

CHAPTER-2

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

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

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the 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 summarised position of actual expenditure during 2012-2013 against 31 grants/appropriations is given in **Table 2.1**.

Table-2.1
Summarised position of Original/ Supplementary provisions *vis-à-vis* Actual Expenditure during the year 2012-13 (₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	1,34,84.90	8,22.24	1,43,07.14	1,16,86.24	(-)26,20.90
	II Capital	36,51.98	13,78.30	50,30.28	50,92.61	(+)62.33
	III Loans and Advances	2,64.05	1,55.21	4,19.26	2,72.57	(-)1,46.69
Total Voted		1,74,00.93	23,55.75	1,97,56.68	1,70,51.42	(-) 27,05.26
Charged	IV Revenue	22,32.21	99.87	23,32.08	22,80.58	(-)51.50
	V Capital	1.50	9.50	11.00	9.02	(-)1.98
	VI Public Debt- Repayment	22,97.13	0.00	22,97.13	14,87.37	(-)8,09.76
Total Charged		45,30.84	1,09.37	46,40.21	37,76.97	(-)8,63.24
	Appropriation to Contingency Fund (if any)	-	-	-	-	--
Grand Total		2,19,31.77	24,65.12	2,43,96.89	2,08,28.39	(-) 35,68.50

As shown in **Table-2.1**, there was saving (shortfall in the utilisation of funds) of ₹ 35,68.50 crore which was the result of saving of ₹ 54,03.84 crore in grants and appropriations under Revenue Section (36 cases) and Capital Section (23 cases) offset by excess of ₹ 18,35.34 crore in one grant and one appropriation under Revenue Section and five grants under Capital Section.

Departments against which significant savings (more than ₹ 100 crore) were noticed during the year were Education, Sports, Youth Welfare and Culture (₹ 6,89.62 crore), Finance (₹ 6,11.22 crore), Water Supply, Housing & Urban Development (₹ 4,61.21 crore), Energy (₹ 3,68.40 crore), Medical Health & Family Welfare (₹ 3,64.38 crore), Welfare of Scheduled Castes (₹ 3,18.10 crore), Irrigation & Flood control (₹ 2,87.72 crore), Rural Development (₹ 2,65.55 crore), Food (₹ 2,30.83 crore), Welfare (₹ 1,95.50 crore), and Agriculture (₹ 1,31.83 crore). Similarly, departments against which significant excess expenditure over the allotments were noticed during the year 2012-13 were Food (₹ 18,10.59 crore), Agriculture (₹ 13.27 crore), Public Works (₹ 6.35 crore) and Horticulture Department (₹ 4.50 crore).

The savings/ excess (Detailed Appropriation Accounts) were intimated (August 2013) to the Controlling Officers requesting them to furnish reasons for substantial savings/ excess. Their replies were awaited as of September 2013.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis expenditure

The outcome of the appropriation audit shows that in 49 cases, savings exceeded ₹ one crore in each case, and more than 20 *per cent* of total provision in 29 cases (**Appendix-2.1**). Against the total savings of ₹ 54,03.84 crore, savings of ₹ 41,09.06 crore (76.04 *per cent*)¹ occurred in 21 cases relating to 16 grants as indicated in **Table 2.2**.

¹ Exceeding ₹ 50 crore in each case.

Table-2.2
List of Grants/appropriation 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.	04-Judicial Administration	1,29.17	6.16	1,35.33	84.43	50.90
2.	06-Revenue & General Administration	4,21.16	12.24	4,33.40	3,69.00	64.40
3.	07-Finance,Tax,Planning,Secretariat & Miscellaneous Services	26,29.00	13.36	26,42.36	20,93.18	5,49.18
4.	11-Education,Sports,Youth Welfare & Culture	39,85.03	2,12.56	41,97.59	36,30.00	5,67.59
5.	12-Medical,Health & Family Welfare	8,64.80	35.32	9,00.12	7,66.71	1,33.41
6.	13-Water Supply, Housing & Urban Development	5,37.30	85.59	6,22.89	4,69.67	1,53.22
7.	15-Welfare	6,39.20	69.68	7,08.88	5,16.92	1,91.96
8.	17-Agriculture,Works & Research	3,96.14	20.12	4,16.26	2,84.43	1,31.83
9.	19-Rural Development	3,78.20	11.32	3,89.52	2,56.52	1,33.00
10.	22-Public Works	4,88.24	48.55	5,36.79	4,79.95	56.84
11.	25-Food	3,82.99	0.22	3,83.21	1,52.38	2,30.83
12.	30- Welfare Of Scheduled Castes	4,75.46	31.71	5,07.17	3,92.79	1,14.38
Capital-Voted						
13.	11-Education, Sports, Youth Welfare & Culture	2,52.18	1,07.31	3,59.49	2,37.46	1,22.03
14.	12-Medical Health & Family Welfare	1,88.38	1,77.45	3,65.83	1,34.86	2,30.97
15.	13-Water Supply, Housing & Urban Development	4,92.50	67.00	5,59.50	2,51.51	3,07.99
16.	19-Rural Development	2,92.36	20.00	3,12.36	1,79.81	1,32.55
17.	20-Irrigation & Flood	5,98.23	96.05	6,94.28	4,38.01	2,56.27
18.	21-Energy	5,47.01	4,04.11	9,51.12	5,82.72	3,68.40
19.	26-Tourism	52.45	21.89	74.34	19.02	55.32
20.	30-Welfare Of Scheduled Caste	3,19.04	42.56	3,61.60	1, 57.89	2,03.71
21.	31-Welfare Of Scheduled Tribes	92.36	2.42	94.78	40.50	54.28
Total		1,41,61.20	14,85.62	15,66.82	1,15,37.76	41,09.06

In most of the cases, the reasons for savings were awaited as of September 2013.

2.3.2 Persistent Savings

In 19 cases, during the last five years, there were persistent savings of more than ₹ one crore in each case (Table 2.3).

Table-2.3
List of Grants indicating persistent savings during last five years

(₹ in crore)

Sl. No.	No. and Name of grant	Amount of Saving				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue-Voted						
1	04-Judicial Administration	16.29	28.57	29.91	28.05	50.90
2	05-Election	3.68	3.65	1.03	4.71	4.57
3	06-Revenue & General Administration	67.57	56.74	29.52	43.94	64.40
4	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	3,94.33	4,18.97	1,06.35	5,80.10	5,49.18
5	12-Medical Health & Family Welfare	1,22.06	91.88	1,24.39	1,53.99	1,33.41
6	13-Water Supply, Housing & Urban Development	88.69	47.75	3,72.80	2,35.77	1,53.22
7	15-Welfare	93.53	80.43	83.72	1,97.45	1,91.96
8	16-Labour & Employment	35.29	5.61	12.08	12.39	36.45
9	18-Co-operative	7.72	1.83	4.87	10.30	6.03
10	19-Rural Development	45.13	70.21	75.22	92.71	1,33.00
11	22-Public Works	51.18	28.64	34.94	35.43	56.85
12	23-Industries	13.08	1.34	5.15	14.47	11.32
13	24-Transport	11.56	5.62	2.52	1.37	5.90
14	26-Tourism	2.31	2.85	2.92	30.66	30.05
15	28-Animal Husbandry	7.38	8.49	15.53	4.48	9.04
Capital-Voted						
1	07- Finance, Tax, Planning, Secretariat & Miscellaneous Services	45.12	51.24	8.78	72.43	20.60
2	11-Education, Sports, Youth Welfare & Culture	14.57	7.80	60.20	1,66.31	1,22.03
3	15-Welfare	6.39	5.09	13.74	22.03	3.54
4	23-Industries	5.41	9.55	11.54	13.35	23.69

Despite being mentioned in the Report on State Finances of the Comptroller & Auditor General of India for the year 2011-12 of the State, a substantial number of cases were noticed where savings persisted during the year which is indicative of over assessment of requirement of funds. This needs to be reviewed.

2.3.3 Excess Expenditure

In five cases, expenditure aggregating ₹ 2,959.59 crore exceeded the approved provision by ₹ 1,835.09 crore which was more than ₹ one crore in each case or by more than 20 per cent of the total provision. Details are given in **Appendix-2.2**. Of these, excess expenditure has been observed consistently during the last five years in the following grants/ heads (**Table 2.4**).

Table-2.4
List of Grants indicating persistent excess expenditure during 2008-13

(₹ in crore)

Sl. No.	No. and Name of grant	Amount of excess expenditure				
		2008-09	2009-10	2010-11	2011-12	2012-13
Capital-Voted						
1	17-Agriculture Works & Research	11.72	11.73	30.82	18.33	13.27
2	25-Food	5,64.40	9,16.31	12,07.14	12,83.25	18,10.59
Total		5,76.12	9,28.04	12,37.96	13,01.58	18,23.86

Persistent excess under the grants/ heads was indicative of un-realistic budgetary estimates. Thus, for a sound financial management, assessment of requirement of funds under the heads should be more realistic to avoid recurrence of such instances of persisting excess expenditure in future. Reasons for persistent excesses were awaited (September 2013).

2.3.4 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 ₹ 4.50 crore was incurred in one case as detailed in **Table 2.5** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.5
Expenditure incurred without provision during 2012-13 (₹ in crore)

No. and Name of Grants	Amount of expenditure without provision	Reasons/Remarks
29-Horticulture Development (Capital-voted)	4.50	Reasons were awaited

Although, a mention was made in the earlier Reports of CAG of India for the year ended 31 March 2011 and 2012, the State Government has not taken any action and has further incurred an expenditure of ₹ 4.50 crore under the same head without any budgetary provision during the current year, which was irregular and needs regularisation.

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 expenditure over a grant/ appropriation regularised by the State Legislature. Although, no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is

done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 7,393.91 crore pertaining to previous years 2005-12 was yet to be got regularised by the State Legislature. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.6**.

Table-2.6
Excess expenditure over the provision relating to previous years requiring regularisation
(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grant / Appropriation	Details of Grant / Appropriation		
2005-06	7	7,8,17,20,22,25&29	6,63.50	Status not intimated by the State Government
2006-07	6	7,17,20,22,25& 29	9,35.92	
2007-08	6	7,17,20, 22,25 & 29	7,33.79	
2008-09	6	7,17,20,22,25&29	1,146.41	
2009-10	7	7,17,18,21,22,25&29	10,07.49	
2010-11	9	10,12,15,17,20,21,22,25 & 29	12,95.40	
2011-12	5	7,17,22,25&29	16,11.40	
Total			73,93.91	

The excess expenditure incurred over grants/ appropriations of the previous years should be got regularised by the State Legislature.

2.3.6 Excess over provisions during 2012-13 requiring regularisation

Table 2.7 contains the summary of total excess expenditure registered under five grants amounting to ₹ 1,835.34 crore over authorization from the Consolidated Fund of State (CFS) during the year 2012-13.

Table-2.7
Excess over provision requiring regularisation during 2012-13
(₹ in thousand)

Sl. No.	Number and title of Grant/ Appropriation		Total Grant/ Appropriation	Expenditure	Excess
Revenue –Voted					
1	21	Energy	122876	125464	2588
Revenue –Charged					
2	12	Medical Health & Family Welfare	--	10	10
Capital –Voted					
1.	14	Information	10000	13760	3760
2.	17	Agriculture Works & Research	1783032	1915753	132721
3.	22	Public Works	9132000	9195465	63465
4.	25	Food	320000	18425895	18105895
5.	29	Horticulture Development	00	45000	45000
			11367908	29721347	18353439

Reasons for the excess had not been intimated by the State Government/ Department as of August 2013. The excess expenditure over the provision under

the grants/ appropriation incurred during the year 2012-13, should be got regularised by the State Legislature.

2.3.7 Unnecessary/ Excessive/ Inadequate supplementary provision

Supplementary provision aggregating ₹ 1,142.69 crore obtained in 37 cases, amounting to ₹ 10 lakh or more in each case during the year proved unnecessary as the expenditure registered under the grants was within the original provision as detailed in **Appendix-2.3**.

Supplementary provision of ₹ 393.03 crore sought in respect of three cases proved insufficient by more than ₹ one crore in each case thereby leaving an aggregate uncovered excess expenditure of ₹ 1,830.22 crore (**Appendix-2.4**).

2.3.8 Excessive/ unnecessary re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of ₹ 10 lakh and above in 83 sub-heads as detailed in **Appendix-2.5**. Of these, savings of ₹ 1,85.40 crore occurred in four Grants, (more than ₹ 20 crore in each Grant) such as ₹ 74.56 crore in Grant Number 11-Education, Sports, Youth Welfare & Culture, ₹ 24.57 crore in Grant Number 13-Water Supply, Housing & Urban Development, ₹ 23.16 crore in Grant Number 19-Rural Development and ₹ 63.11 crore in Grant Number 22-Public Works. Reasons for the savings had not been furnished by the Government as of September 2013. However, in 53 cases, re-appropriation to the tune of ₹ 25.46 crore was made between 20th to 31st March 2013.

The substantial saving in the aforesaid cases indicates that the funds could not be spent as estimated and planned under the schemes by the respective departments.

2.3.9 Substantial surrenders

Substantial surrenders (the cases where more than 50 per cent of total provision was surrendered) were made in respect of 110 sub-heads on account of either non-implementation or slow implementation of schemes/ programmes. Out of the total provision amounting to ₹ 8,57.29 crore in these 110 sub-heads, ₹ 643.14 crore (75.02 per cent) were surrendered which included cent per cent surrender in 53 schemes (₹ 2,07.26 crore) as detailed in **Appendix-2.6**.

2.3.10 Surrender in excess of actual saving

In two cases, the amount surrendered was in excess of actual savings (₹ 50 lakh or more in each case) indicating lack of budgetary controls in these departments. As against savings of ₹ 82.35 crore in these cases, the amount surrendered was ₹ 91.10 crore resulting in injudicious excess surrender of ₹ 8.75 crore. Details are given in **Appendix-2.7 A**.

In one case (Public Works), surrender of ₹ 24.51 crore has been made in spite of final excess of ₹ 6.35 crore. Details are given in **Appendix-2.7 B**.

2.3.11 Anticipated savings not surrendered

As per the Budget Manual, the spending departments are required to surrender the savings under grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2012-13, there were, however, nine grants and one appropriation in which savings of ₹ 10 crore and above occurred but no part of it had been surrendered by the concerned departments. The amount involved in these cases was ₹ 18,45.44 crore (34.15 *per cent* of the total savings) (**Appendix-2.8**).

Similarly, out of savings of ₹ 52,69.65 crore (individual cases where savings were more than ₹ one crore occurred), amount aggregating ₹ 11,82.79 crore was surrendered resulting in non surrender of ₹ 40,86.86 crore (75.63 *per cent* of total savings), details of which are given in **Appendix-2.9**. Besides, in 22 cases, (surrender of funds in excess of ₹ 10 crore), ₹ 11,87.76 crore were surrendered (**Appendix-2.10**) on the last two working days of March 2013, thereby defeating the intended purpose of surrenders as these funds could not be utilized for other developmental purposes.

2.3.12 Rush of expenditure

According to Financial Regulations, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure for the year was incurred in last quarter or in March 2013, in respect of 50 sub-major heads listed in **Appendix-2.11**. **Table 2.8** 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-2.8
Cases of Rush of Expenditure towards the end of the financial year 2012-13

(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2013	
			Amount (₹ in crore)	Percentage of total expenditure	Amount (₹ in crore)	Percentage of total expenditure
1.	2015	19.44	10.16	52.26	4.92	25.31
2.	2030	22.95	15.51	67.58	7.69	33.51
3.	2215	4,15.52	2,17.01	52.23	1,05.96	25.50
4.	2216	1.90	1.18	62.11	0.95	50.00
5.	2225	2,05.28	1,02.84	50.10	69.84	34.02
6.	2250	43.81	31.00	70.76	23.29	53.16
7.	2251	0.06	0.05	83.33	0.04	66.67
8.	2408	1,47.50	1,13.15	76.71	1,10.47	74.89
9.	2425	35.15	20.06	57.07	8.83	25.12
10.	2701	13.17	7.38	56.04	4.88	37.05
11.	2702	68.75	45.64	66.39	16.93	24.63
12.	2810	13.86	9.95	71.79	1.58	11.40
13.	3054	1,83.26	1,02.71	56.05	86.38	47.14
14.	3454	16.30	8.24	50.55	6.18	37.91
15.	4055	28.50	22.78	79.93	21.76	76.35
16.	4059	1,00.87	82.50	81.79	39.27	38.93
17.	4202	2,46.82	2,18.41	88.49	1,80.11	72.97
18.	4210	1,34.52	1,15.88	86.14	1,01.51	75.46
19.	4211	4.80	2.89	60.21	2.05	42.71
20.	4215	1,12.97	66.24	58.64	17.44	15.44
21.	4216	12.31	7.43	60.36	5.67	46.06
22.	4217	1,42.82	74.97	52.49	74.97	52.49
23.	4225	37.35	36.37	97.38	32.42	86.80
24.	4235	5.98	3.85	64.38	3.85	64.38
25.	4250	17.25	10.59	61.39	10.59	61.39
26.	4401	17.23	25.82	1,49.85	20.64	1,19.79
27.	4406	41.51	24.25	58.42	15.40	37.10
28.	4700	2,57.95	1,67.79	65.05	1,40.69	54.54
29.	4701	0.61	0.61	1,00.00	0.56	91.80
30.	4702	88.79	67.09	75.56	39.94	44.98
31.	4711	39.50	25.20	63.80	24.60	62.28
32.	4801	5,16.12	4,54.88	88.13	4,52.67	87.71
33.	4859	16.16	13.81	85.46	10.70	66.21
34.	5053	95.44	95.17	99.72	95.18	99.73
35.	5054	8,72.77	4,90.54	56.20	3,57.02	40.91
36.	5055	0.93	0.54	58.06	0.54	58.06
37.	5452	20.23	14.83	73.31	5.69	28.13
38.	6003	14,58.74	7,79.82	53.46	4,17.22	28.60
39.	6075	3.08	3.08	1,00.00	0.00	0.00
40.	6401	156.36	1,40.83	90.07	1,00.83	64.49
41.	6425	2.31	1.80	77.92	0.96	41.56
42.	7055	25.00	25.00	1,00.00	25.00	1,00.00
43.	7610	1.03	0.56	54.37	0.17	16.50
Total		56,44.90	36,58.41	65.29	26,45.39	46.86

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

Scrutiny revealed that 65.29 per cent of the total expenditure of ₹ 56,44.90 crore spent against these major heads during the year 2012-13, was incurred in the last

quarter of the financial year. Further, in 26 individual cases above, the expenditure exceeding ₹ 10 crore was incurred in the month of March 2013 alone.

Contrary to the spirit of financial regulations, a substantial expenditure was incurred by the Government at the end of the year which was indicative of poor financial control over the expenditure. A uniform pace of expenditure is a must for sound financial management.

2.4 Non-reconciliation of Departmental Figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent (DC) Bills against Abstract Contingent Bills (AC)

As per Financial Rules, 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 countersignatures and transmission to the Principal Accountant General (Accounts and Entitlement). The total amount of DC bills received during the year 2012-13 was only ₹ 0.74 crore against the amount of AC bills of ₹ 3.68 crore leading to an outstanding balance of AC bills of ₹ 2.94 crore awaiting adjustment as on August 2013. Year wise details are given in **Table 2.9**.

Table-2.9
Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills (as on August 2013)

(₹ in crore)

Year	Amount of AC Bills	Amount of DC Bills	Outstanding AC Bills	
			Number	Amount
2009-10	1.34	1.31	2	0.03
2010-11	40.13	32.25	64	7.88
2011-12	3.56	3.40	27	0.16
2012-13	3.68	0.74	70	2.94
Total	48.71	37.70	163	11.01

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

As can be seen from the table above, the total amount of AC bills outstanding against 163 AC Bills was ₹ 11.01 crore at the end of August 2013. It was further noticed that out of the total outstanding balance of ₹ 11.01 crore, a substantial amount of ₹ 1.06 crore (9.63 per cent) was drawn (during 2010-11) through five AC bills by the Relief Department under Major Head 2245 and was still outstanding on account of non-submission of DC bills. Out of total outstanding amount of AC bills of 2012-13 (₹ 2.94 crore), a substantial amount of ₹ 2.73 crore (92.86 per cent) pertains to General Education department under Major Head

2202. However, there is a substantial decrease in outstanding amount of A.C. Bills prior to 2012-13 by ₹ 36.96 crore (82.03 *per cent*) as on August 2013.

Department wise pending DC bills for the years up to 2012-13, showing position of outstanding DC bills as on August 2013, have been detailed in **Appendix- 2.12**.

Non submission of DC bills for long periods after drawl of AC bills is fraught with the risk of misappropriation and, therefore, needs to be monitored closely.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budgetary allocation and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Principal Accountant General (Accounts & Entitlements). Even though non-reconciliation of departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2012-13 also. Audit scrutiny revealed cases where the amount exceeding ₹ 10 crore involving ₹ 50,44.86 crore remained un-reconciled in respect of five Controlling Officers during the year 2012-13, which constituted 28.38 *per cent* of the total net expenditure of ₹ 1,77,75.00 crore as detailed in **Table 2.10**.

Table-2.10
List of Controlling Officers where amounts exceeding ₹ 10 crore in each case remained fully un-reconciled during 2012-13

Sl. No.	Controlling Officers	Amount not reconciled (₹ in crore)
1.	Commissioner, Relief, Revenue Department	1,35.42
2.	Principal Secretary Finance/Estate Department	28,68.99
3.	Director Ayurveic & Unani Services	824.92
4.	Secretary, Energy	5,30.03
5.	Principal Secretary, Social Welfare	6,85.50
Total		50,44.86

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

The reasons for the huge amount of ₹ 50,44.86 crore remaining un-reconciled during the year 2012-13 was mainly due to lack of initiative on the part of the Controlling Officers towards reconciliation.

Thus, government may ensure reconciliation of accounts by the concerned Controlling Officers to obviate the possibilities of fraud and misuse of funds.

2.5 Advances from Contingency Fund

The Contingency Fund of the State has been established vide Uttarakhand Contingency Fund Act, 2001 (Act No. 2 of 2001) in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and its present corpus is ₹ 2.00 crore (the corpus was reduced from ₹ 6.00 crore to ₹ 2.00 crore during the year). Any drawal of advances from the fund needs to be recouped from the Consolidated Fund of the State within the same financial year. However, advances to the tune of ₹ 32.06 crore drawn from the Contingency Fund remained to be recouped from Service Heads to the Contingency Fund after authorisation of Legislature as on 31 March 2013 as given in **Table 2.11**.

Table-2.11
Expenditure met from Contingency Fund during the year 2012-13 remained un-recouped

(₹ in crore)

Sl. No	Grant No	Major Head	Budget Estimate	Re-appropriation/ Surrender	Total	Actual Exp	Adv From Contingency Fund	Month of Sanction
1	03	2013-Councils of Ministers	33.47	(-)1.16	32.31	32.79	1.00	03/2013
2	06	2070-Other Administrative Services	49.11	(-)0.09	49.02	40.60	0.002	01/2013
3	16	2230-Labor & Employment	10.62	0.00	10.62	7.91	0.028	12/2012,02/2013 & 03/2013
4	18	2425-Co-Operation	38.32	0.00	38.32	30.29	0.0007	11/2012
5	19	4515- Capital Outlay on other rural development programmes	312.36	(-)105.21	207.15	179.81	18.32	03/2013
6	26	3452- Tourism	72.75	0.00	72.75	42.70	12.00	02/2013
7	30	2403 – Animal Husbandry	3.33	0.00	3.33	3.28	0.71	03/2013
Total			519.96	(-)106.46	413.50	337.38	32.0607	

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

It is evident from the above that the expenditure to the tune of ₹ 32.06 crore was met through advances from the Contingency Fund during the year and had not been recouped by the State government during the year as required under Section 5 of Uttarakhand Contingency Fund Act, 2001 (Act No. 2 of 2001).

Government resorted to advances from the Contingency Fund during the year for meeting the capital expenditure (₹ 18.32 crore) which was foreseeable and thus in contravention of rules governing operation of the fund.

2.6 Deficiencies in Budgeting Process

The following deficiencies were noticed in the budgeting process of the State government for the financial year 2012-13.

- Minor Head 900-Recoveries under Major Heads 0029, 0039 and Minor Head 901 under Sub-Major Head 01 of Registration Fees have been shown below Sector-A Tax-Revenue, while the list of Major & Minor Heads of Account (Volume-I) provides that the Minor Head-900 recoveries shall be shown below every Major, Sub-major and Minor Head coming under the Sector-A Tax-Revenue.
- As per the Budget document Vol-V part I, under Major Head 3454, Minor Head 001 Direction and Administration has been shown below Sub-Major Head 02 Survey instead of 01 Census as is provided in the List of Major and Minor Heads of Accounts.
- As per the Budget document Sub-Major Head 60 Others is shown under the Major Head 4059. However, as per the List of Major and Minor Heads of Accounts, there is the provision of other buildings under the Sub Major Head 60.
- In the Major Head 2059, under Grant Number 22, Minor head 102 under Sub-Major Head 80 has been shown as 'Repair and Maintenance', whereas it should have been shown as Minor Head 053 under Sub-Major Head 80, as per the List of Major and Minor Heads of Accounts.
- Under the Major Head 2245-only one Sub-Major Head 05-has been shown, under which there is the provision of Minor Head 800 whereas the list of Major and Minor Heads of Accounts provides for the provision of two more Sub-Major Heads 01-Drought and 02-Flood and Cyclone.
- Sub-Major Head 04-has been shown as 'Integrated Development of Towns' under the Major Head 2217 while it should have been depicted as 'Development of Slums' as provided in the List of Major and Minor Heads of Accounts.

- In the Major Head 4235, 'Welfare of Handicapped' has been shown against Minor Head 104 under Sub-Major Head 02 whereas it should have been 'Welfare of Aged, Infirm and Destitute'. As per the List of Major and Minor Heads of Accounts 'Welfare of Handicapped' should have been shown against Minor Head 101.
- In Major Head 2402 under Grant Number 17, Minor Heads 101 and 102 have been shown as 'Soil Conservation & Testing' and 'Water Conservation' respectively, whereas these should have been shown as 'Soil Survey & Testing' and 'Soil Conservation' as per the List of Major and Minor Heads of Accounts.
- Several aided schemes of Central Government have not been shown in the Major Head 1601 under the detailed estimates of the receipt of Revenue and Capital Accounts.
- No item has been mentioned against Minor Head 119 and the item name Other Schemes is shown against Minor head 800 under the Major Head 2401 in lieu of Afforestation and Vegetation against the aforesaid heads 119 and Other Expenditures against 800 as per the List of Major and Minor Heads of Accounts.
- Minor Heads 101 Special Component Plan for Scheduled Castes in the Major Head 2211 under Grant Number 30 has been shown according to Budget document whereas Minor Head 101 Rural Family Welfare Services has been mentioned in the List of Major and Minor Heads of Accounts.
- As per Budget document, Minor Head 797 indicates Transfer of Reserve Funds and Deposit Accounts under Major Head 2048 but in the List of Major and Minor Heads of Accounts it indicates Minor Head 101-Deposit Fund, 200-Other Investments only.
- As per the List of Major and Minor Heads of Accounts, under the Major Head 2052 there is the provision of Minor Heads 091 Attached Offices and 092 Other Offices while as provision of 800 Other Expenditure has been made in the Budget document.
- No name of items has been mentioned against the Minor Head 001 under Sub Major Head 02 of Major Head 2030 and Minor Head 200 under the Major

Head 3604. Therefore it is not possible to ascertain the particulars of the above mentioned Minor Heads.

2.7 Misclassification of Grants-in-Aid

Grants-in-aid to any institution/body must constitute the revenue expenditure of the Government. But during the year 2012-13, a sum of ₹ 4,33.05 crore has been disbursed as grants-in-aid under following capital major heads of expenditure against approved budgetary provision in violation of Indian Government Accounting Standard prescribed IGAS-2 as detailed in **Table 2.12**.

Table 2.12
Misclassification of grants-in-aid under capital Major Heads

Major Head	Amount (₹ in crore)
4202-Capital Outlay on Education, Sports, Art & Culture	1,15.46
4210-Capital Outlay on Medical & Public Health	1.50
4215- Capital Outlay on Water Supply & Sanitation	1,12.97
4250- Capital Outlay on Other Social Services	10.62
4401- Capital Outlay on Crop Husbandry	15.00
4515- Capital Outlay on Other Rural Development Programmes	1,77.50
Total	4,33.05

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

Such misclassification is a matter of concern.

2.8 Outcome of Inspection of Treasuries

During inspection of treasuries/ Sub- treasuries for the year ended 31 March 2013 by the Office of the Principal Accountant General (A&E), following irregularities were noticed as indicated in **Table 2.13**.

Table 2.13
Outcome of inspection of Treasuries

Sl. No	Category	Amount (₹ in crore)
1.	Unadjusted AC Bills	12.11
2.	Advances made under Treasury rule-24 by the District Magistrate, Udham Singh Nagar remained unrecouped.	0.05
3.	An amount of lapsed deposits had not been remitted into the Government Account.	0.22
4.	Unauthorized disbursement from PLA	10.65
5.	Reimbursement of pensioners' dues, in favors of UPCL, Uttarakhand and Uttar Pradesh Power Corporation Limited.	7.90
6.	Under authorisation of gratuities to pensioners by head of Departments / Director.	0.07

Source: Information as compiled from VLC data of Pr. Accountant General (A&E), Uttarakhand

- There is a need to tighten the controls at the level of Treasury relating to AC bills adjustment, Advances made under Treasury Rule-24 by the District

Magistrates, unauthorised disbursement from PLA, lapsed deposits, pension and gratuities related payments.

2.9 Outcome of Review of Selected Grant

Grant Number 07-Finance, Tax, Planning, Secretariat & Miscellaneous Services was selected for review which revealed the following:

Rush of Expenditure

General Financial Rules provide that the expenditure shall uniformly be incurred during the year taking month wise/ quarter wise flow into consideration. In the case of Grant Number 07 (Finance, Tax, Planning, Secretariat & Miscellaneous Services), Audit revealed that the uniform flow of expenditure was not maintained during 2012-13 as per prescribed norms, which led to rush of expenditure. The details are shown in **Table 2.14**.

Table-2.14
Rush of expenditure during the last quarter/in the month of March, 2013

(₹ in crore)

Sl. No.	Major Head (Voted)	Expenditure in last Quarter	Expenditure in March	Total Expenditure during 2012-13	Percentage of expenditure in last quarter	Percentage of expenditure in March
1.	2030-Stamps and Registration	15.51	7.69	22.95	67.58	33.51
2.	2049-Interest Payments	10,14.89	6,97.81	20,88.73	48.59	33.41
3.	3454- Census, Surveys and Statistics	8.24	6.18	16.30	50.55	37.91
Total		10,38.64	7,11.68	21,27.98	48.81	33.44

Source: Information as compiled from VLC data of Pr. Accountant General (A&E) Uttarakhand

The expenditure in three Major Heads under the grant in the last quarter of 2012-13 was 48.81 per cent of the total expenditure with 33.44 per cent of the total expenditure under these Heads being incurred in the month of March, 2013 alone leading to the rush of expenditure. This indicates lack of planning and control in regulating the expenditure by the Finance Department of the Government.

Rush of expenditure at the close of the year could lead to infructuous, nugatory or ill planned expenditure. The departments should ensure maintaining uniform pace of expenditure throughout the year as far as practicable to avoid rush of expenditure at the end of the financial year.

Unnecessary Supplementary Grants

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the requirement of additional funds under the Grants/ Appropriations during a financial year. However, it was noticed that Supplementary Grants were obtained under five Major Heads of Grant Number 07 without any proper planning as tabulated in the **Table-2.15**.

Table-2.15
Details of supplementary provision obtained under the Grant (₹ in crore)

Major Head	Total Budget Provision				Actual Expenditure	Saving
	Original	Supplementary	Re-appropriation	Total		
2030-Stamps and Registration	26.81	0.53	0.00	27.34	22.95	(-)4.39
2045-Other Taxes and Duties on Commodities and Services	8.07	2.01	0.00	10.08	6.67	(-)3.41
2052-Secretariat-General Services	1,40.97	3.94	(-)2.43	1,42.48	87.12	(-)55.36
3454-Census, Surveys and Statistics	21.70	6.80	0.00	28.50	16.30	(-)12.20
4059-Capital Outlay on Public Works	26.24	5.50	0.00	31.74	20.43	(-)11.31
Total	2,23.79	18.78	(-)2.43	2,40.14	1,53.47	(-)86.67

Supplementary grants amounting to ₹ 18.78 crore obtained under five Major Heads of Grant Number 07 proved unnecessary since the Savings/overall Savings under five Major Heads itself were more than the supplementary grant obtained by the Department. A major portion (₹ 55.36 crore (39.27 per cent)) of original grant obtained under the Major Head 2052 remained unspent by the department despite re-appropriation of ₹ 2.43 crore.

The Government may put in place a proper mechanism to ensure proper utilisation of funds.

Unutilised Provision

Annual Financial Statement of the government provides for provisions for different schemes and programmes in order to carry out various development programmes/ schemes. In Grant Number 07, it was noticed that the entire budgetary provision under certain sub-heads remained unutilised at the end of financial year 2012-13 as per details in **Table 2.16**.

Table 2.16
Details of Heads of accounts where the allocation were not used at all (₹in crore)

Sl. No.	Head of Account	Budget Provision	Saving
1.	2040-00-800-04-Taxes on Sales, Trade, etc.	2.50	2.50
2.	2045-00-103-04-Other Taxes and Duties on Commodities and Services	2.00	2.00
3.	2052-00-800-03-Secretariat -General Services	50.00	50.00
4.	2071-01-101-06-Pension and Other Retirement Benefits	1.00	1.00
5.	2071-01-102-06- Pension and Other Retirement Benefits	1.00	1.00
6.	2071-01-104-06- Pension and Other Retirement Benefits	1.00	1.00
7.	2071-01-105-06- Pension and Other Retirement Benefits	0.50	0.50
8.	2071-01-200-06- Pension and Other Retirement Benefits	3.00	3.00
9.	2071-01-800-05- Pension and Other Retirement Benefits	1.20	1.20
10.	3451-00-092-01-Secretariat-Economic Services	1.30	1.30
11.	3451-00-092-06- Secretariat-Economic Services	2.00	2.00
Total		65.50	65.50

Entire allocation of ₹ 65.50 crore under various schemes/ programmes of various major heads of Grant Number 07 remained unutilised during 2012-13. This indicates that expenditure could not be incurred as estimated and planned. This needs to be looked into to ensure optimum utilisation of funds

2.10 Conclusion

The overall saving of ₹ 35,68.50 crore was the result of saving of ₹ 54,03.84 crore in various grants and appropriations offset by excess of ₹ 18,35.34 crore in one grant and one appropriation under Revenue Section and five grants under Capital Section.

Excess expenditure of ₹ 18,35.34 crore over the approved provision registered in seven cases under six grants and one appropriation during the year would require regularization under Article 205 of the Constitution of India.

Judicial Administration, Revenue and General Administration, Finance Tax, Planning, Energy, Medical Health and Family Welfare, Water Supply, Housing, Urban Development, Welfare, Rural Development and Public Works Grants posted large savings persistently during the last five years. There were also instances of inadequate provision and unnecessary/excessive re-appropriations of funds besides rush of expenditure in the last quarter/at the end of the financial year indicating inadequate budgetary control in the departments. In many cases, the anticipated savings were either not surrendered or surrendered at the end of the year in the month of March leaving no scope for utilizing these funds for other

developmental purposes. Advances sanctioned from the Contingency Fund which in certain cases were not of emergent nature requiring drawal from Contingency Fund, were not recouped at the end of the year.

Budgetary controls may be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided. The Government may sanction advances from the Contingency Fund only for meeting expenditure of an unforeseen and emergent nature only. The mechanism to recoup the fund timely should be streamlined. A close and rigorous monitoring mechanism should be put in place by the Controlling Officers to ensure adjustment of Abstract Contingent bills during the stipulated time frame. Deficiencies in classification of heads of accounts were noticed in the budgeting process of the State Government for the financial year 2012-13.

2.11 Recommendations

The Government may consider that:

- all the departments should submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/ excesses;
- all the departments should closely monitor the expenditure against the allocations and incurring of excess expenditure over the grants should be strictly avoided;
- all the departments should work out savings before hand and ensure their surrender by stipulated date for their effective utilization by other departments requiring funds;
- a monitoring mechanism may be put in place in the departments to adjust the advances drawn on Abstract Contingent Bills within the stipulated period, as required under the extant rules; and
- the budgeting process may be streamlined by depicting the items under proper heads of accounts.