

► 2.1 Introduction

This chapter outlines the Uttar Pradesh Government's financial accountability and budgetary practices through audit of Appropriation Accounts. Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts 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.

Box 2.1

Appropriation Accounts

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 Acts 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.

► 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-2010 against 91 grants/appropriations is as given in **Table 2.1**.

Table 2.1: Summarised position of actual expenditure, vis-à-vis, original/supplementary provision

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings
Voted	I Revenue	76,447.54	2,901.74	79,349.28	72,445.56	6,903.72
	II Capital	31,807.43	6,959.33	38,766.76	35,299.75	3,467.01
	III Loans and Advances	1,270.95	213.20	1,484.15	941.85	542.30
	Total Voted	1,09,525.92	10,074.27	1,19,600.19	1,08,687.16	10,913.03
Charged	IV Revenue	16,784.65	615.73	17,400.38	17,027.41	372.97
	V Capital	416.09	1.57	417.66	412.67	4.99
	VI Public Debt-Repayment	17,888.50	0.52	17,889.02	7,668.59	10,220.43
	Total Charged	35,089.24	617.82	35,707.06	25,108.67	10,598.39
Grand Total		1,44,615.16	10,692.09	1,55,307.25	1,33,795.83	21,511.42

Note: Figures of actual expenditure include recoveries adjusted as reduction of expenditure under voted revenue expenditure (₹ 99.36 crore) and capital expenditure (₹ 10,621.19 crore).

Source: Appropriation Accounts

Overall savings of ₹ 21,511.42 crore were the result of savings of ₹ 23,193.58 crore in 121 cases of grants and appropriations under Revenue Section and 69 cases of grants and appropriation under Capital Section including Loan Section (Public Debt-Repayments), offset by excess of ₹ 1,682.16 crore in 15 cases of grants and appropriations under Revenue Section and 9 cases of grants under Capital Section.

Savings/excesses (Detailed Appropriation Accounts) were intimated (July/August 2010) to the Controlling Officers requesting them to explain the significant variations. However, no explanations were received (September 2010).

► 2.3 Financial accountability and budget management

2.3.1 Appropriation, vis-à-vis, allocative priorities

Outcome of the appropriation audit revealed that in 118 cases, savings exceeded Rs 10 crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 23,054 crore, savings of ₹ 21,782 crore (94 per cent) occurred in 41 cases (exceeding ₹ 50 crore in each case) relating to 38 grants and appropriations as given in **Table 2.2**.

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

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual expenditure	Savings
Revenue-Voted						
1	7- Industries Department (Heavy and Medium Industries)	121.39	110.11	231.50	134.16	97.34
2	9- Power Department	2,709.53	1.27	2,710.80	2,642.94	67.86
3	11- Agriculture and Other Allied Departments (Agriculture)	2,308.18	0.20	2,308.38	1,588.05	720.33
4	14- Agriculture and Other Allied Departments (Panchayati Raj)	1,766.79	0.08	1,766.87	1,432.52	334.35
5	26- Home Department (Police)	5,701.75	207.43	5,909.18	5,808.09	101.09
6	32- Medical Department (Allopathy)	2,374.79	--	2,374.79	1,960.11	414.68
7	35- Medical Department (Family Welfare)	1,170.10	160.82	1,330.92	1,246.69	84.23
8	37- Urban Development Department	538.75	5.00	543.75	489.28	54.47
9	42- Judicial Department	797.25	1.21	798.46	606.58	191.88
10	47- Technical Education Department	272.15	14.81	286.96	253.70	53.26
11	49- Women and Child Welfare Department	2,935.81	255.34	3,191.15	2,972.87	218.28
12	51- Revenue Department (Relief on account of Natural Calamities)	687.65	250.00	937.65	336.35	601.30
13	52- Revenue Department (Board of Revenue and Other expenditure)	1,405.27	24.21	1,429.48	1,364.83	64.65
14	54- Public Works Department (Establishment)	1,034.53	--	1,034.53	592.42	442.11
15	60- Forest Department	371.33	3.11	374.44	309.32	65.12
16	61- Finance Department (Debt services and Other Expenditure)	4,329.73	161.32	4,491.05	4,273.79	217.26
17	62- Finance Department (Superannuation Allowance and Pension)	8,786.83	433.36	9,220.19	9,142.35	77.84
18	71- Education Department (Primary Education)	12,296.16	10.00	12,306.16	10,992.71	1,313.45
19	72- Education Department (Secondary Education)	4,824.84	118.07	4,942.91	4,684.56	258.35

20	73- Education Department (Higher Education)	1,139.37	0.05	1,139.42	1,045.92	93.50
21	80- Social Welfare Department (Social Welfare and Welfare of SCs)	2,335.75	483.19	2,818.94	2,727.53	91.41
22	83- Social Welfare Department (Special Component Plan for Scheduled Castes)	3,635.58	--	3,635.58	3,344.02	291.56
23	96-Irrigation Department (Works)	1,408.95	--	1,408.95	1,250.43	158.52
		62,952.48	2,239.58	65,192.06	59,199.22	6,012.84
Capital-Voted						
24	2-Housing Department	641.27	527.21	1,168.48	988.28	180.20
25	9- Power Department	7,005.95	--	7,005.95	5,135.36	1870.59
26	21- Food and Civil Supplies Department	6,912.39	4814.74	11,727.13	11,099.62	627.51
27	25- Home Department (Jails)	252.57	--	252.57	170.04	82.53
28	26- Home Department (Police)	335.90	12.62	348.52	203.18	145.34
29	32- Medical Department (Allopathy)	588.45	--	588.45	436.66	151.79
30	37- Urban Development Department	1,265.45	--	1,265.45	891.29	374.16
31	40- Planning Department	81.14	270.00	351.14	56.95	294.19
32	42- Judicial Department	131.25	8.50	139.75	23.53	107.22
33	47- Technical Education	226.22	15.69	241.91	166.55	75.36
34	48- Muslim Waqf Department	231.17	--	231.17	96.55	134.62
35	61- Finance Department (Debt services and Other Expenditure)	460.01	--	460.01	185.88	274.13
36	62- Finance Department (Superannuation Allowances and Pensions)	150.00	--	150.00	56.45	93.55
37	78- Secretariat Administration Department	62.82	--	62.82	1.00	61.82
38	83- Social Welfare Department (Special Component Plan for Scheduled Castes)	4,819.95	82.73	4,902.68	4,178.38	724.30
		23,164.54	5,731.49	28,896.03	23,689.72	5,197.31
Revenue Charged						
39	61- Finance Department (Debt Services and Other Expenditure)	16,352.90	606.03	16,958.93	16,606.74	352.19
Total		16352.90	606.03	16,958.93	16,606.74	352.19
Capital-Charged						
40	21- Food and Civil Supplies Department	2,400.02	--	2,400.02	1,400.00	1,000.02
41	61- Finance Department (Debt services and other Expenditure)	15,866.83	--	15,866.83	6,646.87	9,219.96
Total		18,266.85	--	18,266.85	8,046.87	10,219.98
Grand Total		1,20,736.77	8,577.10	1,29,313.87	1,07,542.55	21,782.32

Source: Appropriation Accounts

2.3.2 Persistent savings

In three cases involving three grants, there were persistent savings during the last five years. The details are given below in **Table 2.3**. Persistent savings during the last five years indicated that the budgeting was not proper.

Table 2.3: List of grants indicating persistent savings during 2005-10

(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
1	40- Planning Department	6.71	9.27	11.43	32.71	44.66
2	49- Women and Child Welfare Department	37.33	200.47	116.12	138.16	218.28
Capital-Voted						
3	61-Finance Department (Debt Services and Other Expenditure)	25.97	138.40	149.72	21.69	274.13

Source: Appropriation Accounts

2.3.3 Excess expenditure

Expenditure aggregating ₹ 6,619 crore exceeded the approved provision by ₹ 1,676 crore in 11 cases where expenditure was more than ' 10 crore or more, in each case, or more than 20 *per cent* of the total provision. Details are given in *Appendix 2.2*. Of these, substantial excess expenditure was observed in the following grants consistently for the last five years as detailed in **Table 2.4**.

Table 2.4: List of grants with persistent excess expenditure during 2005-10

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
1	58- Public Works Department (Communications Roads)	58.63	41.05	24.32	58.62	132.39
Capital-Voted						
2	55- Public Works Department (Buildings)	198.34	436.24	644.60	769.50	362.12
3	58- Public Works Department (Communications Roads)	502.05	861.52	1,427.82	1,697.88	1,140.84

Source: Appropriation Accounts

2.3.4 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. However, the excess expenditure amounting to ₹ 10,521.32 crore for the years 2005-09 was yet to be regularised as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularization for grants/ appropriations is summarised in **Table 2.5**.

Table 2.5: Excess over provision relating to previous years requiring regularization

Year	Number of		Amount of excess over provision (₹ in crore)
	Grants	Appropriations	
2005-06	25	4	1,026.78
2006-07	18	6	2,484.47
2007-08	12	2	3,610.65
2008-09	5	1	3,399.42
Total	60	13	10,521.32

Source: Appropriation Accounts

2.3.5 Excess over provision during 2009-10 requiring regularisation

Table 2.6 contains the summary of total excess in 12 cases of grants and appropriations amounting to ₹ 1,250 crore over authorisation from the Consolidated Fund of the State during 2009-10 and requires regularisation under Article 205 of the Constitution.

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

(₹ in crore)

Sl. No.	Name and title of grant/appropriation	Total grant/appropriation	Expenditure	Excess	Excess requiring regularisation
A-Revenue Voted					
1	58- Public Works Department	1,284.38	1,416.77	132.39	3.65
Total (A)		1,284.38	1,416.77	132.39	3.65
B-Capital Voted					
2	1- Excise Department	0.200	0.202	0.002	0.002
3	16- Agriculture and Other Allied Department	-	1.07	1.07	0.31
4	55- Public Works Department (Buildings)	37.85	399.97	362.12	359.47
5	58- Public Works Department (Communications- Roads)	3,103.97	4,244.81	1,140.84	884.22
6	59- Public Works Department (Estate Directorate)	102.47	104.50	2.03	2.03
Total (B)		3,244.490	4,750.552	1,506.062	1,246.03
C-Revenue Charged					
7	3-Industries Department (Small Industry and Export Promotion)	0.04	0.08	0.04	0.04
8	10- Agriculture and Other Allied Departments (Horticulture and Sericulture Development)	0.74	0.99	0.25	0.25
9	16- Agriculture and Other Allied Departments (Dairy Development)	-	0.03	0.03	0.03
10	48- Muslim Waqf Department	0.02	0.04	0.02	0.02
11	52- Revenue Department (Board of Revenue and Other Expenditure)	0.70	2.27	1.57	0.11
12	66- Finance Department (Group Insurance)	131.49	131.52	0.03	0.03
Total (C)		132.99	134.93	1.94	0.48
Grand Total (A)+(B)+(C)		4,661.860	6,302.250	1,640.392	1,250.16

Source: Appropriation Accounts

2.3.6 Unnecessary/Inadequate supplementary provision

Supplementary provision aggregating ₹ 1,119.50 crore obtained in 30 cases, (₹ 50 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 four cases, supplementary provision of ₹ 556.52 crore proved insufficient by more than ₹ two crore in each case leaving an aggregate uncovered excess expenditure of ₹ 1,541.28 crore (*Appendix 2.5*).

2.3.7 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 of ₹ 618.52 crore in some cases and excess of over ₹ 946.22 crore in other cases as detailed in *Appendix 2.6*.

2.3.8 Unexplained re-appropriations

As per Paragraph 158 of the Budget Manual, reasons for additional expenditure and savings should be explained in the re-appropriation orders. However, reasons for additional provision/withdrawal of provision in 430 re-appropriation orders were not explained therein.

2.3.9 Substantial surrenders

Substantial surrenders (50 *per cent* or more of the total provision) were made in respect of 165 sub-heads either due to non-implementation or slow implementation of schemes/programmes. Out of total provision amounting to ₹ 17,980 crore in 165 schemes, ₹ 14,517 crore (81 *per cent*) was surrendered, which included *cent per cent* surrender in 63 schemes (₹ 819 crore). The details of such cases are given in *Appendix 2.7*. This indicated that budgeting was not done after proper exercise.

2.3.10 Surrender in excess of actual saving

In 31 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 ₹ 1,361 crore, the amount surrendered was ₹ 2,442 crore resulting in excess surrender of ₹ 1,081 crore. Details are given in *Appendix 2.8*.

2.3.11 Anticipated savings not surrendered

As per Budget Manual, spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the end of 2009-10, there were, however, 35 cases grants/appropriations in which savings occurred but no part was surrendered by the concerned departments.

The amount involved in these cases was ₹ 4,333 crore (25 per cent of the total savings) (**Appendix 2.9**).

Similarly, out of total savings of ₹ 17,636 crore under 51 cases (savings of ₹ 1 crore and above), amount aggregating ₹ 5,724 crore (32 per cent of total savings) was not surrendered, the details of which are given in **Appendix 2.10**. Besides, ₹ 16,678 crore in 48 cases was surrendered (surrender of funds in excess of ₹ 10 crore) on the last two working days of March 2010 (**Appendix 2.11**). This indicated inadequate financial control apart from the fact that the funds could not be utilised for other developmental purposes.

2.3.12 Rush of expenditure

Rush of expenditure in the closing month of the financial year should be avoided in terms of Paragraph 211 (e) of the Budget Manual. **Table 2.7** presents the major heads where 40 per cent or more than 40 per cent expenditure was incurred either during last quarter or during last month of the financial year. This is indicative of the fact that control over expenditure was deficient.

Table 2.7: Rush of expenditure

(₹ in crore)

Sl. No.	Major head	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	4055- Capital Outlay on Police	197.96	125.21	63	86.09	43
2	4217- Capital Outlay on Urban Development	2,466.15	1,665.68	68	1,239.44	50
3	4235- Capital Outlay on Social Security and Welfare	185.20	153.14	83	104.71	57
4	5053- Capital Outlay on Civil Aviation	97.42	95.33	97	92.89	95
	Total	2,946.73	2,039.36	69	1,523.13	52

Source: VLC data

► 2.4 Reconciliation of expenditure/receipts

Financial Rules stipulate that expenditure/receipts recorded in their books should be reconciled every month with that recorded in books of the Accountant General.

As against the total expenditure of ₹ 1,14,465 crore during 2009-10, the reconciliation for ₹ 1,11,257 crore was completed (97 per cent) and as against the receipt of ₹ 96,421 crore, it was completed for ₹ 96,328 crore (99 per cent). However, 12 controlling officers did not reconcile (2009-2010) expenditure/receipts amounting to ₹ 3301 crore as given in **Table 2.9**.

Table 2.8: List of controlling officers who did not reconcile the expenditure and receipts during 2009-2010

(₹ in crore)

Sl. No.	Controlling officers	Amount not reconciled
Expenditure		
1	Secretary, Revenue, UP Government, Lucknow	328.34
2	Director, Agriculture, UP, Lucknow	325.42
3	Secretary, land Development and water Resources, UP Government, Lucknow	9.75
4	Secretary, Justice and Legal Councilor	4.26
5	Director, Local Bodies, UP, Lucknow	554.43
6	Secretary, Nyay Evam Vidhi Paramarshi, UP Government Lucknow	41.92
7	Registrar, Accounts, High Court, Allahabad	318.66
8	Secretary, Khadi and Gramoudyog, Lucknow	9.91
9	Commissioner, Samaj Kalayan/ Principal Secretary, Samaj Kalayan, UP Government, Lucknow	1,615.22
Total		3,207.91
Receipts		
10	Director, Agriculture, UP, Lucknow	37.67
11	Registrar, Budget, High Court, Allahabad	4.16
12	Secretary, Nagar Vikas Vibhag, UP, Lucknow	32.36
13	Director, Agriculture, Marketing, UP, Lucknow	15.39
14	Commissioner, Samaj Kalayan/ Principal Secretary, Samaj Kalayan, UP Government, Lucknow	3.03
		92.61
Total		3,300.52

Source: Accountant General (A&E)

► 2.5 Errors in budgeting process

As per paragraph 32 of the Budget Manual, budget estimates should be framed on the basis of expenditure to be incurred on the pay and allowances of the men in position irrespective of sanctioned strength.

However, a provision of ₹ 1.99 crore was made by the Directorate, Culture, UP Lucknow in the budget (2009-10) under the Grant 92 on the basis of sanctioned strength rather on the basis of actual men-in-position. Similarly, a provision of ₹ 97.63 lakh was made by the Directorate, Tribal Welfare, UP, Lucknow in the budget (2009-10) under Grant 81 on the basis of sanctioned strength rather on the basis of actual men-in-position. As a result, the amounts were surrendered by the Departments.

► 2.6 Review of selected grants

₹ 50.58 crore was provided (2009-10) under Grant Number 81 pertaining to the Social Welfare Department (Tribal Welfare) under the control of the Directorate. Against it, ₹ 31.05 crore was spent leaving over all savings of ₹ 19.53 crore at the end of March 2010. Similarly, ₹ 69.93 crore was provided (2009-10) under Grant Number 92 pertaining to the Culture Department under the control of the Directorate. Against it, ₹ 62.77 crore was spent leaving over all savings of ₹ 7.16 crore at the end of March 2010. The details are given in Table 2.9.

Table 2.9: Grant Nos-81 and 92

(In thousands of ₹)

Particulars	Amounts	Total	Actual expenditure	Savings	Heads of accounts
Grant No. 81 – Social Welfare Department (Tribal Welfare)					
Revenue Voted					
Original	42,46,06	42,46,06	30,55,26	11,90,80	2052, 2070, 2215, 2225, 2230, 2235, 2401, 2401, 2403, 2405, 2425, 2501, 2505, 2515, 2702 and 2851
Supplementary	Nil				
Capital Voted					
Original	8,11,93	8,11,94	50,18	7,61,76	4225, 4250, 4406, 4515, 4575 and 6425
Supplementary	1				
Grand Total	50,58,00	50,58,00	31,05,44	19,52,56	
Amount surrendered:	Revenue voted			Nil	
	Capital voted			Nil	
Grant No. 92 - Culture Department					
Revenue Voted					
Original	25,59,36	25,61,56	23,19,26	2,42,30	2052 and 2205
Supplementary	2,20				
Capital Voted					
Original	17,18,95	44,31,41	39,57,63	4,73,78	4202
Supplementary	27,12,46				
Grand Total	69,92,97	69,92,97	62,76,89	7,16,08	
Amount surrendered:	Revenue voted			2,53,43	
	Capital voted			4,73,78	

A review of the aforesaid Grants revealed:

- As per Paragraph 140 and 141 of the Budget Manual, the controlling officers should submit a statement of anticipated savings to the Finance Department by 25 January and surrender the savings finally by 25 March. Director, Culture, however, did not

observe this and finally surrendered ₹7.27 crore (Revenue voted: ₹ 2.53 crore and Capital voted: ₹ 4.74 crore) in March 2010.

- The Department of Social Welfare (Tribal Welfare) made a provision of ₹ 5.06 crore under the Grant number 81 for construction of Ashram Type Schools for Scheduled Caste students (₹ 5 crore) and for the construction of Community Centres (₹ 6.32 lakh) in the State. However, as the administrative approvals for these items of works were not accorded during the same financial year (2009-10), the funds could not be utilized and ultimately were surrendered.
- Under Grant number 92 of the Culture Department, Government made a provision of ₹ 27.75 crore (Original: ₹ 1 crore and Supplementary: ₹ 26.75 crore) under the Major Head 4202- Capital Outlay on Education, Sports, Art and Culture for the plan scheme of construction of statues of the legendary personalities. A sum of ₹ 22.36 crore was spent leaving an unspent balance of ₹ 5.39 crore. Of this unspent balance, ₹ 4.73 crore was surrendered and the remaining amount of ₹ 65.78 lakh was re-appropriated for non-plan items of work.

► 2.7 Conclusion and Recommendations

Overall savings of ₹ 21,511.42 crore was the result of savings of ₹ 23,193.58 crore offset by excess of ₹ 1,682.16 crore. The departments of Planning, Women and Child Welfare, Finance (Debt Services and Other Expenditure) posted large savings persistently for the last five years. Excess expenditure of ₹ 10,521.32 crore for the period 2005-09 requires regularisation under Article 205 of the Constitution of India. There were also instances of unnecessary/inadequate supplementary provision and excessive, unnecessary re-appropriations of funds. Cases of non-surrender of anticipated savings were also noticed. Rush of expenditure at the end of the year is another chronic feature noticed in the overall financial management.

Recommendations:

Budgetary control should be strengthened in all Government departments. Excessive/unnecessary re-appropriation of funds should be avoided and reasons for additional provision/withdrawal of provision in re-appropriation orders should be explained therein. Unit-wise control over expenditure should be exercised and the savings anticipated should be surrendered to the Finance department so that the funds could be utilised for development purposes. Re-appropriation of the funds at the fag end of the financial year should also be avoided.