 due to non-selection of site, cancellation of tender and non-commencement of work.

(iii) Chief Medical Officer (CMO), Nahan drew (March 2009-August 2010) ₹0.84 crore for execution of six works[2], but the amount remained unutilised with the Public Works Department (PWD) as of May 2013 due to non-availability of land (five cases) and non-handing over of site (one case).

(iv) CMO, Una drew (June 2011) ₹0.39 crore for construction of two number of Outdoor Patient Departments and a conference hall in Community Health Centre,

[1] Chowari (HIMUDA): ₹0.26 crore; Joginder Nagar (PWD): ₹0.46 crore and Jawalamukhi (Nagar Panchayat): ₹0.32 crore.

[2] Community Health Centres (CHCs) (one): ₹0.26 crore; Health Sub-Centres (HSCs) (three): ₹0.33 crore and Primary Health Centres (PHCs) (two): ₹0.25 crore.

Gagret but the amount remained unutilised with the PWD as of August 2013 due to non-selection of land.

(v) Executive Engineers (EEs) of four[3] divisions of PWD drew (March 2012) ₹ 9.16 crore for execution of 35 works[4] and simultaneously transferred the funds to other divisions[5]/sub-divisions[6] under their control. In the financial year 2012-13, an amount of ₹8.83 crore was received back from the concerned divisions / sub-divisions between April 2012 and October 2012 and was kept under the deposit head. Besides, out of ₹1.18 crore transferred to Solan division, an amount of ₹0.33 crore was not returned and remained under deposit head.

It was noticed that the concerned EEs could not utilise the whole amount and funds aggregating ₹5.31 crore remained unutilised with them under deposit head. Funds were drawn by the EEs at the fag end of financial year to avoid the lapse of budget grant. The EEs admitted the facts (July 2012-February 2013).

2.3.7 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹3877.95 crore (**Appendix 2.3**) for the years 2009-2012 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.7.**

Table 2.7
Excess over provisions relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2009-10	19	1	887.80	*Suo moto* replies from the Finance Department are still awaited. Report yet to be discussed by PAC.
2010-11	19	2	2237.64	
2011-12	6	1	752.51	Due for discussion from 09 July 2013. *Suo moto* replies from the Finance Department are still awaited. Report yet to be discussed by PAC.
Total			**3877.95**	

[3] Baijnath: ₹1.20 crore, Dharamsala: ₹1.51 crore, Kasauli: ₹1.18 crore and Shimla-II: ₹5.27 crore.

[4] Construction of office buildings: seven; Construction of Residential Quarters: 13; Construction of roads: four; Installation of steel crash barriers and parapets on various roads: three; S/R, AR and M/O to various roads, culverts, bridges and buildings: six and Improvement and strengthening of roads: two.

[5] Shimla-III: ₹5.27 crore and Solan: ₹1.18 crore.

[6] Baijnath: ₹1.20 crore and Dharamsala-I: ₹1.51 crore.

2.3.8 Excess over provision during 2012-13 requiring regularisation

During 2012-13, excess expenditure was incurred in 12 grants and four appropriations aggregating ₹703.08 crore (**Appendix 2.4**) over the grant/appropriation authorised by the Legislature. The excess expenditure requires regularisation under Article 205 of the Constitution of India.

2.3.9 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary grant aggregating ₹185.38 crore (**Appendix 2.5**) obtained in seven cases, exceeding ₹50 lakh in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision. Supplementary provision of ₹95.31 crore obtained in three cases (more than ₹one crore in each case) proved insufficient leaving an aggregate uncovered excess expenditure of ₹81.21 crore **(Appendix 2.6)**. Of the uncovered excess, ₹73.06 crore (90 *per cent*) was incurred alone in Grant No. 29-Finance (Revenue-Charged) by the Finance Department.

2.3.10 Excessive/unnecessary/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹10 lakh in 146 sub-heads (**Appendix 2.7**). Of these, excess/savings of more than ₹two crore occurred in 43 sub-heads. Further, there was an excess expenditure of ₹184.75 crore under Grant No. 29-Finance under the head 6003-109-11 (Other Non-Subsidiary Loan Register Borrowings/Infrastructure Development Board) where the re-appropriation of ₹1.23 crore proved to be insufficient.

2.3.11 Unexplained re-appropriations

According to Paragraph 13.3 (b) of Himachal Pradesh Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement such as if an excess occurs under "travelling allowances" it should be explained why additional travelling allowance could not have been foreseen and provision made to cover its cost and why it was necessary. However, a scrutiny of re-appropriation orders issued by the Finance Department showed that in respect of 597 items where the re-appropriation was sought, (17 *per cent* of 3611 commented in the Appropriation Accounts/orders) reasons for seeking such re-appropriations were of general nature like "Non/less conduct of training programmes", "more/less engagement of daily waged staff", "more/less touring by staff" and "more/less receipt of rent, rates and taxes bills".

2.3.12 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 30 sub-heads (**Appendix 2.8**) on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹118.58 crore in these 30 schemes, ₹89.21 crore (75 *per cent*) were surrendered, which included cent *per cent* surrender in 13 schemes (₹16.17 crore) **(Appendix 2.9)**.

Further, in 16 cases, there was surrender of more than ₹10 crore each involving ₹766.01 crore on 30 March 2013 **(Appendix 2.10)**. Surrender of funds on the last working day of March 2013 indicated inadequate financial control leading to non-utilisation of funds for other developmental purposes in the needy areas.

2.3.13 Surrender in excess of actual saving

A scrutiny of surrender order for the financial year 2012-13 showed that in eight cases, the amount surrendered (₹ 20 lakh or more in each case) was found to be in excess of actual savings registered against the respective heads indicating lack of or inadequate budgetary control in these departments. As against savings of ₹198.05 crore registered in these cases, the amount surrendered was ₹216.34 crore resulting in excess surrender of ₹18.29 crore (**Appendix 2.11**). Reasons for surrender in excess of savings were awaited from the concerned departments (September 2013).

2.3.14 Anticipated savings not surrendered

According to Himachal Pradesh Budget Manual (Paragraph 11.2 of Chapter 11), all the savings as and when anticipated, must be surrendered to the Finance Department latest by 15 January by the spending Department. It was, however, noticed that in the following grants, out of total savings of ₹145.73 crore, only ₹124.83 crore was surrendered as detailed in **Table 2.8.**

Table 2.8
Cases of saving of ₹one crore and above not surrendered

(₹ in crore)

Sr.No.	Number and name of Grant	Saving	Surrender	Saving which were not surrendered
	Revenue-Voted			
1.	**11-Agriculture**	39.96	38.40	1.56
2.	**15-Planning and Backward Area Sub-Plan**	6.89	5.56	1.33
3.	**31-Tribal Development**	24.05	15.04	9.01
	Capital-Voted			
4.	**29-Finance**	5.07	4.86	0.21
5.	**31-Tribal Development**	8.54	7.76	0.78
6.	**32-Scheduled Caste Sub-Plan**	61.22	53.21	8.01
Total		**145.73**	**124.83**	**20.90**

2.3.15 Rush of expenditure

According to the Himachal Pradesh Financial Rules, 2009 rush of expenditure, particularly in the closing month of the financial year should be avoided.

Contrary to this, in respect of 14 sub-heads (**Appendix 2.12**), expenditure exceeding ₹10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in the month of March 2013. The details of major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year are given in **Table 2.9.**

Table 2.9
Cases of Rush of Expenditure towards the fag end of the financial year 2012-13
(₹ in crore)

Sr. No.	Major Head (Voted)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2013	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	**2245-Relief on account of natural calamities**	192.30	128.98	67	70.67	37
2.	**2040-Taxes on Sales, trade etc.**	3.40	2.20	65	2.20	65
3.	**3604-Compensation and assignments to local bodies and Panchayati Raj Institutions**	7.18	6.18	86	6.18	86
4.	**2216-Housing**	6.47	3.37	52	3.37	52
5.	**4216-Capital outlay on Housing**	18.19	12.31	68	10.91	60
6.	**2405- Fisheries**	19.69	11.07	56	11.07	56
7.	**4403-Capital outlay on Animal Husbandry**	7.18	4.79	67	4.79	67
8.	**4406-Capital outlay on Forestry and Wildlife**	4.21	2.39	57	2.39	57
9.	**6885-Other loans to Industries and Minerals**	11.80	7.00	59	7.00	59
10.	**4225-Capital outlay on Welfare of SC/ST/OBCs and Minorities**	6.27	4.16	66	3.06	49
11.	**4425-Capital outlay on Co-operation**	10.57	10.57	100	10.57	100
12.	**3452-Tourism**	19.69	10.42	53	6.59	33
13.	**3454-Census survey and Statistics**	15.55	8.33	54	6.92	45
Total		**322.50**	**211.77**	**66**	**145.72**	**45**

Source: Accountant General (Accounts & Entitlement) office

Thus, 66 *per cent* of the total expenditure against the aforesaid major heads during the year 2012-13 was incurred in the last quarter of the financial year. Further, in nine cases, the expenditure of more than 50 *per cent* of the total expenditure was incurred in the month of March 2013 alone.

Thus, contrary to the spirit of financial regulations, a substantial amount incurred by the department at the fag end of the year was indicative of poor financial management and lack of effective control over the expenditure.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Contingent Bills

As per Rules 5.74 and 5.75 of Himachal Pradesh Treasury Rules, every Drawing and Disbursing Officer (DDO) has to certify in each Abstract Contingent (AC) bill that the Detailed bills in respect of AC bills drawn more than a month before the date of that bill have been submitted to the Treasury Officer. Further, it is the responsibility of the DDO concerned to get the advance adjusted during the same financial year in which it is drawn. Out of ₹46.04 crore drawn on AC bills upto March 2013 by 31 DDOs, total amount of Detailed countersigned Contingent (DC) bills received upto 31 July 2013 was ₹18.12 crore resulting in an outstanding balance of ₹27.92 crore. Year-wise and department-wise details are given in **Appendix 2.13.**

It was noticed that majority of the AC bills were drawn for Petrol Oil and Lubricants (POL) expenditure, purchase of books, medicines/vehicles and organisation of coaching camps. The reasons for non-adjustment of outstanding AC bills were non-receipt of vouchers/detailed accounts of expenditure from the various functionaries of the concerned departments.

2.5 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. Information obtained from the office of the Accountant General (A&E), Himachal Pradesh showed that there were 132 PDAs in 15 District Treasuries at the beginning of the year 2012-13. Out of these 132 PDAs, nine PDAs were closed and two PDAs were opened during the year. The position of balances lying in these 125 accounts as on 31 March 2013 is given as under:

- 48 PDAs having balance of ₹222.56 crore (including six PDAs with negative balance of ₹7.32 lakh) had been in operation during the year.

- 77 PDAs involving an amount of ₹0.89 crore (including seven PDAs with negative balance of ₹2.09 lakh) remained inoperative during the current year. Of these, eight PDAs having balance of ₹2.58 lakh remained inoperative for more than five years.
- PDAs should normally close with credit balance, as the payment against deposit should not exceed deposits received. There were adverse balances of ₹9.41 lakh in 13 cases **(Appendix 2.14)** which requires investigation and rectification.

2.6 Forecasting of resources

Formulating realistic budgetary estimates is vital for expenditure control and cash and debt management. Trends of revenue projection for last five years (2008-09 to 2012-13) are given in **Table 2.10.**

Table 2.10
Variation between Revised Estimates and Actuals on Revenue Resources for the period 2008-09 to 2012-13

(₹ in crore)

Sr. No.	Year	Particular	Revised Estimates	Actuals	Difference	Percentage
1.	2008-09	**Tax Revenue**	3259	2242	(-) 1017	31
		Non-Tax Revenue	1426	1756	330	23
2.	2009-10	**Tax Revenue**	3463	2574	(-) 889	26
		Non-Tax Revenue	1787	1784	(-) 3	--
3.	2010-11	**Tax Revenue**	5122	3643	(-) 1479	29
		Non-Tax Revenue	1745	1695	(-) 50	3
4.	2011-12	**Tax Revenue**	6341	4108	(-) 2233	35
		Non-Tax Revenue	1835	1915	80	4
5.	2012-13	**Tax Revenue**	7350	4626	(-) 2724	37
		Non-Tax Revenue	1902	1377	(-) 525	28

Source: Estimates of receipts and Finance Accounts

The tax and non-tax receipts have been consistently overestimated during the last five years except for non-tax revenue during 2008-09 and 2011-12. The percentage of over estimation over the actual tax revenue ranged between 26 and 37 and in respect of non-tax revenue it ranged between three and 28.

2.7 Outcome of Review of Selected Grant

A review of budgetary procedure and control over expenditure in respect of Grant No. 8-Education was conducted (August 2013) in the offices of the Director of Elementary Education (DEE) and Director of Higher Education (DHE) and important points noticed thereof are discussed below:

2.7.1 Budget and expenditure

The overall position of funds allotted and expenditure incurred under the grant during 2012-13 is given in **Table 2.11.**

Table 2.11
Position of funds allocated and expenditure incurred during 2012-13

(₹ in crore)

	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
Revenue Section	3184.84	3064.85	(-) 119.99
Capital Section	51.99	51.83	(-) 0.16
Total	**3236.83**	**3116.68**	**(-)120.15**

Source: Appropriation Accounts

From the above table it is seen that against the budget provision of ₹ 3236.83 crore under the grant (Revenue Section: ₹ 3184.84 crore and Capital Section: ₹ 51.99 crore) an expenditure of ₹ 3116.68 crore (Revenue Section: ₹ 3064.85 crore and Capital Section: ₹ 51.83 crore) was incurred resulting in saving of ₹ 120.15 crore, which indicated that budget estimates were not prepared on realistic basis as discussed in the succeeding paragraphs.

2.7.2 Persistent savings

Under three Major Heads, there were persistent savings of more than ₹10 lakh each year during the last three years as per details given in the **Table 2.12** which indicated unrealistic budget estimation.

Table 2.12
Persistent savings under Grant No. 8-Education during 2012-13

(₹ in crore)

Sr. No.	Head of Account	Amount of Savings		
		2010-11	2011-12	2012-13
1.	**2202-General Education**	33.18	205.35	120.00
2.	**2205-Art and Culture**	0.32	0.63	0.42
3.	**4202-Capital Outlay on Education**	30.56	1.44	0.16

DEE and DHE stated (September 2013) that the savings under the Grant were mainly due to shifting of liability from Non-Plan budget to Plan budget and non-filling up of vacant posts.

2.7.3 Unnecessary supplementary provision

Supplementary grant as per Paragraph 1.20 of HPBM means a provision included in an appropriation during the course of a financial year to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.

It was noticed that during 2012-13 under the Major Head, 2202-General Education Plan and Non-Plan against the total provision of ₹ 3180.57 crore (Original: ₹ 3105.25 crore and Supplementary: ₹ 75.32 crore) an expenditure of ₹ 3060.57 crore was incurred. As the expenditure did not come upto the level of original provision of

₹ 3105.25 crore, the supplementary provision of ₹ 75.32 crore proved to be unnecessary. The Principal Secretary (Finance) admitted (August 2013) the facts but did not provide any reasons for unnecessary supplementary grant.

2.7.4 Re-appropriation on the last day of the financial year

According to Paragraph 12.16-C of HPBM, reasons for additional expenditure and savings should be explained in the re-appropriation statements which should reach the Finance Department by 10 February at the latest.

It was noticed that contrary to the provision of HPBM, during 2012-13, re-appropriation orders of ₹88.71 crore in respect of Grant No.8-Education were issued on 30 March 2013 being the last working day of the financial year 2012-13 where either there was no scope for expenditure or the expenditure against re-appropriation had already been incurred during that year. This indicated poor financial management and inadequate control over expenditure. The details are given in **Table 2.13.**

Table 2.13
Details of Re-appropriation on 31 March 2013

(₹ in lakh)

Sr. No.	Head of Account	Savings			Excesses		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.	**2059- Public Works**	--	--	--	--	19.72	19.72
2.	**2202-General Education**	5093.35	3734.34	8827.69	7413.44	1413.15	8826.59
3.	**2205-Art and Culture**	--	43.02	43.02	--	0.61	0.61
4.	**2225-Welfare of SC/ST and OBC**	0.01	--	0.01	19.18	--	19.18
5.	**2235-Social Security and Welfare**	0.04	--	0.04	4.66	--	4.66
Total		**5093.40**	**3777.36**	**8870.76 or say ₹88.71 crore**	**7437.28**	**1433.48**	**8870.76 or say ₹88.71 crore**

Source: Information supplied by the Finance Department

The Principal Secretary (Finance) stated (August 2013) that re-appropriation is made by the Finance Department from time to time during the year and consolidated orders are issued on 31 March of the financial year. The reply reflected the inadequacy of budgetary controls being exercised by the Finance Department on the departmental authorities.

2.7.5 Transfer of provision from Non-Plan funds to Plan side through re-appropriation

As per Paragraph 12.9.1 (V) of HPBM, no re-appropriation of funds should be made from Plan side to Non-Plan side and vice-versa.

It was noticed that as per details given in the **Table-2.13** savings of ₹23.20 crore in the Non-Plan side under the Head 2202-General Education had been re-appropriated towards Plan side which was contrary to the provisions of Himachal Pradesh Budget

Manual. The Principal Secretary (Finance) while admitting (August 2013) the fact stated that re-appropriations from Non-Plan to Plan are made to regularise the excess expenditure within the Plan outlay. The reply is not in conformity with the provision of the HPBM.

2.7.6 Expenditure incurred through re-appropriation

Details of cases where nearly the entire expenditure under the Grant was met out through re-appropriation during 2012-13 are given in **Table 2.14.**

Table 2.14

Cases where expenditure during 2012-13 was incurred through Re-appropriation only

(₹ in lakh)

Sr. No.	Head of Account	Provision	Expenditure incurred	Re-appropriation	Percentage of expenditure through Re-appropriation
Scheme of Maintenance of Secondary Education Department building					
1.	2059-01-053-33 S00N-NP	--	19.72	19.72	100
Scheme of Expenditure on DIETS					
2.	2202-01-107-04 S00N-P	0.06	374.10	374.05	100
Scheme of Mid-day Meal					
3.	2202-01-800-01 C00N	0.04	4756.67	4756.63	100
Scheme of Information and Communication Technology programme					
4.	2202-02-109-05 C90N	0.03	553.60	553.57	100
Scheme of Expenditure on inclusive Education for disabled at secondary stage					
5.	2202-02-109-14 C00N	0.02	162.33	162.31	100
Scheme of Post- Matric scholarship to OBC students					
6.	2202-02-107-08 C00N	0.02	245.23	245.22	100
Scheme of Pre- Matric scholarship to OBC students					
7.	2202-02-107-09 C00N	0.01	90.00	89.90	100
Scheme of Protsahan Chhatravriti Yojna					
8.	2202-02-107-15 State-Plan	--	200.00	200.00	100
Scheme of Scholarship to minority community students					
9.	2225-03-277-06 State-Plan	0.01	19.19	19.18	100
	Total	**0.19**	**6420.84**	**6420.58**	

It would be seen from the table above that in nine cases the entire expenditure under the Grant during 2012-13 was incurred through re-appropriation only without getting the demands approved from the State Legislature.

2.7.7 Non-Maintenance of records

The following records required to be maintained for preparation of budget estimates and exercising control over expenditure were not maintained by the Director of Elementary Education and Director of Higher Education:

Register of sanctions to record fixed establishment and recurring contingent charges; Ledger account for appropriation against allotments; Register of Expenditure; Liability register to keep track of undisclosed liabilities.

The Principal Secretary (Finance) stated (August 2013) that the Directorates would be directed to maintain the required records in future.

2.7.8 Submission of budget estimates by the Drawing and Disbursing Officers

As per provisions of HPBM, Drawing and Disbursing Officers were required to send budget estimates to the Controlling Officers for the minor and detail heads concerned, accompanied where necessary by an explanatory note showing the reasons for their proposals.

Scrutiny of the records of the DEE and DHE showed that none of the Drawing and Disbursing Officers / Controlling officers had submitted the budget estimates in respect of establishments under them for preparation of budget estimates at the Directorate level for the year 2012-13. Thus, the budget estimates were not prepared on realistic basis. Both the DEE and DHE had admitted (August 2013) the facts. The Principal Secretary (Finance) stated (August 2013) that Heads of Department would be directed to do the needful in future.

2.7.9 Submission of budgetary returns

As per HPBM, the head of the department is required to submit budget estimates, the statement of excess and surrenders, final statement of excess and surrenders and proposals for re-appropriation by 25 October, 1 December, 15 January and 15 March, respectively. It was, however, noticed that the DEE and DHE had submitted the budget estimates, the statement of excess and surrenders, the final statement of excess and surrenders and proposals for re-appropriation for the year 2012-13 after a delay ranging between 15 and 107 days as per details given in **Table 2.16.**

Table 2.16

Details of submission of budgetary returns to Finance Department

Sr. No.	Name of the return	Depart-ment	Due date	Actual date of submission	Delay in days
1.	**Budget Estimates for 2012-13**	DEE	25 Oct. 2011	15 Nov. 2011	21
		DHE	25 Oct. 2011	22 Nov. 2011	28
2.	**Statement of Excess and Surrender for 2012-13**	DEE	01 Dec. 2012	31 Jan. 2013	61
		DHE	01 Dec. 2012	17 Jan. 2013	47
3.	**Final statement of Excess and Surrender for 2012-13**	DEE	15 Jan. 2013	02 May 2013	107
		DHE	15 Jan. 2013	02 May 2013	107
4.	**Proposal for re-appropriation for 2012-13**	DEE	15 March 2013	30 March 2013	15
		DHE	15 March 2013	30 March 2013	15

This showed that the prescribed time schedule for submission of budget estimates and other budgetary returns was not followed by the Department during 2012-13.

2.7.10 Submission of monthly statements of expenditure

It was noticed that during the year 2012-13, none of the Drawing and Disbursing Officers/Controlling Officers under the Directorates submitted their monthly statements of expenditure to the Director of Elementary Education (DEE) and Director of Higher Education (DHE).

Thus, in the absence of regular submission of monthly statements of expenditure by the DDOs / Controlling Officers the register of expenditure in Form No. 16 could not be maintained and resultantly, no expenditure statements were submitted by the Head of Departments to the Finance Department during 2012-13.

Thus, Head of department / controlling officers failed to exercise regular control over the expenditure against the budget provisions during the above period. The Principal Secretary (Finance) to the Government of Himachal Pradesh stated (August 2013) that the departments would be directed to do the needful in future.

2.7.11 Submission of liability statements to the Finance Department

As required under HPBM monthly liability statement should be submitted by Head of the Department to the Finance Department by 15th of the month, for exercise of effective control over expenditure and preparation of correct budget estimates. The DEE and DHE had not sent the liability statements to the Finance Department during 2012-13.

2.8 Outcome of Inspection of Treasuries

2.8.1 Excess payment of Pensionary benefits

During inspection of District Treasuries/sub-treasuries by the Office of the Accountant General (A&E) for the year 2011-12, the test-check of pension payment records showed that three District Treasury Officers and two Treasury Officers had made overpayment to the extent of ₹3.14 lakh to 12 pensioners as per details given in **Table 2.17.** The excess payment had occurred due to non-reduction/ early restoration

of commuted portion of pension of the concerned pensioners.

Table 2.17

Excess payment of pensionary benefit (on account of DP/IR/Relief in Pension/Commutation) during 2011-12 (Inspection Reports issued in 2012-13)

(₹ in lakh)

Sr. No.	Name of District Treasury (DT)/Sub-Treasury (ST)	Paragraph number	Nature of overpayment	Number of cases	Payment		
					Through Bank	Through Treasury (ThT)	Treasury-wise Total
1.	**DT, Hamirpur**	2	Commutation	1	--	ThT	0.15
2.	**ST, Kaza**	1	Commutation	1	--	ThT	0.57
3.	**DT, Shimla**	11	Commutation	1	--	ThT	0.19
4.	**ST, Dodra Kwar**	2	Commutation	2	--	ThT	0.88
5.	**DT, Nahan**	3	Commutation	7	--	ThT	1.35
			Total	**12**	**--**		**3.14**

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2012-13 prepared by Accountant General (A&E)

2.8.2 Excess drawal of funds over Letter of Credit

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

During local inspection of treasuries, it was noticed that an amount of ₹8.07 crore was drawn in excess of the prescribed LOC limit by 19 cheque drawing DDOs and one Sub-Post Master. Thus, the drawal of funds in excess of LOC limit rendered the

system of internal control ineffective. The details are given in **Table 2.18.**

Table 2.18
Excess drawal of funds over LOC (Inspection Reports issued in 2012-13)

(₹ in lakh)

Sr. No.	Name of District Treasury (DT)/Sub-Treasury (ST)	Paragraph number	Amount of excess drawal	Name of DDO's
1.	**DT, Bilaspur**	1	(-) 134.82	EE, PWD, Div.I, Bilaspur
			(-) 17.01	EE, PWD, Div.II, Bilaspur
			(-) 0.32	AE, IPH, Kandraur
			(-) 16.71	EE, PWD, Ghumarwin
			(-) 35.90	EE, IPH, Ghumarwin
			(-) 0.02	AE, IPH-II, Bilaspur
			(-) 0.39	AE, IPH, Swarghat
			(-) 0.95	AE, IPH, Jukhala
2.	**DT, Hamirpur**	5	(-) 0.18	AE, PWD, Sujanpur
3.	**DT, Keylong**	4	(-) 23.53	EE, IPH, Keylong
4.	**ST, Baldwara**	1	(-) 1.00	SPM, Baldwara
5.	**ST, Arki**	5	(-) 4.59	EE, IPH, Arki
			(-) 1.58	AE, IPH, Arki
6.	**DT, Nahan**	2	(-) 32.00	EE, PWD, Nahan
			(-) 3.51	EE, PWD, Paonta
			(-) 38.91	EE, PWD, Rajgarh
			(-) 39.24	EE, PWD, Shillai
			(-) 0.15	EE, PWD, Nahan Foundry
			(-) 143.55	EE, IPH, Nahan
			(-)313.07	EE, IPH, Nohradhar
Total			**807.43 or say ₹8.07 crore**	**20 DDO's**

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2012-13 prepared by Accountant General (A&E)

2.8.3 Misclassification of payment made under Group Insurance Scheme

During test-check of data for the year 2011-12 available in Himachal Pradesh Online Treasury Information System (HPOLTIS) of District Treasuries/Treasuries, it was noticed that payment amounting to ₹16.68 lakh made on account of Insurance Fund, had been wrongly booked under Saving Fund and similarly an amount of ₹48.19 lakh pertaining to payment on account of Saving Fund was wrongly booked in Insurance

Fund by six District Treasuries and one Sub-treasury as detailed in **Table 2.19.** The wrong booking resulted in incorrect estimation of interest due on Savings Fund.

Table 2.19

Misclassification of payment made under Group Insurance Scheme (Inspection Reports issued in 2012-13)

(₹ in lakh)

Sr. No.	Name of District Treasury (DT)/Sub-Treasury (ST)	Paragraph number	Insurance payment booked under saving fund	Saving fund payment booked under Insurance Fund	Total amount of misclassification
1.	**DT, Bilaspur**	2	8.35	41.65	50.00
2.	**DT, Hamirpur**	4	2.40	1.30	3.70
3.	**DT, Kangra at Dharamshalla**	4	0.90	--	0.90
4.	**DT, Kullu**	2	2.48	0.38	2.86
5.	**DT, Mandi**	2	0.60	--	0.60
6.	**ST, Sunder Nagar**	2	0.15	4.86	5.01
7.	**DT, Una**	3	1.80	--	1.80
Total			**16.68**	**48.19**	**64.87**

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2012-13 prepared by Accountant General (A&E)

2.8.4 Misclassification of expenditure under Pensionary Heads

During test-check of data available in HPOLTIS for the year 2011-12, it was noticed that an amount of ₹21.02 crore had been misclassified under the pensioner account heads by District Treasury Officers/Treasury Officers as detailed in **Table 2.20** and **Appendix 2.15**. The wrong classification resulted in wrong depiction of expenditure in accounts and incorrect raising of debit from other States.

Table 2.20

Misclassification of expenditure under Pensionary Heads

(₹ in crore)

Sr. No.	Correct Head of Account	Nature of expenditure	Head of Account under which amount was wrongly booked	Amount
1.	**2071-01-104-02 (Payments from 1 November 1966 Gratuities)**	DCRG	2071-01-104-01 (Payments before 1 November 1966)	2.42
2.	**2071-01-101-03 (Superannuation from 1 November 1966)**	Pension	2071-01-101-01 (Payments before 1 November 1966)	18.38
3.	**2071-01-102-02 (Payments from 1 November 1966)**	Commutation	2071-01-102-01 (Payments before 1 November 1966)	0.22
			Total	**21.02**

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2012-13 prepared by Accountant General (A&E)

2.9 Conclusion

The overall excess of ₹54.76 crore registered under grants/appropriation during the year 2012-13 was the net result of excess of ₹703.08 crore offset by savings of ₹648.32 crore. Thus, excess expenditure of ₹703.08 crore requires regularisation of the State Legislature.

There was persistent excess expenditure under two grants viz. 'Public Works-Roads, Bridges and Buildings' and 'Irrigation, Water Supply and Sanitation' during the last five years. During 2012-13, excess expenditure of ₹320.78 crore was spent under these grants. Besides, there were persistent savings under Grants No. 03-Administration of Justice, 15- Planning and Backward Area Sub-Plan, 20-Rural Development and 29-Finance during the last five years.

Funds amounting to ₹12.53 crore were drawn to avoid lapse of budget grant and kept either under Civil Deposits or lying unutilised with the executing agencies. Supplementary provision aggregating ₹185.38 crore obtained in seven cases (₹50 lakh or more in each case) during the year 2012-13 proved unnecessary as original provisions were sufficient to meet the expenditure and in three cases, supplementary provision of ₹95.31 crore (more than ₹one crore in each case) proved insufficient leaving an aggregate uncovered excess expenditure of ₹81.21 crore. There were instances of injudicious re-appropriations, which resulted in excess/ savings of over ₹10 lakh under 146 sub-heads. In eight cases, the amount surrendered (₹20 lakh or more in each case) was in excess of actual saving. Rush of expenditure in the last quarter of the financial year indicated lack of budgetary control in the departments. ₹27.92 crore drawn on AC bills during 2008-13 remained unadjusted as of July 2013 due to non-submission of DC bills.

2.10 Recommendations

The government may consider:

- preparing realistic annual budget estimates to avoid large savings/excesses;
- surrendering of savings by stipulated date for their effective utilisation by needy departments;
- regularisation of excess expenditure incurred;
- monitoring of expenditure against the allocations by all departments; and
- speedy submission of DC bills against the amount drawn on Abstract Contingent Bills within the timeframe as stipulated in the extant rules.