

## 2. FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

### 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Accounts. 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 authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions 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 authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against 32 grants/appropriations was as given in Table-2.1:

**Table-2.1: Summarized Position of Actual Expenditure vis-à-vis Original/Supplementary provisions**  
(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	8,335.22	363.06	8,698.28	8,771.51*	(+) 73.23
	II Capital	1,950.05	250.61	2,200.66	2,185.41*	(-) 15.25
	III Loans and Advances	101.76	5.37	107.13	89.61	(-) 17.52
<b>Total Voted</b>		<b>10,387.03</b>	<b>619.04</b>	<b>11,006.07</b>	<b>11,046.53</b>	<b>(+) 40.46</b>
<b>Charged</b>	IV Revenue	1,846.16	55.02	1,901.18	1,912.09	(+) 10.91
	V Capital	---	0.08	0.08	0.08	---
	VI Public Debt- Repayment	1,182.00	--	1,182.00	885.54	(-) 296.46
<b>Total Charged</b>		<b>3,028.16</b>	<b>55.10</b>	<b>3,083.26</b>	<b>2,797.71</b>	<b>(-) 285.55</b>
<b>Appropriation to Contingency Fund (if any)</b>		---	---	---	---	---
<b>Grand Total</b>		<b>13,415.19</b>	<b>674.14</b>	<b>14,089.33</b>	<b>13,844.24</b>	<b>(-) 245.09</b>

\*These are gross figures except in respect of Grant Nos. 10,13 and 31 in which certain suspense heads are operated.

The overall saving of Rs 245.09 crore was the result of saving of Rs 801.61 crore in 24 grants and two appropriations under Revenue Section, 21 grants and one appropriation under Capital Section and offset by excess of Rs 556.52 crore in eight grants and three appropriations under Revenue Section and five grants under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (July 2009) to the Controlling Officers requesting them to explain the significant variations. Besides, the Finance Department was also intimated (September 2009). Out of 769 sub-heads, explanations for variation were not received (September 2009) in respect of 296 sub-heads (Saving: 115 sub-heads and Excess: 181 sub-heads). 10 departments have substantial excess of more than Rs one crore in each case and five departments have savings more than Rs one crore in each case.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 24 cases, savings exceeded Rs one crore in each case and by more than 20 per cent of total provision in six cases (*Appendix 2.1*). Against the total savings of Rs 801.61 crore, savings of Rs 578.82 crore<sup>12</sup> (72 per cent) occurred in three cases relating to two grants and one appropriation as indicated in Table-2.2.

**Table-2.2: List of Grants with savings of Rs 50 crore and above**

(Rupees in crore)

Sr. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1.	08-Education	1,763.65	44.20	1,807.85	1,582.49	225.36
2.	29-Finance	1,234.01	---	1,234.01	1,177.01	57.00
<b>Capital-Charged</b>						
3.	29-Finance	1,182.00	---	1,182.00	885.54	296.46
<b>Total</b>		<b>4,179.66</b>	<b>44.20</b>	<b>4,223.86</b>	<b>3,645.04</b>	<b>578.82</b>

Reasons for savings were awaited (September 2009).

### 2.3.2 Excess Expenditure

In 12 cases, expenditure aggregating Rs 6,244.67 crore exceeded the approved provisions by Rs 554.27 crore and more than Rs one crore in each case and more than 20 per cent of the total provision in two cases. Details are given in *Appendix 2.2*. Of these, in the following grants/heads (Table-2.3), excess expenditure has been observed consistently for the last five years:

<sup>12</sup> Exceeding Rs 50 crore in each case.

**Table-2.3: List of Grants indicating Persistent Excess expenditure during 2004-09***(Rupees in crore)*

Sr. No.	No. and Name of the Grant	Amount of Excess Expenditure				
		2004-05	2005-06	2006-07	2007-08	2008-09
	<b>Revenue-Voted</b>					
1.	10-Public Works-Roads, Bridges and Buildings	73.61	120.02	161.42	126.38	134.46
2.	14-Animal Husbandry, Dairy Development and Fisheries	1.13	1.89	4.63	7.76	4.08

Reasons for persistent excess were awaited (December 2009).

### 2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 465.38 crore was incurred in three cases as detailed in Table-2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

**Table-2.4: Expenditure incurred without provision during 2008-09***(Rupees in crore)*

Number and Name of Grants/Appropriations	Amount of Expenditure without provision	Reasons/Remarks
13-Irrigation, Water Supply and Sanitation	62.10	Reasons were awaited.
29-Finance	372.85	Reasons were awaited.
31-Tribal Development	30.43	Reasons were awaited.
<b>Total</b>	<b>465.38</b>	

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

As per provisions of Treasury Rules read with Rule 2.10 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. During test-check, in few cases mentioned below the amounts drawn were neither fully spent for the specific purposes nor remitted to Government Accounts before closure of financial year 2008-09 as detailed below:

- (i) Director of Panchayati Raj, Himachal Pradesh had drawn Rs 8.55 crore for computerization of PRIs and deposited the same in the saving bank account which is lying unutilised as of May 2009.
- (ii) Rupees 0.04 crore were drawn by Sub-Divisional Soil Conservation Officer(SDSCO), Rampur between November 2005 and May 2009 for the execution of various schemes which were to be completed during 2008-09 had been lying unspent in the bank.
- (iii) Rupees one crore were drawn by SDSCO, Ghumarwin during 2007-08 and 2008-09 for execution of various developmental work have been kept unutilised as of June 2009.

- (iv) DC, Hamirpur drew Rs 1.01 crore on 25.03.2009 out of Sectoral Decentralised Planning head without any immediate requirement which were lying unutilised.
- (v) Director of Transport, Himachal Pradesh, Shimla drew (March 2008) Rs 1.25 crore for installation of Weigh bridges and deposited the same in the account of E-Governance Society, the Mall Shimla which were still lying unutilised as of March 2009.

### 2.3.5 Undue aid to a Corporation and loss of interest

**Advance payments of Rs 9.51 crore made by Executive Engineers, Shimla Division No. I and Sundernagar to the Himachal Pradesh State Civil Supplies Corporation without assessing the requirement of material, resulted in undue aid of Rs 9.39 crore to the Corporation and loss of interest of Rs 24.21 lakh to the Government**

Financial rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement or for the recoupment of funds disbursed out of any permanent advance. It is not permissible to draw advances from the treasury for execution of works, the completion of which is likely to take a considerable time. Rules further stipulate that advance payments made to the firms/suppliers for the procurement of material should be placed under the suspense head "Miscellaneous Works Advances" pending receipt of material. As such, advance payments should not be debited to the final head of account of works.

Scrutiny of records of two divisions<sup>13</sup> revealed (February 2009) that advance payments of Rs 9.51 crore were made to the Himachal Pradesh State Civil Supplies Corporation, Shimla (Corporation) on 29 February 2008 (Rs 1.50 crore) and 31 March 2008 (Rs 8.01 crore) for procurement of material. The advance payments were charged to the final head of account of various works instead of keeping the amount under the suspense head "Miscellaneous Works Advances" pending receipt of material. It was, however, noticed that there was nothing on the records of the divisions to show whether any requirement of the material was ever assessed before making the huge advance payments to the Corporation for procurement of material.

Scrutiny of records further revealed that in Shimla Division No. I, cement valuing Rs 12.43 lakh only was supplied by the Corporation between April 2008 and July 2008 against the advance payment of Rs 3.51 crore. The balance amount of Rs 3.39 crore was refunded by the Corporation in May 2008 (Rs 2.51 crore) and August 2008 (Rs 87.57 lakh) respectively. In respect of Sundernagar Division, the entire amount of Rs six crore was refunded by the Corporation in May 2008 (Rs 1.50 crore) and August 2008 (Rs 4.50 crore). The whole amount after its refund by the Corporation was credited to "Public Works Deposits" by both the Divisions for utilisation in the subsequent financial years.

The Executive Engineers confirmed (February 2009) the facts and stated that funds were received at the fag end of the financial year 2007-08 and had to be shown utilised by depositing the same with the Corporation to avoid lapse/surrender.

<sup>13</sup> Shimla Division No. I and Sundernagar.

The action of the Department to show expenditure without actual utilisation on works and further parking of funds under "Public Works Deposits" resulted in depiction of incorrect picture of accounts. Besides, the Corporation was extended undue financial aid of Rs 9.39 crore from 43 to 134 days for which loss of interest of Rs 24.21 lakh<sup>14</sup> (worked out on average rate of interest of 9.09 per cent on Government borrowing paid during 2007-08) was sustained by the State Government.

### 2.3.6 Excess over provisions 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, but 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 Rs 9,898.62 crore for the years 2003-2008 was yet to be regularised as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in Table-2.5.

**Table-2.5: Excess over provisions relating to previous years requiring regularisation**

(Rupees in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2003-04	15	7	4,515.60	Discussed by PAC, regularisation awaited.
2004-05	21	4	3,095.14	Discussed by PAC, regularisation awaited.
2005-06	16	3	846.35	PAC Report prepared on 24.08.2009 for presentation in Vidhan Sabha.
2006-07	24	3	896.59	PAC Report prepared on 24.08.2009 for presentation in Vidhan Sabha.
2007-08	18	3	544.94	<i>Suo moto</i> replies received from the Finance Department and audit comments sent to the Finance Department/Vidhan Sabha. Not yet discussed by the PAC.
<b>Total</b>			<b>9,898.62</b>	

<sup>14</sup>

**(i) Shimla Division No. I**

On Rs one crore from 1.04.2008 to 13.05.2008 (43 days)  
On Rs 1.51 crore from 1.04.2008 to 30.05.2008 (60 days)  
On Rs 0.88 crore from 1.04.2008 to 31.07.2008 (122 days)

=1x43/365x9.09 =Rs 1.07 lakh  
=1.51x60/365x9.09 =Rs 2.26 lakh  
=0.88x122/365x9.09 =Rs 2.67 lakh  
**Total (i)** =Rs 6 lakh

**(ii) Sundernagar**

On Rs 1.50 crore from 1.03.2008 to 25.05.2008 (86 days)  
On Rs 4.50 crore from 1.04.2008 to 12.08.2008 (134 days)

=1.50x86/365x9.09 =Rs 3.21 lakh  
=4.50x134/365x9.09 =Rs 15 lakh  
**Total (ii)** =Rs 18.21 lakh

**Grand Total (i&ii)**

=Rs 6 lakh+Rs 18.21 lakh =Rs 24.21 lakh

### 2.3.7 Excess over provisions during 2008-09 requiring regularisation

Table 2.6 contains the summary of total excess in 16 grants/appropriations amounting to Rs 556.52 crore over authorization from the CFS during 2008-09 and requires regularisation under Article 205 of the Constitution.

**Table-2.6: Excess over provisions requiring regularisation during 2008-09**

(In Rupees)

Sr. No.	Number and title of Grant/ Appropriation (Revenue and Capital)	Total grant	Expenditure	Excess
1.	07-Police and Allied Organisations	335,84,86,170	336,37,50,022	52,63,852
2.	10-Public Works-Roads, Bridges and Buildings	1172,23,41,000	1306,69,00,035	134,45,59,035
3.	12-Horticulture	80,31,77,667	81,50,22,467	1,18,44,800
4.	13-Irrigation, Water Supply and Sanitation	895,23,53,000	1235,99,31,244	340,75,78,244
5.	14-Animal Husbandry, Dairy Development and Fisheries	106,84,80,350	110,93,18,283	4,08,37,933
6.	16-Forest and Wild Life	245,43,25,000	265,84,68,657	20,41,43,657
7.	28-Urban Development, Town and Country Planning and Housing	80,76,45,000	81,65,00,373	88,55,373
8.	30-Miscellaneous General Services	32,87,49,000	33,89,20,166	1,01,71,166
9.	10-Public Works-Roads, Bridges and Buildings	328,09,45,000	332,23,92,780	4,14,47,780
10.	13-Irrigation, Water Supply and Sanitation	460,68,02,000	486,37,47,896	25,69,45,896
11.	20-Rural Development	1,34,00,000	1,96,66,000	62,66,000
12.	31-Tribal Development	112,34,21,000	113,28,38,664	94,17,664
13.	32-Scheduled Caste Sub-Plan	371,95,08,000	382,40,35,551	10,45,27,551
14.	02-Governor and Council of Ministers	2,43,39,000	2,56,09,515	12,70,515
15.	03-Administration of Justice	11,56,63,000	12,25,35,264	68,72,264
16.	29-Finance	1883,05,73,000	1893,57,32,002	10,51,59,002
	<b>Total</b>	<b>6121,02,08,187</b>	<b>6677,53,68,919</b>	<b>556,51,60,732 or 556.52 crore</b>

Reasons for the excesses had not been furnished by the Government as of September 2009.

### 2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating Rs 48.81 crore obtained in five cases, Rs 25 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.4*. In nine cases, supplementary provision of Rs 222.85 crore proved insufficient by more than Rs One crore in each leaving an aggregate uncovered excess expenditure of Rs 527.01 crore (*Appendix 2.5*). Of the uncovered excess of Rs 527.01 crore, Rs 340.75 crore (65 per cent) were incurred by the Irrigation and Public Health Department.

### 2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over Rs 10 lakh in 161 sub-heads. The excess/saving was more than Rs two crore in 36 sub-heads as detailed in *Appendix 2.6*. Of these, in five<sup>15</sup> sub-heads the savings/expenditure exceeded Rs 25 crore and above for which no reasons had been furnished by the Government as of September 2009.

### 2.3.10 Unexplained re-appropriations

According to Paragraph 13.3 (b) of Himachal Pradesh Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vaguely worded phrases such as “due to over estimating” “re-appropriation proved unnecessary or inadequate”, etc., should be avoided. Further, if an excess occurs under “travelling allowances” it should be explained why additional travelling allowance could not have been foreseen and provision made to cover its cost and why it was necessary. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 387 items out of 2,732 (14 *per cent*), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like “more touring by staff”, “purchase of more equipments”, “more expenditure under other schemes” and more expenditure than anticipated.

### 2.3.11 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 25 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs 165.77 crore in these 25 schemes, Rs 161.92 crore (98 *per cent*) were surrendered, which included *per cent per cent* surrender in 11 schemes (Rs 142.81 crore). The details of selected such cases audited/verified by the Audit are given in *Appendix 2.7*.

Similarly, out of total savings of Rs 59.98 crore under six other grants (savings of Rs one crore and above were indicated in each grant) amount aggregated Rs 12.69 crore (21 *per cent* of total savings) were not surrendered, details of which are given in *Appendix 2.8*. Besides, in 10 cases (surrender of funds in excess of Rs 10 crore) Rs 751.35 crore were surrendered (*Appendix 2.9*) on the last working day of March 2009 indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

### 2.3.12 Surrender in excess of actual saving

In 13 cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings

<sup>15</sup> Grant No. 13: 4 Sub-heads ; Grant No. 29 : One Sub-head.

of Rs 676.80 crore, the amount surrendered was Rs 738.69 crore resulting in excess surrender of Rs 61.89 crore. Details are given in *Appendix 2.10*. Reasons for surrender of more than the savings were awaited (September 2009).

### 2.3.13 Rush of expenditure

,According to the Himachal Pradesh Financial Rules (Rule 19.5 read with Rule 1 (5)), the expenditure should be regulated in a phased manner and rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 31 sub-heads listed in *Appendix 2.11*, expenditure exceeding Rs 10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2009. Table-2.7 also presents the 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.

**Table-2.7: Cases of Rush of Expenditure towards the end of the financial year 2008-09**

(Rupees in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2245	171.71	86.47	50	36.47	21
2.	4059	19.98	11.90	60	11.18	56
3.	4202	211.69	147.80	70	60.77	29
4.	4210	71.16	39.94	56	24.27	34
5.	4215	328.31	217.53	66	187.18	57
6.	4402	15.00	10.74	72	10.74	72
7.	4700	15.51	11.53	74	10.55	68
8.	4701	63.55	45.61	72	37.56	59
9.	4702	147.73	81.39	55	52.93	36
	<b>Total</b>	<b>1,044.64</b>	<b>652.91</b>	<b>63</b>	<b>431.65</b>	<b>41</b>

Source: Accountant General (A&E) office

In the following few test-checked cases uniform flow of expenditure during the year was not maintained, indicating deficient financial management.

(Rupees in crore)

Sr. No.	Name of DDO	Total Expenditure	Expenditure (percentage)			
			1st quarter	2nd quarter	3rd quarter	4th quarter
1.	Block Elementary Education Officer Banikhet, Chamba	4.45	0.63 (14)	1.03 (23)	1.10 (25)	1.69 (38)
2.	Principal GSSS Gharvarsara, Mandi	0.5	0.06 (12)	0.12 (24)	0.13 (26)	0.19 (38)
3.	Sub-Divisional Soil Conservation Officer, Kullu	1.43	0.07 (5)	0.20 (14)	0.50 (35)	0.66 (46)



4.	District Agriculture Officer, Keylong (L&S)	0.70	0.20 (28)	0.20(29)	0.10 (14)	0.20 (29)
5.	BDO, Hamirpur	0.45	0.06 (13)	0.10 (22)	0.10 (22)	0.19 (43)
6.	Director , Animal Husbandry, Shimla	8.76	0.46 (5)	1.84 (21)	1.91(22)	4.55 (52)

Source: Departmental figures

## 2.4 Non-reconciliation of Departmental figures

### 2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General.

Scrutiny of the records of 14 DDOs under Agriculture, Food and Civil Supplies and Tourism Departments revealed that the total amount of DCC bills received during the period 2005-2009 was only Rs 0.54 crore against the amount of AC bills of Rs 0.95 crore leading to an outstanding balance of DCC bills of Rs 0.41 crore as on 31 March 2009.

Department-wise pending DCC bills for the years 2005-09 is detailed in *Appendix 2.12*. It was further noticed that majority of the AC bills were being drawn for POL expenditure, repair of vehicles, travelling allowance expenditure, purchase of kerosene oil, stationery/postage stamps and on camps/training. No reasons for non-submission of DCC bills were furnished by the concerned DDOs.

### 2.4.2 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. As per Rule 2.10 of Himachal Pradesh Financial Rules Vol-I the Treasury Officer may authorise advance drawal to the extent of Rs 10,000 only for each head of office and no subsequent drawal of advance shall be permitted by him unless first advance is duly accounted for.

Test-check of records of 12<sup>16</sup> Drawing and Disbursing Officers in the State revealed non-adjustment of temporary advances and Rs 11.62 crore were pending adjustment as of March 2009. Age wise analysis of advances pending is given in Table-2.8.

<sup>16</sup> (i) BDO, Tissa under DRDA, Chamba (Rs 10.13 lakh) (ii) Chaudhary Sarwan Kumar Krishi Vishva Vidyalaya, Palampur (Rs 124.65 lakh) (iii) Chief Medical Officer, Chamba (Rs 0.15 lakh) (iv) Director, Labour and Employment, Shimla (Rs 0.10 lakh) (v) Director, Sarv Shiksha Abhiyan (Rs 260.47 lakh) (vi) District Panchayat Officer, Keylong (Rs 0.14 lakh) (vii) Executive Engineer (Design), Dr. Y.S Parmar University, Solan (Rs 756.91 lakh) (viii) Project Director, Aids Control Society, Kasumpti (Rs 2.62 lakh) (ix) Project Officer, DRDA, Nahan (Rs 0.56 lakh) (x) Project Officer, DRDA, Lahual and Spiti at Keylong (Rs 0.41 lakh) (xi) Social Justice and Empowerment, Shimla (Rs 0.90 lakh) and (xii) Soil Testing Officer, Reckong Peo (Rs 5.00 lakh).

**Table-2.8**

Sr. No.	Pendency	No of Advances	Amount (Rupees in crore)
1.	More than five years up to 10 years	1	0.05 (0.43)
2.	More than one year but less than five years	109	11.57 (99.57)
<b>Total</b>		<b>110</b>	<b>11.62 (100)</b>

Figures in parenthesis indicate percentage to total amount.  
Source: Departmental figures

No reasons for non-adjustment of temporary advances were furnished by the concerned DDOs. Non-adjustment of temporary advances for long periods is fraught with the risk of misappropriation and fraud. The Controlling Officers of the concerned departments need to exercise the prescribed financial control over authorization and timely adjustment of temporary advances, scrupulously.

## 2.5 Operation of Personal Deposit Accounts

Operation of Personal Deposit Accounts (PDA) were reviewed and the following points were noticed:

- (i) There were 137 PDAs in operation in 14 district treasuries as of March 2009. None of these PDAs was closed at the end of financial year and a balance of Rs 209.57 crore in the accounts was not transferred to the respective service heads. This resulted in overstatement of expenditure to that extent.
- (ii) Information collected from the Accountant General (A&E) office revealed that 54 PDAs involving an amount of Rs 203 crore remained inoperative for a period up to 20 years. Of these, 22 PDAs having balance of Rs 202.66 crore were not operated for more than 5 years.
- (iii) PDAs should normally close with credit balance, as the payment against deposit should not exceed deposits received. Scrutiny of PDAs revealed that there were adverse balances of Rs 62.13 lakh in nine cases (*Appendix-2.13*) which could be due to misclassification, excess payments, non-reconciliation of the accounts or some other reasons which required investigation and rectification.

The funds meant for various development works were thus parked in the PDAs without undertaking the work for which these were sanctioned and released. The practice of retaining funds in the PD Account after the close of the financial year is fraught with the risk of misuse of funds and therefore, needs to be avoided.

## 2.6 Errors in Budgeting Process

Lapses or errors observed in the process of budgeting by the State Government for the year 2008-09 were as under:

- There was a difference of Rs 0.70 lakh in the supplementary budget for the year 2008-09 under the Major Head 2210-05-105-04. Total figure of budget was shown as Rs 44.05 lakh in the supplementary budget whereas the total of figures actually worked out to Rs 43.35 lakh.

- Expenditure of Rs 538.73 crore was incurred by the DDOs without budget during the year 2008-09 in 47 items. Out of 47 items, expenditure of Rs 50.59 crore was incurred in 19 cases through re-appropriation without any token provision in the budget by the State Government in original/supplementary budget. In nine cases the expenditure of Rs 464 crore was incurred without any provision in original/supplementary budget. Although in 19 cases the entire original provision was surrendered at the end of the year yet the expenditure of Rs 24.14 crore was incurred by the DDOs during the year.
- Original budget provision was made under 5 unauthorised Major Heads due to correction slips being not taken into account amounting to Rs 154.41 crore.

## 2.7 Outcome of Review of Selected Grant

Review of one grant (Grant No. 13- Irrigation, Water Supply and Sanitation) was conducted and following irregularities were noticed:

### (i) Excess over the budget provisions due to unrealistic estimation awaiting regularisation

During 2008-09 there was a total excess of Rs 405.98 crore (Revenue section: Rs 344.87 crore and Capital section: Rs 61.11 crore) under nine major heads of the Grant as per details given below:

Table- 2.9

(Rupees in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess	Percentage
		Original	Supplementary	Re-Appropriation	Total			
1.	2059-Public Works	0.50	0.24	0.00	0.74	0.75	0.01	1.35
2.	2215-Water Supply & Sanitation	636.19	7.41	1.59	645.19	966.46	321.27	49.79
3.	2700-Major Irrigation	7.62	0.00	-1.80	5.82	12.10	6.28	107.90
4.	2702-Minor Irrigation	228.57	5.16	-2.31	231.42	244.18	12.76	5.51
5.	2711-Flood Control & Drainage	4.52	0.00	-0.60	3.92	8.47	4.55	116.07
	<b>Total</b>	<b>877.40</b>	<b>12.81</b>	<b>-3.12</b>	<b>887.09</b>	<b>1,231.96</b>	<b>344.87</b>	
	<b>Capital (Voted)</b>							
6.	4700-C.O on Major Irrigation	43.50	0.00	-28.00	15.50	15.51	0.01	0.06
7.	4701-C.O. on Medium Irrigation	54.00	0.00	-22.00	32.00	32.10	0.10	0.31
8.	4702-C.O. on Minor Irrigation	97.03	0.00	-10.29	86.74	147.73	60.99	70.31
9.	4705-C.O. on Command Area Development	6.60	0.00	-4.85	1.75	1.76	0.01	0.57
	<b>Total</b>	<b>201.13</b>	<b>0.00</b>	<b>-65.14</b>	<b>135.99</b>	<b>197.10</b>	<b>61.11</b>	

Source: Accountant General (A&E) office

Against the total provision of Rs 1,023.08 crore under nine major heads (Revenue section: Rs 887.09 crore and Capital section: Rs 135.99 crore), expenditure of Rs 1,429.06 crore (Revenue section: Rs 1,231.96 crore and Capital section: Rs 197.10 crore) had been incurred during 2008-09. The excesses of Rs 405.85 crore pertained to five major heads (Major Head 2215-Rs 321.27 crore, Major Head 2700-Rs 6.28 crore, Major Head 2702-Rs 12.76 crore, Major Head 2711-Rs 4.55 crore and Major Head 4702-Rs 60.99 crore). Excess expenditure of Rs 405.98 crore had not been regularised (September 2009).

**(ii) Inadequate supplementary provisions**

Against the additional requirement of Rs 346.13 crore under three major heads, the supplementary provision of Rs 12.81 crore had only been obtained as per details given below:

**Table- 2.10**

*(Rupees in crore)*

Sr. No	Major Head	Total budget provision				Expenditure	Excess	Difference in original provision and expenditure
		Revenue (Voted)	Original	Supplementary	Re-Appropriation			
1	2059-Public Works	0.50	0.24	0.00	0.74	0.75	0.01	0.25
2	2215-Water Supply & Sanitation	636.19	7.41	1.59	645.19	966.46	321.27	330.27
3	2702-Minor Irrigation	228.57	5.16	-2.31	231.42	244.18	12.76	15.61
	<b>Total</b>	<b>865.26</b>	<b>12.81</b>	<b>-0.72</b>	<b>877.35</b>	<b>1,211.39</b>	<b>334.04</b>	<b>346.13</b>

Source: Accountant General (A&E) office

Thus, the meagre supplementary provision in above cases proved inadequate leaving an uncovered excess expenditure of Rs 334.04 crore. This is indicative of unrealistic estimation.

**(iii) Injudicious re-appropriation**

Under six major heads of the Grant against original appropriation of Rs 213.27 crore, an expenditure of Rs 217.67 crore was incurred. There was necessity of Rs 4.40 crore for the supplementary provision, but in these cases no such provision had been provided. Instead, Rs 67.54 crore were withdrawn by making re-appropriation and as a result, there were excesses to the tune of Rs 71.94 crore against aforesaid major heads as per detail below:

**Table-2.11**

*(Rupees in crore)*

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over provisions
		Revenue (Voted)	Original	Supplementary	Reappropriation		
1.	2700-Major Irrigation	7.62	0.00	-1.80	5.82	12.10	6.28
2.	2711-Flood Control & Drainage	4.52	0.00	-0.60	3.92	8.47	4.55
	<b>Total</b>	<b>12.14</b>	<b>0.00</b>	<b>-2.40</b>	<b>9.74</b>	<b>20.57</b>	<b>10.83</b>

	Capital (Voted)						
3.	4700-C.O on Major Irrigation	43.50	0.00	-28.00	15.50	15.51	0.01
4.	4701-C.O. on Medium Irrigation	54.00	0.00	-22.00	32.00	32.10	0.10
5.	4702-C.O. on Minor Irrigation	97.03	0.00	-10.29	86.74	147.73	60.99
6.	4705-C.O. on Command Area Development	6.60	0.00	-4.85	1.75	1.76	0.01
	<b>Total</b>	<b>201.13</b>	<b>0.00</b>	<b>-65.14</b>	<b>135.99</b>	<b>197.10</b>	<b>61.11</b>
	<b>Grand Total</b>	<b>213.27</b>	<b>0.00</b>	<b>-67.54</b>	<b>145.73</b>	<b>217.67</b>	<b>71.94</b>

Source: Accountant General (A&E) office

Thus, re-appropriation in above cases was unnecessary and injudicious.

#### (iv) Rush of expenditure

Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 13, the quarter-wise flow of expenditure was not maintained during 2008-09 as per prescribed norms as per details tabulated below:

**Table-2.12**

*(Rupees in crore)*

Month	Expenditure	Quarter	Quarterly expenditure	Percentage of actual expenditure	Percentage as per prescribed norms
4/2008	15.11	1st quarter	204.90	11.90	20
5/2008	76.01				
6/2008	113.78				
7/2008	86.87	2nd quarter	246.14	14.29	25
8/2008	75.65				
9/2008	83.62				
10/2008	116.82	3rd quarter	349.23	20.28	30
11/2008	123.89				
12/2008	108.52				
1/2009	116.60	4th quarter	922.09	53.53	25
2/2009	185.13				
3/2009 (Normal)	626.05				
3/2009 (Sup. 1)	-1.98				
3/2009 (Sup. 2)	-4.15				
3/2009 (Final)	0.44				
<b>Total</b>	<b>1,722.36</b>		<b>1,722.36</b>	<b>100.00</b>	<b>100</b>

Source: Accountant General (A&E) office

The rush of expenditure in the last quarter of the financial year was more than 50 *per cent* of the total expenditure of the grant. This indicates lack of planning and also prudence in allocation of funds.

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

**(v) Non- submission of liability statements to the Finance Department**

Liability statements to exercise effective control over expenditure and preparation of correct budget estimates were not sent by the Engineer-in-Chief (E-in-C) to the Finance Department during 2008-09 as required under budget manual.

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

**2.8 Conclusion and Recommendations**

Slow pace of programme implementation in the State left an overall saving of Rs 801.61 crore offset by excess of Rs 556.52 crore; this requires regularisation under Article 205 of the Constitution of India. 'Public Works' and 'Animal Husbandry, Dairy Development and Fisheries' sectors posted large excesses persistently for the last five years. Supplementary provision aggregating Rs 48.81 crore obtained in five cases, Rs 25 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision. In 13 cases, the amount surrendered (Rs 50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. There were also instances of inadequate provision of funds and unnecessary/ excessive re-appropriations. Rush of expenditure at the end of the year is another chronic feature noticed in the overall financial management. In many cases, the savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.