

## 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 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 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 authorization 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.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-2010 against 32 grants/appropriations was as 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 (+)
<b>Voted</b>	I Revenue	9,063.10	601.38	9,664.48	10,439.72*	(+) 775.24
	II Capital	1,895.82	319.87	2,215.69	2,030.76*	(-) 184.93
	III Loans and Advances	10.06	1.58	11.64	69.67	(+) 58.03
<b>Total Voted</b>		<b>10,968.98</b>	<b>922.83</b>	<b>11,891.81</b>	<b>12,540.15</b>	<b>(+) 648.34</b>
<b>Charged</b>	IV Revenue	2,067.04	6.81	2,073.85	1,980.62	(-) 93.23
	V Capital	---	12.31	12.31	12.45	(+) 0.14
	VI Public Debt- Repayment	980.73	--	980.73	866.80	(-) 113.93
<b>Total Charged</b>		<b>3,047.77</b>	<b>19.12</b>	<b>3,066.89</b>	<b>2,859.87</b>	<b>(-) 207.02</b>
<b>Appropriation to Contingency Fund (if any)</b>		---	---	---	---	---
<b>Grand Total</b>		<b>14,016.75</b>	<b>941.95</b>	<b>14,958.70</b>	<b>15,400.02</b>	<b>(+) 441.32</b>

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

The overall excess of ₹441.32 crore was the result of excess of ₹887.80 crore in 16 grants and one appropriation under Revenue Section, four grants and one appropriation under Capital Section offset by saving of ₹446.48 crore in 16 grants and five appropriations under Revenue Section and 20 grants and two appropriations under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (July 2010) to the Controlling Officers requesting them to explain the significant variations. Besides, the Finance Department was also intimated (August 2010). Out of 777 sub-heads, explanations for variation were not received (September 2010) in respect of 563 sub-heads (Saving: 283 sub-heads and Excess: 280 sub-heads). 15 departments have substantial excess of more than ₹one crore in each case and eight departments have savings more than ₹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 19 cases, savings exceeded ₹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 ₹446.48 crore, savings of ₹284.20 crore<sup>1</sup> (64 per cent) occurred in three cases relating to two appropriations and one grant as indicated in Table-2.2.

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

(₹ in crore)

Sr. No.	Number and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Charged</b>						
1.	29-Finance	2,048.59	---	2,048.59	1,955.85	92.74
<b>Capital-Voted</b>						
2.	23-Power Development	242.00	---	242.00	164.46	77.54
<b>Capital-Charged</b>						
3.	29-Finance	980.73	--	980.73	866.81	113.92
<b>Total</b>		<b>3,271.32</b>	<b>---</b>	<b>3,271.32</b>	<b>2,987.12</b>	<b>284.20</b>

Reasons for savings were awaited (September 2010).

### 2.3.2 Excess Expenditure

In 14 cases, expenditure aggregating ₹8,972.39 crore exceeded the approved provision by ₹884.23 crore and more than ₹one crore in each case and more than 20 per cent of the total provision in three 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>1</sup> Exceeding Rs 50 crore in each case.

**Table-2.3: List of Grants indicating Persistent Excess expenditure during 2005-10**  
(₹ in crore)

Sr. No.	Number and Name of the Grant	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
1.	10-Public Works-Roads, Bridges and Buildings	120.02	161.42	126.38	134.46	215.36
2.	14-Animal Husbandry, Dairy Development and Fisheries	1.89	4.63	7.76	4.08	5.70

Reasons for persistent excess were awaited (September 2010).

### 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 ₹451.37 crore was incurred in four 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 2009-10**  
(₹ in crore)

Number and Name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
05-Land Revenue and District Administration	19.30	Reasons were awaited.
13-Irrigation, Water Supply and Sanitation	54.33	Reasons were awaited.
29-Finance	377.24	Reasons were awaited.
31-Tribal Development	0.50	Reasons were awaited.
<b>Total</b>	<b>451.37</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 of the records of various Drawing and Disbursing Officers (DDOs), it was noticed that the amounts drawn were neither fully spent for the specific purposes nor refunded into treasury before closure of financial year 2009-10 as detailed below:

- (i) **Unutilised funds:** ₹32 lakh drawn by the Director of Horticulture, Himachal Pradesh, Shimla during 2008-09 for construction of residential building for the Director and Supervisory Training Centre at Naubahar had remained unutilised as of September 2010 with the executing agency Public Works Department (PWD) since the amount of ₹32 lakh was insufficient to start the work.

(ii) **Unspent balances:** The Block Medical Officer, Ghumarwin drew (December 2006-January 2007) ₹15 lakh for construction of staff quarters at Primary Health Centre (PHC) Harlog but the amount remained unspent as of September 2010 due to sufficient number of existing quarters for the PHC staff.

(iii) **Unutilised funds:** ₹68.77 lakh were drawn by the Principal, Indira Gandhi Medical College, Shimla in March 2007 and transferred to the executing agency PWD for renovation of operation theatres (OTs) but the amount had remained unutilised (September 2010) with the executing agency as the OTs had not been handed over by the Institutional authorities to the PWD.

(iv) **Drawal of funds to avoid lapse of budget:** Scrutiny of records (May 2009-March 2010) of 11 divisions (Public Works (PW): eight divisions<sup>2</sup> and Irrigation and Public Health (I&PH): three divisions<sup>3</sup>) revealed that ₹16.70 crore (PW: ₹12.29 crore and I&PH: ₹4.41 crore) were released through letters of credit by the concerned Superintending Engineers at the fag end of the financial year 2008-09 for the construction of various roads, buildings, tubewells, flood protection works and repair and maintenance of works. The Executive Engineers (EEs) drew the entire amount of ₹16.70 crore in March 2009 and showed it as final expenditure in accounts. Out of this, 10 divisions<sup>4</sup> transferred an amount of ₹15.70 crore (PW: ₹11.29 crore and I&PH: ₹4.41 crore) to the sub-divisions under their control/other divisions and kept under deposits. The remaining amount of ₹one crore transferred (March 2009) to the Additional Deputy Commissioner, Kaza by the EE B&R Division, Kaza was also received back (May 2009) and kept thereafter under deposit head. Thus, depiction of expenditure of ₹16.70 crore to the final head of account of works in the financial year 2008-09 and its utilisation in the subsequent financial year was in contravention of rules.

The concerned EEs confirmed the facts (May 2009-March 2010).

(v) **Advance payments made to avoid lapse of budget:** Scrutiny of records (June 2009-March 2010) of four divisions<sup>5</sup> revealed that advance payments of ₹10.66 crore were made to the Himachal Pradesh State Civil Supplies Corporation, Shimla (Corporation) on 31 March 2008 (₹2.56 crore) and 31 March 2009 (₹8.10 crore) for procurement of materials. The advance payments were charged (except Nahan Division) to the final heads of account of various works instead of keeping the amounts under the suspense head "Miscellaneous Works Advances" pending receipt of material. It was also 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 materials.

The Corporation supplied cement and Ductile Iron pipes valuing ₹26.23 lakh and ₹80.23 lakh respectively to Nahan and Shimla-I divisions upto March 2009 against advance payment of ₹7.50 crore and refunded the balance amount of ₹6.44 crore between May 2009 and March 2010. In respect of Anni and Sundernagar divisions, no supply of material was received and the Corporation refunded

<sup>2</sup> Bilaspur-II, Chamba, Chopal, Jubbal, Karchham, Kasauli, Kaza and Shimla-II.

<sup>3</sup> Hamirpur, Shahpur and Una-II.

<sup>4</sup> Bilaspur-II, Chamba, Chopal, Hamirpur, Jubbal, Karchham, Kasauli, Shahpur, Shimla-II and Una-II.

<sup>5</sup> Anni, Nahan, Shimla-I and Sundernagar.

the whole amount of advance (₹3.16 crore) in June 2009 and August 2009 respectively. The amounts refunded by the Corporation were credited to 'Public Works Deposits' for utilisation in the subsequent financial years and were thus kept outside the normal budgetary process.

The EEs confirmed (June 2009-March 2010) the facts and stated that funds were received at the fag end of the financial years (2007-08 and 2008-09) and had to be utilised by depositing the same with the Corporation to avoid lapse/surrender. The reply is not acceptable as it is contrary to the financial rules.

The action of the Department resulted in interest loss of ₹63.67 lakh to the Government (worked out at an average rate of interest of 9.19 *per cent* on its borrowings during 2008-09) as the amounts remained with the Corporation outside the Government accounts from 50 to 472 days. Besides, incorrect position of expenditure was depicted in the accounts without it being actually utilised and further the funds were parked under 'Public Works Deposits'.

**(vi) Funds under Public Works Deposits remaining unutilised:** Funds received by the EEs from various Departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period as their prolonged retention results in not only keeping the money outside the normal budgetary process but also in blocking of Government funds.

Scrutiny of the records of five divisions<sup>6</sup> revealed (July 2009-March 2010) that ₹3.77 crore received from various Departments between September 2004 and July 2009 for execution of 11 deposit works<sup>7</sup> remained unutilised due to non-commencement of works for reasons like non-handing over /finalisation of sites by the client Departments (nine cases), non-finalisation of estimate (one case) and pending decision of the client Department for execution of work (one case). Non-utilisation of ₹four crore (deposited upto July 2007) in respect of construction of Degree College Building at Nahan due to non-handing over of site was also pointed out in Paragraph 2.20 of Report of the Comptroller and Auditor General of India for the year ended March 2009. Despite this, ₹0.65 crore were further remitted (March 2009) by the Higher Education Department without ensuring availability of site.

The concerned EEs admitted (July 2009-March 2010) the facts. Evidently, funds under deposit head were received by the respective divisions from different Departments without ensuring the pre-requisite formalities and availability of land for the execution of works of the sanctioned infrastructure.

The deposits amounting to ₹3.77 crore remained unutilised for periods ranging between eight and 66 months thereby defeating the purpose for which these were sanctioned.

In sum, the action of the divisions not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process. Moreover, there may be some other needy departments where these funds could have been utilised gainfully.

<sup>6</sup> Kasauli, Kumarsain, Nahan, Nalagarh and Rampur.

<sup>7</sup> Construction of Degree College/Hospital Buildings: three, Community Bhawan/Sarai: two, Mortuary Water Tank: one, Staff quarter: one and construction of School Building/Science Laboratories in Schools : four.

### 2.3.5 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, 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 ₹1,101.46 crore for the years 2007-2009 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 provision relating to previous years requiring regularisation**

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2007-08	18	3	544.94	Audit comments sent to the Finance Department/ H.P. Vidhan Sabha. Not yet discussed by the PAC.
2008-09	11	3	556.52	It was due for discussion from 13.07.2010. <i>Suo moto</i> replies from the Finance Department are still awaited.
<b>Total</b>			<b>1,101.46</b>	

### 2.3.6 Excess over provision during 2009-10 requiring regularisation

Table 2.6 contains the summary of total excess in 22 grants/appropriations amounting to ₹887.80 crore over authorization from the Consolidated Fund of State (CFS) during 2009-10 and requires regularisation under Article 205 of the Constitution.

**Table-2.6: Excess over provision requiring regularisation during 2009-10**

(In ₹)

Sr. No.	Number and title of Grant/ Appropriation (Revenue and Capital)	Total grant	Expenditure	Excess
1.	01-Vidhan Sabha	11,25,49,000	11,35,68,028	10,19,028
2.	04-General Administration	83,75,73,000	84,70,74,862	95,01,862
3.	05-Land Revenue and District Administration	292,91,22,761	327,44,39,442	34,53,16,681
4.	06- Excise and Taxation	26,47,28,000	27,35,78,632	88,50,632
5.	07-Police and Allied Organisations	387,79,11,045	400,22,60,814	12,43,49,769
6.	08-Education	1903,31,63,000	1906,37,72,580	3,06,09,580
7.	10-Public Works-Roads, Bridges and Buildings	1360,78,94,000	1576,14,50,582	215,35,56,582
8.	13-Irrigation, Water Supply and Sanitation	985,60,79,600	1222,15,70,031	236,54,90,431

9.	14-Animal Husbandry, Dairy Development and Fisheries	131,31,67,103	137,02,11,131	5,70,44,028
10.	16-Forest and Wild Life	300,17,50,000	553, 31,90,706	253,14,40,706
11.	19-Social Justice and Empowerment	275,42,21,000	281,53,64,371	6,11,43,371
12.	23-Power Development	172,21,10,000	187,19,33,685	14,98,23,685
13.	26-Tourism and Civil Aviation	9,25,73,000	9,36,84,990	11,11,990
14.	27-Labour, Employment and Training	49,29,79,000	49,79,24,613	49,45,613
15.	28-Urban Development, Town and Country Planning and Housing	101,57,75,000	115,67,26,647	14,09,51,647
16.	29-Finance	1328,80,63,000	1377,68,32,099	48,87,69,099
17.	02-Governor and Council of Ministers	2,67,27,000	2,85,18,187	17,91,187
18.	10-Public Works-Roads, Bridges and Buildings	325,83,00,000	326,50,33,076	67,33,076
19.	13-Irrigation, Water Supply and Sanitation	420,78,46,000	440,25,68,902	19,47,22,902
20.	25-Road and Water Transport	45,32,00,000	63,32,00,000	18,00,00,000
21.	32-Scheduled Caste Sub-Plan	382,12,09,000	384,04,31,066	1,92,22,066
22.	10-Public Works-Roads, Bridges and Buildings	12,02,94,000	12,19,08,087	16,14,087
	<b>Total</b>	<b>8608,72,34,509</b>	<b>9496,52,42,531</b>	<b>887,80,08,022 or 887.80 crore</b>

Reasons for the excesses had not been furnished by the Government as of September 2010.

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹13.55 crore obtained in five cases, ₹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 11 cases, supplementary provision of ₹486.66 crore proved insufficient by more than ₹one crore in each leaving an aggregate uncovered excess expenditure of ₹814.32 crore (*Appendix 2.5*). Of the uncovered excess of ₹814.32 crore, ₹253.15 crore (31 per cent) were incurred by the Forest Department.

### 2.3.8 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 ₹10 lakh in 140 sub-heads. The excess/saving was more than ₹two crore in 35 sub-heads as detailed in *Appendix 2.6*. Of these, in three<sup>8</sup>

<sup>8</sup> Grant Nos. 10, 23 and 29: one Sub-head each.

sub-heads the savings/expenditure exceeded ₹25 crore for which no reasons had been furnished by the Government as of September 2010.

### **2.3.9 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 569 items out of 2,996 (19 per cent), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like “more/less touring by staff”, “more/less purchase of machinery/equipment”, “more/less receipt of rent, rates and taxes bills” and “more expenditure under other schemes”.

### **2.3.10 Substantial surrenders**

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 23 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹535.78 crore in these 23 schemes, ₹478.21 crore (89 per cent) were surrendered, which included cent per cent surrender in 6 schemes (₹52.70 crore) (Appendix 2.7).

Similarly, out of total savings of ₹29.76 crore under five other grants (savings of ₹one crore and above were indicated in each grant) amount aggregating to ₹9.98 crore (34 per cent of total savings) were not surrendered, details of which are given in Appendix 2.8. Besides, in seven cases (surrender of funds in excess of ₹10 crore) ₹340.58 crore were surrendered (Appendix 2.9) on the last working day of March 2010 indicating inadequate financial control. Also, the fact that these funds could not be utilised for other development purposes.

### **2.3.11 Surrender in excess of actual saving**

In nine cases, the amount surrendered (₹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 of ₹131.13 crore, the amount surrendered was ₹158.66 crore resulting in excess surrender of ₹27.53 crore. Details are given in Appendix 2.10. Reasons for surrender in excess of savings were awaited (September 2010).

### **2.3.12 Rush of expenditure**

According to the Himachal Pradesh Financial Rules, 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 28 sub-heads listed in Appendix 2.11, expenditure exceeding ₹10 crore and also more than 50 per cent of the total expenditure for the year was incurred in March 2010. Table-2.7



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 2009-10**

(₹ in crore)

Sr. No.	Major Head (Charged/Voted)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2236(V)	68.48	37.68	55	28.67	42
2.	2402(V)	45.73	23.27	51	16.11	35
3.	2406(V)	578.21	380.95	66	65.28	11
4.	2801(V)	185.33	169.50	91	169.00	91
5.	2851(V)	38.69	23.22	60	17.90	46
6.	4059(V)	47.44	30.65	65	23.19	49
7.	4202(V)	214.69	174.05	81	134.73	63
8.	4210(V)	69.48	65.08	94	39.39	57
9.	4402(V)	48.64	46.56	96	39.58	81
10.	4701(V)	57.79	38.23	66	28.90	50
11.	4702(V)	187.34	116.87	62	94.34	50
12.	4711(V)	70.97	43.62	61	38.06	54
13.	4801 (V)	210.61	156.01	74	156.01	74
14.	5054 (C)	12.19	11.86	97	11.86	97
	<b>Total</b>	<b>1,835.59</b>	<b>1,317.55</b>	<b>72</b>	<b>863.02</b>	<b>47</b>

Source: Accountant General (Accounts & Entitlement) office

### **2.3.13 Budgetary process in the Ayurveda Department**

A performance audit on the working of the Ayurveda Department was undertaken during the year and the following deficiencies in the budgeting process were noticed:

During the period 2005-10, the Department of Ayurveda had been allocated ₹404.50 crore for development of AYUSH against which an expenditure of ₹449.04 crore was incurred resulting in

an excess of ₹44.54 crore (11 per cent). The financial and operational management were deficient as the resources provided for medicines and contingencies were decreasing while expenditure on salary and wages of staff had been increasing abnormally. Unutilised central grants of ₹1.17 crore was unauthorisedly deposited into the treasury as State receipt.

The AYUSH Society received ₹37.23 crore from GOI for the development of AYUSH institutions during 2005-10 out of which ₹30.19 crore remained unutilised as of March 2010 which is indicative of the fact that the budgeting and financial management in the Department was deficient.

## **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 (Accounts & Entitlement).

Scrutiny of the records of 42 departments at Directorate level revealed that in respect of nine DDOs<sup>9</sup> an amount of ₹136.70 crore was paid on AC bills during the period 2005-10 against which DCC bills for only ₹43 crore were submitted leading to an outstanding balance of ₹93.70 crore as on 31 March 2010.

Year-wise and Department-wise pending DCC bills for the years 2005-10 is detailed in *Appendix 2.12*. It was further noticed that majority of the AC bills were being drawn for Mid Day Meal scheme, purchase of medicines/raw herbs, purchase of Special Nutrition Programme items, POL expenditure and training. No cogent reasons for non-submission of DCC bills were furnished by the concerned DDOs.

Non-submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

### **2.4.2 Non-adjustment of Temporary Advances**

Drawing and Disbursing Officers 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, the Treasury Officer may authorise advance drawal to the extent of ₹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.

<sup>9</sup> Animal Husbandry, Education, Finance (Treasury &Accounts), Health and Family Welfare, Indian Systems of Medicines and Homeopathy, Labour and Employment, *Panchayati Raj*, Youth Services and Sports and Social Justice and Empowerment.

Test-check of records of eight DDOs<sup>10</sup> in the State revealed that ₹7.35 crore were pending adjustment as of March 2010. Age wise analysis of advances pending is given in Table-2.8.

Table-2.8

Sr. No.	Pendency	No. of Advances	Amount (₹ in crore)
1.	More than five years up to 10 years	33	0.05 (0.68)
2.	More than one year but less than five years	465	7.30 (99.32)
<b>Total</b>		<b>498</b>	<b>7.35 (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

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 collected from the Accountant General (Accounts & Entitlement) office revealed that 137 PDAs were in operation in 14 District Treasuries at the beginning of the year 2009-10, out of which three PDAs involving an amount of ₹92,821 (two PDAs having (-) balances of ₹73,612 and ₹19,210 and a PDA with plus balance of ₹one) were closed during the year. No new PDA was created during 2009-10. The position of remaining 134 PDAs having balance of ₹138.68 crore as on 31 March, 2010 was as under:

- 48 PDAs having balance of ₹132.69 crore had been in operation during the year.
- 86 PDAs involving an amount of ₹5.99 crore remained inoperative during the current year.
- All the 86 PDAs remained inoperative continuously for periods upto 20 years. Of these, 15 PDAs having balance of ₹13.50 lakh remained inoperative for more than five years but below 20 years.
- 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

<sup>10</sup> (i) Controller Dr. Y.S. Parmar University, Solan (₹323.15 lakh) (ii) DHS-cum-Nodal Officer (SSRC), Shimla (₹271.05 lakh) (iii) Director, Urban Development, Shimla (₹0.26 lakh) (iv) Deputy Director, Agriculture, Kullu (₹23.88 lakh) (v) Executive Engineer (Design), Dr. Y.S. Parmar University, Solan (₹5.38 lakh) (vi) Managing Director, Himachal Pradesh Milk Federation, Totu, Shimla (₹109.44 lakh) (vii) Project Director, Desert Development Project, Pooh (₹1.13 lakh) and (viii) Scientist-C, Research Extension Centre, Palampur, Kangra (₹0.35 lakh).

₹2.34 lakh in six 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 Outcome of Review of Selected Grant

Review of one grant (Grant No.10- Public Works, Roads, Bridges and Buildings) revealed the following:

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

During 2009-10 there was a total excess of ₹216.19 crore (Revenue section: ₹215.36 crore and Capital section: ₹0.83 crore) under the grant. The details of the major head of the Grant contributing to the such excess is given below:

Table-2.9

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess	Percentage
		Original	Supplementary	Re-appropriation	Total			
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	56.66

Source: Accountant General (Accounts &Entitlement) office

It is seen from the above that under the major head 2059 though there was huge excess under the head, an amount of ₹25.91 crore was re-appropriated out of the head during the year. It was noticed in audit that the major reason for such huge excess was contributed by ₹87.24 crore under 'Stock Suspense'. The reasons for such huge variation between the budget provision and actual expenditure under the major head could not be furnished though called for. This indicates that preparation of budget estimates was un-realistic.

The overall excess expenditure of ₹216.19 crore under the grant had not been regularised (September 2010).

### (ii) Inadequate supplementary provision

Against the additional requirement of ₹328.32 crore under three major heads, supplementary provision of only ₹111.65 crore had been obtained as per details given in table- 2.10.

Table- 2.10

(₹ 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	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	168.62
2.	3054-Road and Bridges	981.19	17.24	25.86	1,024.29	1,049.79	(+) 25.50	68.60
	<b>Total</b>	<b>1,337.40</b>	<b>21.95</b>	<b>(-) 0.05</b>	<b>1,359.30</b>	<b>1,574.62</b>	<b>215.32</b>	<b>237.22</b>
<b>Capital (Voted)</b>								
3.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	(+) 1.46	78.91
	<b>Total</b>	<b>222.61</b>	<b>77.67</b>	<b>(-) 0.22</b>	<b>300.06</b>	<b>301.52</b>	<b>(+) 1.46</b>	<b>78.91</b>
<b>Capital (Charged)</b>								
4.	5054-Capital Outlay on Roads and Bridges	0.00	12.03	0.00	12.03	12.19	(+) 0.16	12.19
	<b>Total</b>	<b>0.00</b>	<b>12.03</b>	<b>0.00</b>	<b>12.03</b>	<b>12.19</b>	<b>0.16</b>	<b>12.19</b>
	<b>Grand Total</b>	<b>1,560.01</b>	<b>111.65</b>	<b>(-) 0.27</b>	<b>1,671.39</b>	<b>1,888.33</b>	<b>216.94</b>	<b>328.32</b>

Source: Appropriation Accounts

Thus, the meagre supplementary provision in above cases proved inadequate leaving an uncovered excess expenditure of ₹216.94 crore. This is also indicative of unrealistic estimation.

### (iii) Surrender of funds

A review of the overall budget provision and expenditure under Grant No. 10 revealed that there was a total excess of ₹216.19 crore during the year 2009-10. However, the Department instead of requesting for more provision surrendered an amount of ₹0.22 crore during the year.

Thus, it is evident that the foresight and planning in the Department relating to management of finances was lacking which resulted in injudicious surrender of ₹0.22 crore.

**(iv) Injudicious re-appropriation**

Under two major heads of the Grant against original appropriation of ₹578.82 crore, an expenditure of ₹826.35 crore was incurred. An amount of ₹247.53 crore should have been obtained in the supplementary provision, but in these cases supplementary provision of only ₹82.38 crore had been obtained out of which ₹26.13 crore were re-appropriated resulting in an overall excess of ₹191.28 crore against aforesaid major heads as detailed below:

**Table-2.11**

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over provision
		Original	Supplementary	Re-appropriation	Total		
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	189.82
	<b>Total</b>	<b>356.21</b>	<b>4.71</b>	<b>(-) 25.91</b>	<b>335.01</b>	<b>524.83</b>	<b>189.82</b>
	<b>Capital (Voted)</b>						
2.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	1.46
	<b>Total</b>	<b>222.61</b>	<b>77.67</b>	<b>(-) 0.22</b>	<b>300.06</b>	<b>301.52</b>	<b>1.46</b>
	<b>Grand Total</b>	<b>578.82</b>	<b>82.38</b>	<b>(-) 26.13</b>	<b>635.07</b>	<b>826.35</b>	<b>191.28</b>

Source: Accountant General (Accounts & Entitlement) office

Thus, it is evident that the re-appropriation in the above cases was unnecessary and injudicious.

**(v) Unnecessary supplementary provision**

Against the original provision of ₹18.80 crore and supplementary provision of ₹0.15 crore under major head-4059, an expenditure of ₹18.40 crore was incurred. Thus, the supplementary provision was unnecessary, as the expenditure was less than the original provision. The saving under this head was therefore, more than the supplementary provision.

**(vi) Rush of expenditure**

Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 10, the quarter-wise flow of expenditure was not maintained during 2009-10 according to prescribed norms as per details tabulated in table- 2.12.

Table- 2.12

(₹ in crore)

Month	Expenditure	Quarter	Quarterly expenditure	Percentage of actual expenditure	Percentage as per prescribed norms
April 2009	42.96	1 <sup>st</sup> quarter	277.73	14.50	20
May 2009	106.76				
June 2009	128.01				
July 2009	127.69	2 <sup>nd</sup> quarter	343.02	17.92	25
August 2009	107.44				
September 2009	107.89				
October 2009	175.25	3 <sup>rd</sup> quarter	419.16	21.89	30
November 2009	109.07				
December 2009	134.84				
January 2010	225.06	4 <sup>th</sup> quarter	874.93	45.69	25
February 2010	145.69				
March 2010	504.18				
<b>Total</b>	<b>1,914.84</b>		<b>1,914.84</b>	<b>100.00</b>	<b>100</b>

Source: Accountant General (Accounts &amp; Entitlement) office

The rush of expenditure in the last quarter of the financial year was more than 45 per cent of the total expenditure. This indicates lack of planning and absence of financial control.

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

#### (vii) 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 2009-10 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.

## 2.7 Conclusion and Recommendations

The State had an overall excess of ₹441.32 crore as a result of excess of ₹887.80 crore offset by saving of ₹446.48 crore. The excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India.

'Public Works' and 'Animal Husbandry, Dairy Development and Fisheries' persistently incurred excess expenditure for the last five years. Supplementary provision aggregating ₹13.55 crore obtained in five cases (₹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 nine cases, the amount surrendered (₹50 lakh or

more in each case) was in excess of actual savings. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations besides rush of expenditure in the last quarter of the financial year indicating lack of or inadequate budgetary control in the departments.

Funds amounting to ₹31.13 crore were drawn to avoid lapse of budget grant and either kept under Civil Deposit or paid to Corporations which resulted in avoidance of legislative control. Besides, funds amounting to ₹138.68 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released. These are chronic features noticed in the overall financial management in the departments and these practices are fraught with the risk of misuse of funds. Further, 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.

**Financial Management and budgetary control:** Excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India. Parking of funds in Deposit Accounts and Personal Deposit Accounts, to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided. Expenditure should be planned in advance and incurred uniformly throughout the year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.

**Monitoring mechanism needs to be strengthened:** The Abstract Contingent Bills amounting to ₹93.70 crore had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.