

CHAPTER-II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

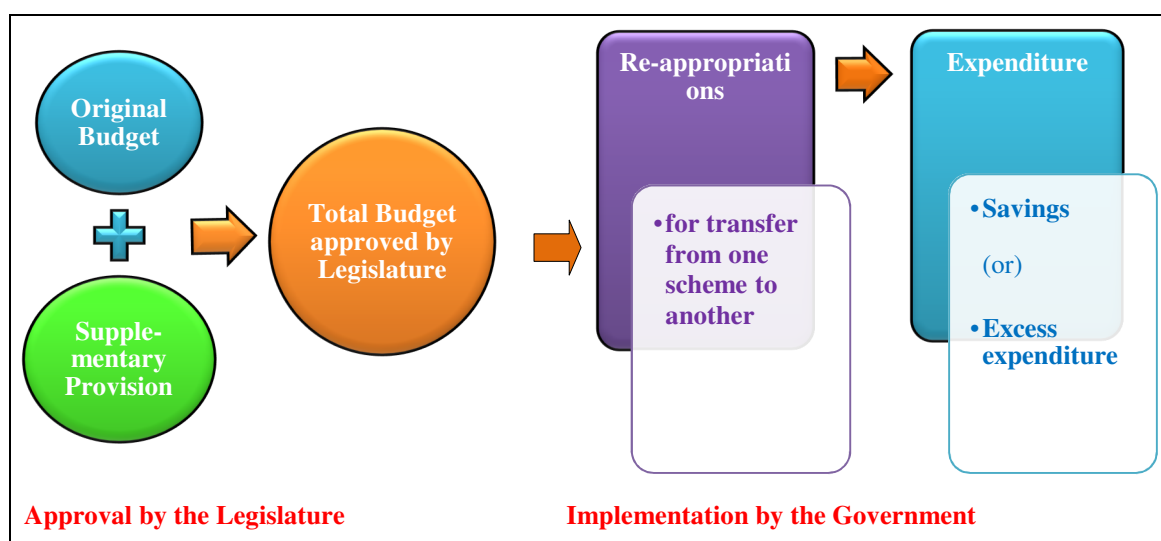
CHAPTER-II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

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

Chart 2.1: Flow chart of budget implementation



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. Deficiencies in management of budget and expenditure and violation of Budget manual noticed in audit have been discussed in the succeeding paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure *vis-à-vis* budgetary provisions during 2017-18 for the total 32 grants/appropriations is given in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-à-vis original/supplementary provisions for the year 2017-18

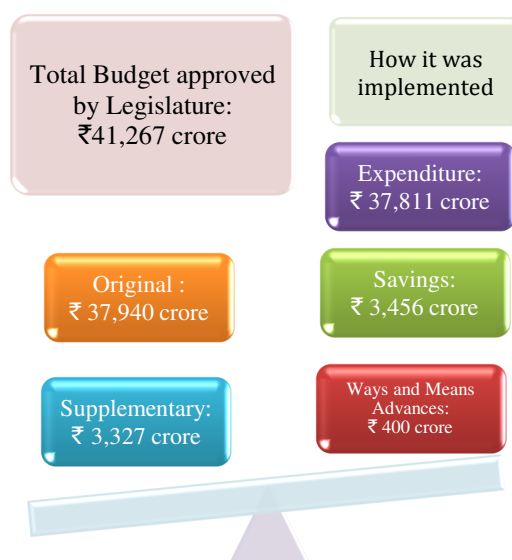
(₹ in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving ⁸ (-)/ Excess (+)	Amount Surrendered	Percentage of savings surrendered by 31 March (Col.7/Col.6)
	1	2	3	4	5	6	7	8
Voted	I Revenue	27,303.56	1,660.33	28,963.89	26,156.58	(-)2,807.31	3,888.79	139
	II Capital	3,530.60	624.45	4,155.05	3,781.07	(-)373.98	262.82	70
	III Loans and Advances	447.74	301.92	749.66	502.52	(-)247.14	257.21	104
	Total Voted	31,281.90	2,586.70	33,868.60	30,440.17	(-)3,428.43	4,408.82	
Charged	IV Revenue	3,553.52	327.34	3,880.86	3,847.91	(-)32.95	4.58	14
	V Capital	0	18.14	18.14	23.16	5.02	0.03	06
	VI Public Debt Repayment	3,104.56	395.29	3,499.85	3,499.85	0	0	NA
	Total Charged	6,658.08	740.77	7,398.85	7,370.92	(-)27.93	4.61	
	Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Grand Total	37,939.98	3,327.47	41,267.45	37,811.09	(-)3,456.36	4,413.43	NA

Source: Appropriation Accounts NA: Not applicable

2.2.1 Analysis of Appropriation Accounts: 2017-18

Chart 2.2: Summarised position of provision vis-à-vis Actual Expenditure



The overall savings/unutilized funds of ₹ 3,456.36 crore registered under Grants/Appropriations during 2017-18 was the result of savings of ₹ 3,843.12 crore in 30 Grants and nine Appropriations under Revenue Section and 24 Grants and one Appropriation under Capital Section, offset by excess of ₹ 386.76 crore in two Grants under Revenue Section and one Appropriation under Capital Section. Savings of ₹ 4,413.43 crore was surrendered during this period. Further, the total expenditure of ₹ 37,811 crore was inclusive of repayment of Ways and Means Advances⁹ of ₹ 400 crore taken by the Government from the Reserve Bank of India for temporary cash imbalances. Hence, the net expenditure during the year was ₹ 37,411 crore¹⁰ i.e., 91 per cent of the total budget provision.

⁸ Shortfall in utilisation of funds

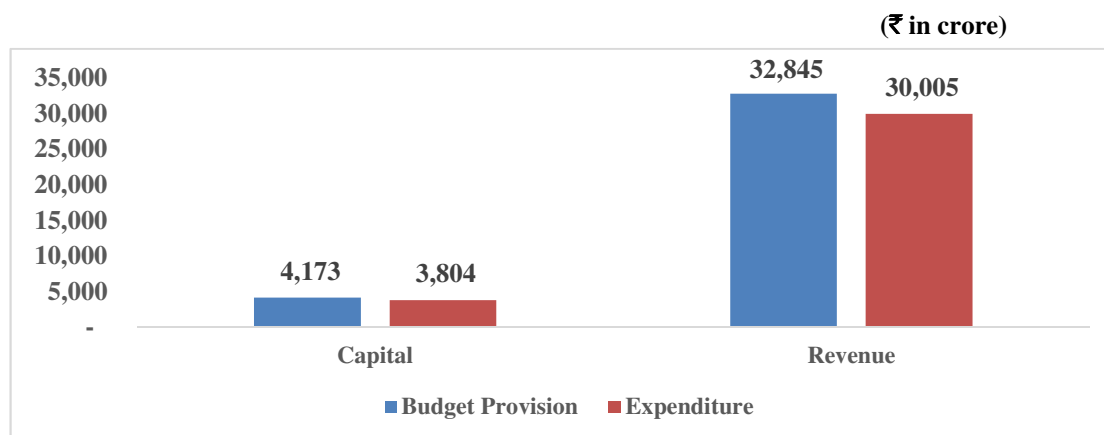
⁹ Temporary advances taken from the Reserve Bank of India to bridge the gap between inflow and outflow of cash of the Government

¹⁰ ₹37,811 crore – ₹400 crore = ₹37,411 crore

2.2.2 Capital and Revenue

Savings were observed in both Capital and Revenue Account (**Chart 2.3**). **In Capital Account, 9 per cent savings of budget provision was observed.** Substantial savings occurred in Loans for Power Projects (₹ 252.06 crore), Irrigation, Water Supply and Sanitation (₹ 88.76 crore).

Chart 2.3: Budget provision and expenditure under Capital and Revenue sections



Source: Appropriation Accounts

Revenue Expenditure (₹ 30,005 crore) was lower than the Budget Estimates (₹ 32,845 crore) by 8.65 per cent. Substantial savings were observed in Education (₹ 665.02 crore); Rural Development (₹ 402.93 crore); Tribal Development (₹ 242.34 crore) and Health and Family Welfare (₹ 211.66 crore).

Grant-wise analysis

The expenditure in Himachal Pradesh Government is incurred through 32 different grants by various Departments. The net saving of ₹ 3,456.36 crore was the result of savings and excesses under different grants (**Table 2.2**).

Table 2.2: Total excesses or savings under different grants

Description	Revenue		Capital		Loans		Amount (₹ in crore)
	Number of grants ¹¹	Number of appropriations ¹²	Number of grants	Number of appropriations	Number of grants	Number of appropriations	
Savings occurred in	30	9	24	1	-	-	3,843.12
Excess expenditure occurred in	2	-	-	1	-	-	386.76

Source: Appropriation Accounts

¹¹ Grants are the provisions voted by the Legislature for incurring voted expenditure

¹² Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature

The grants in which high savings and high excess expenditure occurred are listed in **Appendices 2.1 and 2.8**.

Audit observed that excess expenditures were on Grants that provide funds for day to day administration whereas savings were in grants under which major schemes are implemented.

Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to ensure utilisation of allotted funds as per requirement. They may also specifically strengthen monthly expenditure control and monitoring mechanism.

2.3 Financial Accountability and Budget Management

2.3.1 Excess Expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article.

Notwithstanding the above, **excess expenditure over budget provision increased by ₹ 386.76 crore in 2017-18 indicating that budgetary estimates were not reviewed properly.** Details of various grants/appropriation where aggregate expenditure (₹ 4,122.24 crore) exceeded by ₹ 386.76 crore from the approved provisions in three cases (₹ one crore or more in each case) are given in **Appendix 2.1**.

Firm measures need to be instituted against the defaulting departments to avoid excess expenditure. There is no cogent reason for the inevitability of excess expenditure when Government gets opportunities to present the Supplementary Demands for Grants during the three sessions of Legislature in a year. The exceeding of Budgetary Grant is the result of bad planning, lack of foresight and ineffective monitoring on the part of budget estimates as well as Supplementary Demands for Grants.

2.3.1.1 Excess over provisions requiring regularisation

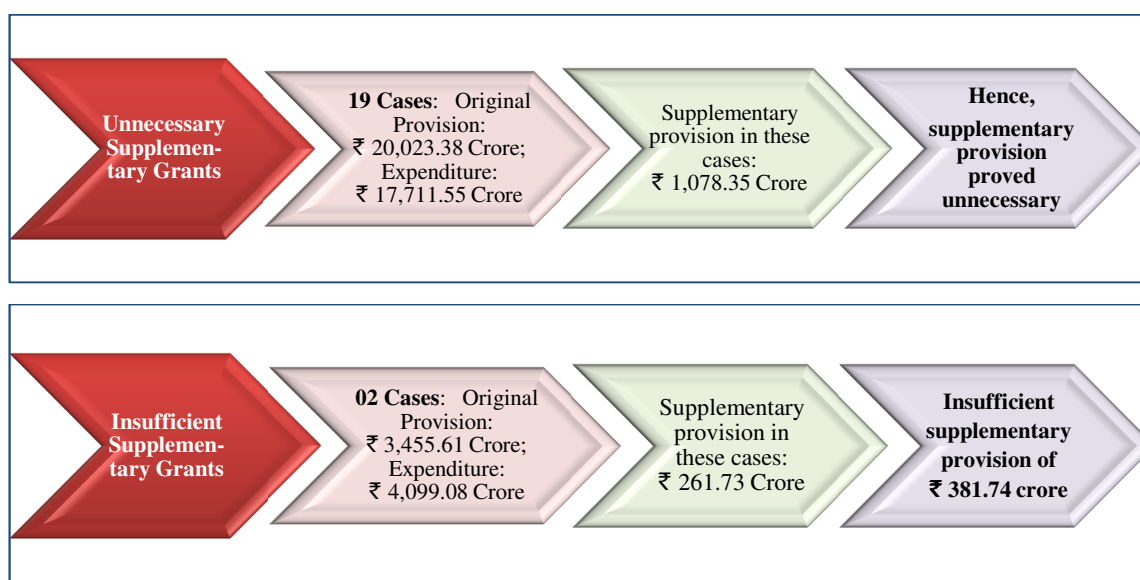
As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussions on the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 9,402.18 crore (**Appendix 2.2**) for the years 2011-12 to 2016-17 was yet to be regularized as of September 2018. The excess expenditure of ₹ 386.76 crore (**Appendix 2.3**) incurred in two grants and one appropriation during the year 2017-18 also requires regularisation.

This is contrary to legislative intent and defeats the objective of ensuring accountability of the executive over utilization of public money. Excess expenditure remaining unregularised for such long periods needs to be viewed seriously as this dilutes the parliamentary control over the exchequer and therefore all the existing cases of excess expenditure need to be got regularised at the earliest.

2.3.1.2 Unnecessary/Insufficient supplementary provisions resulting in saving/excess expenditure

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

Chart 2.4: Unnecessary, Insufficient Supplementary Provisions



Source: Appropriation Accounts

- In 19 cases (₹ one crore or more in each case) supplementary provision of ₹ 1,078.35 crore proved unnecessary, as the expenditure did not come up to the level of original provision (**Appendix 2.4**).
- In two cases (₹ one crore or more in each case) supplementary provision of ₹ 261.73 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 381.74 crore (**Appendix 2.5**). Of this uncovered excess, ₹ 352.49 crore (92 per cent) was incurred under grant number 05-Land Revenue and District Administration (Revenue-Voted) by the District Administration on account of National Calamity Contingency Fund Scheme (₹ 63.23 crore) and 10-Public Works–Roads, Bridges and Buildings) (Revenue-Voted) by the Public Works Department on account of Stock (₹ 289.26 crore) respectively.

This indicates that the Administrative Departments could not realistically assess/estimate the actual requirement of funds for the remaining period of financial year due to poor monitoring of expenditure through the monthly expenditure control mechanism.

2.3.2 Excessive/unnecessary/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess (₹ one crore or more in each case) in 20 sub-heads (Appendix 2.6). Of these, excess/savings (₹ 10 crore or more in each case) occurred in nine sub-heads.

2.3.3 Rush of expenditure

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

Contrary to the above rule, in respect of 51 sub-heads (Appendix 2.7), expenditure amounting to ₹ 2,554.99 crore exceeding ₹ 10 crore in each case and constituting 50 per cent or more of the total expenditure for the year was incurred in the month of March 2018. Some points were noticed during audit are discussed in paragraph 2.3.5.

The details of major heads where more than ₹ 10 crore or 50 per cent of total expenditure was incurred either during the last quarter or during the last month of the financial year are given in Table 2.3.

Table 2.3: Cases of Rush of Expenditure towards the end of the financial year 2017-18

(₹ in crore)

Sr. No.	Major Head (Voted/Charged)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2018	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2059-Public Works	309.62	230.76	75	190.87	62
2.	2700-Major Irrigation	19.17	12.64	66	11.19	58
3.	2701-Medium Irrigation	22.78	15.50	68	13.71	60
4.	4210-Capital outlay on Medical and Public Health	262.86	171.18	65	153.37	58
5.	4215-Capital outlay on Housing	53.58	43.47	81	37.78	71
6.	4705-Capital outlay on Command Area Development	32.17	31.28	97	28.31	88
Total		700.18	504.83		435.23	

Source: Appropriation Accounts/VLC

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 throughout the year according to the prescribed norms as far as practicable to avoid rush of expenditure at the end of the financial year.

2.3.4 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit showed that in 43 cases, savings exceeded by ₹ one crore or more in each case or by more than 20 per cent of the total provision in 13 cases (Appendix 2.8). Out of the total saving of ₹ 3,843.12 crore, some cases of

substantial saving of ₹ 3,132.23 crore (82 per cent) occurred in 10 grants (₹ 100 crore and more in each case) alone are indicated in **Table 2.4**.

Table 2.4: List of grants with savings of more than ₹ 100 crore

(₹ in crore)

Sr. No.	Number and name of the Grant	Provisions			Actual Expenditure	Savings (percentage)
		Original	Supplementary	Total Provision		
Revenue-Voted						
1.	08-Education	5,391.90	279.58	5,671.48	5,006.46	665.02 (12)
2.	09-Health and Family Welfare	1,601.65	162.30	1,763.95	1,552.29	211.66(12)
3.	12-Horticulture	303.13	46.27	349.40	246.43	102.97(29)
4.	20-Rural Development	1,293.34	31.88	1,325.22	922.29	402.93 (30)
5.	23-Power Development	499.15	2.72	501.87	370.69	131.18 (26)
6.	27-Labour, Employment and Training	396.24	9.29	405.53	206.26	199.27 (49)
7.	28-Urban Development, Town and Country Planning and Housing	341.27	15.10	356.37	237.15	119.22 (33)
8.	29-Finance	5,033.64	33.63	5,067.27	4,800.39	266.88 (5)
9.	31-Tribal Development	1,145.98	41.51	1,187.49	945.15	242.34 (20)
10.	32-Scheduled Caste Sub-plan	1,264.00	34.00	1,298.00	892.17	405.83 (31)
Capital-Voted						
11.	23-Power Development	410.10	229.85	639.95	387.89	252.06 (39)
12.	32-Scheduled Caste Sub-plan	896.45	48.70	945.15	812.28	132.87 (14)
Total		18,576.85	934.83	19,511.68	16,379.45	3,132.23

Source: Appropriation Accounts

The reasons furnished by the departments for savings under a few Major Heads of account as reported in Appropriation Accounts are given below:

Education

- Under Elementary Education savings of ₹ 149.40 crore (2202-01-101-01 in Primary Schools), ₹ 79.79 crore (2202-01-101-03 in Middle Schools) and under Secondary Education ₹ 102.98 crore (2202-02-109-01) and ₹ 99.38 crore (2202-02-109-06 in Secondary Schools) were due to non-filling up of vacant posts, less receipt of medical reimbursement claims, less purchase of articles, less expenditure on scholarship, less touring by the staff, less receipt of Central share from Government of India, etc.

Health and Family Welfare

- Saving of ₹ 15.60 crore (2210-06-101-21-Prevention and Control of Diseases – National AIDS Control Programme) and ₹ 71.94 crore (2211-00-800-05 – Provision under National Health Mission) was due to non-receipt of funds and Grant-in-Aid from Government of India under the scheme.

Rural Development

- Saving of ₹ 34.87 crore (2501-06-101-07-Special Programmes for Rural Development – Self Employment Programmes – Swaran Jayanti Gram Swarozgar Yojna – Deen Dayal Upadhyay Gramin Kaushal Yojna), ₹ 232.95 crore (2505-02-

101-01 – Rural Employment –Rural Employment Guarantee Scheme – National Rural Employment Guarantee Scheme – Mahatma Gandhi National Rural Employment Guarantee Scheme) and ₹ 40.16 crore (2515-00-198-03 – Other Rural Development Programmes – Assistance to Gram Panchayats – Grants to Gram Panchayats under 14th Finance Commission) was due to less expenditure under the scheme and less receipt of Grant-in-Aid from Government of India.

Finance

- Saving of ₹ 205.38 crore (2071-01-102-02 – Pensions and other Retirement benefits – Civil – Commuted value of Pensions – Payments from 01-11-1996) and ₹ 55.74 crore (2071-01-117-01 – Pensions and other Retirement benefits – Civil – Government Contribution for Defined Contribution Pension Scheme – Contributory Pension Scheme) was due to less receipt of commutation of pension cases and return of subscribers to old pension scheme by Judicial verdict.

Such large savings in these grants implied that Government had made excess budget provisions without realistic estimation of receipts/revenues.

2.3.4.1 Persistent savings

In seven cases, during the last five years there were persistent savings (₹ one crore or more in each case) as per the details given in **Table 2.5**

Table 2.5: List of grants with persistent savings during 2013-18

(₹ in crore)

Sr. No.	Grant number and name	Amount of Savings				
		2013-14	2014-15	2015-16	2016-17	2017-18
Revenue-Voted						
1.	03-Administration of Justice	16.71	4.52	12.53	9.82	10.14
2.	08-Education	342.46	385.37	1,076.22	864.96	665.02
3.	15-Planning and Backward Area Sub-Plan	13.44	11.61	31.40	28.40	16.81
4.	20-Rural Development	60.04	109.86	208.74	121.61	402.93
Capital-Voted						
5.	29-Finance	4.52	5.49	5.20	1.51	7.98
6.	31-Tribal Development	45.42	7.17	17.38	177.85	58.21
7.	32-Scheduled Caste Sub-Plan	83.63	9.27	108.71	321.14	132.87

Source: Appropriation Accounts of respective years

The persistent savings indicated that the budgetary controls in the departments were not effective and previous years' trends were not taken into account while allocating the funds for the year. This had been pointed out in earlier State Finances Reports, but no action had been taken by the State Government.

2.3.4.2 Substantial surrenders

Substantial surrenders (the cases where 50 per cent or more of the total provision was surrendered) were made in respect of 161 sub-heads (**Appendix 2.9**) on account of either non-implementation or slow implementation of schemes/programmes due to non-completion of codal formalities, less receipt of funds from GoI, matching State share, less expenditure under various schemes, non-filling up of vacant posts, etc. Out of the total provision of ₹ 1,926.03 crore, amount of ₹ 1,539.09 crore (80 per cent) were surrendered, which included 100 per cent surrender in 70 schemes

(₹ 661.87 crore) (Appendix 2.10). Of the 70 schemes, details of some schemes where substantial surrenders were made, given as under:

Table 2.5 (A): List of grants and schemes with substantial surrenders

Sr. No.	Grant No.	Scheme Name	Amount (₹ in crore)
1	09-Health and Family Welfare	National Aids Control Programme (Centrally Sponsored Scheme)	15.60
2	12-Horticulture	Horticulture Development Project	65.81
3	15-Planning and Backward Area Sub-plan	Member of Legislative Assembly Local Area Development Scheme	12.48
4	20-Rural Development	Deen Dayal Upadhyay Gramin Yojna	34.87
5	23-Power Development	Equity Contribution to Himachal Pradesh State Electricity Board Limited	32.73
6		Loans to Himachal Pradesh Power Corporation	182.39
7	27-Labour Employment and Training	Setting up of New Polytechnics	12.88
8	28-Urban Development, Town and Country Planning and Housing	Smart City Mission	52.37
9	31-Tribal Development	National Rural Employment Guarantee Scheme	52.65
10	32-Scheduled Caste Sub-Plan	World Bank Assisted Himachal Pradesh Horticulture Development Project (Externally Aided Project)	25.19

Further, in 60 cases, there was surrender (₹ 10 crore or more in each case) involving ₹ 2,558.50 crore on 31 March 2018 (Appendix 2.11). **Surrender of funds on the last working day of March 2018 indicated inadequate financial control leading to non-utilisation of funds for other developmental purposes.**

2.3.4.3 Anticipated savings not surrendered

According to Himachal Pradesh Budget Manual (Paragraph 11.2 of Chapter 11), all the savings as and when anticipated, must be surrendered to the Finance Department latest by 15 January by the spending Department. It was, however, noticed that in the following grants, out of total savings of ₹ 903.28 crore, ₹ 217.85 crore was not surrendered as detailed in Table 2.6.

Table 2.6: Cases of savings of ₹ one crore and above not surrendered

Sr. No.	Number and name of Grant	Saving	Surrender	Saving which were not surrendered
Revenue-Voted				
1.	09-Health and Family Welfare	211.66	202.52	9.14
2.	19-Social justice and Empowerment	55.55	53.57	1.98
3.	23-Power Development	131.18	91.71	39.47
4.	31-Tribal Development	242.34	215.52	26.82
Revenue-Charged				
5.	29-Finance	29.20	0.95	28.25
Capital-Voted				
6.	10-Public Works-Roads, Bridges and Buildings	42.27	0.05	42.22
7.	31-Tribal Development	58.21	51.98	6.23
8.	32-Scheduled Caste Sub-Plan	132.87	69.13	63.74
Total		903.28	685.43	217.85

Despite large amount of savings, sufficient surrenders were not made mainly under grant numbers 23-Power Development: ₹ 39.47 crore (Revenue-Voted) and 32-Scheduled Caste Sub-Plan: ₹ 63.74 crore (Capital-Voted). Further, negligible amount were surrendered against sufficient savings under grant numbers 29-Finance (Revenue-Charged) and 10-Public Works-Roads, Bridges and Buildings (Capital-Voted).

Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends of expenditure in order to avoid large scale savings/excesses, re-appropriations and surrenders at the end of the year so that they can be effectively utilised in other areas/schemes.

2.3.5 Drawal of funds to avoid lapse of budget grant and parking in Savings Bank accounts

Rule 2.10 of Himachal Pradesh Financial Rules and Rule 5.71 (c) (5) of Himachal Pradesh Treasury Rules stipulates that money should not be drawn from the treasury unless it is required for immediate disbursement or for the recoupment of funds disbursed out of any permanent advance. It is also not permissible to draw advances from the treasury for execution of works, the completion of which is likely to take considerable time. Any unspent balance from advances is required to be refunded promptly into the treasury.

Contrary to the above rules the following cases were noticed:

(i) Drawal of funds against sanctions

Test-check of vouchers of March 2018 revealed that significant proportion of money/funds (₹ 351.70 crore) were drawn from the treasuries merely on the basis of sanctions without incurring actual expenditure or submitting bills, vouchers or sub-vouchers. The sanctions were received in AG (A&E) office without supporting documents like expenditure bills, vouchers or sub-vouchers. The whole amount was transferred to different savings bank accounts or deposit heads.

(ii) Drawal of funds in advance of requirement

- Test-check of records of the Director, Scheduled Castes, Other Backward Classes and Minority Affairs, Shimla revealed (March 2017) that ₹ 2.96 crore were drawn (March 2017) for construction of Kalyan Bhawan (at Theog, District Shimla for ₹ 0.71 crore) and Residential Institute for Mentally Challenged Children (at Sundernagar, District Mandi for ₹ 2.25 crore). ₹ 0.71 crore was transferred to the executing agency (PWD Division Theog), and ₹ 2.25 crore was deposited in Savings Bank Account, Andhra Bank, New Shimla. The whole amount was lying unutilized as of March 2018 due to non-transfer of land in the name of Department and non-finalisation of land and drawing/estimates. The Director admitted the facts.
- Similarly, Director, Women and Child Development Department, Shimla drew (March 2017) ₹ 1.48 crore for purchase of computers, laptops, UPS system, multimedia projector and photo copier and deposited the whole amount in

Savings Bank Account opened with State Bank of India, Shimla (East). The whole amount of ₹ 1.48 crore was lying unutilized in the Bank as of February 2018 due to non-start of purchasing process by the Department even though a period of more than 10 months had since been elapsed. The Director admitted the facts.

(iii) Drawal of funds to avoid lapse of budget grant

Executive Engineers (EEs) of nine¹³ divisions of Irrigation and Public Health (I&PH) and Public Works (PW) departments drew (March 2016, March 2017 and December 2017) ₹ 37.95 crore for execution of 82 works¹⁴ and simultaneously transferred the funds to the sub-divisions (I&PH and PW) under their control and other divisions¹⁵. In the financial year 2017-18, the amount of ₹ 6.80 crore was received back from the divisions (PW) in September 2017 and December 2017 and was kept under the deposit head. Further, an amount of ₹ 1.21 crore paid by Kangra Division (March 2017) to Dharmshala division was still lying with Dharmshala division as of March 2018. The sub-divisions (I&PH and PW) also kept (March 2016-March 2018) the amount of ₹ 29.94 crore under the deposit head.

It was further noticed that the concerned EEs could not utilise the whole amount and funds aggregating ₹ 31.05 crore¹⁶ remained unutilised (December 2017 and February-March 2018) with them under deposit head. Funds were drawn by the EEs at the fag end of financial year to avoid lapse of budget grant. The EEs admitted the facts (January 2018-April 2018).

Thus, due to non-utilisation of ₹ 387.18 crore and parking it in various savings bank accounts resulted in loss of interest of ₹ 17.07 crore¹⁷ to the State exchequer.

During the entry and exit conferences, the ACS (Finance) accepted that Finance Department had no mechanism to monitor expenditures of contingency nature drawn as advances, and total funds parked by various DDOs in savings bank accounts. ACS (Finance) assured that the matter would be reviewed. It was also accepted that instead

¹³ Jubbil: ₹6.50 crore; Rohru (I&PH): ₹7.44 crore and Barsar: ₹2.65 crore; Chamba: ₹4.29 crore; Joginder Nagar: ₹3.00 crore, Kangra: ₹3.03 crore, No.II Mandi: ₹2.45 crore, Paonta Sahib: ₹1.79 crore and Una: ₹6.80 crore.

¹⁴ Construction of (C/o) and augmentation of LIS, FIS, LWSS and Flood Protection Work 14 (I&PH) and C/o Road/Link Road 18; C/o office/Circuit House/Rest House/Training Centre/Buildings/Accommodation/Parking (eight); Special repair/Annual surfacing/annual repair and maintenance/improvement/upgradation of roads (nine); C/o crash barrier (three); Annual repair and maintenance of residential buildings (three); C/o bridge (three) and Miscellaneous developmental works (24) (PW).

¹⁵ Saraswati Nagar (I&PH): ₹0.64 crore; No-I Jubbil (I&PH): ₹5.86 crore; Rohru (I&PH): ₹7.44 crore; Dhaneta (PW): ₹2.65 crore; No.-I Chamba (PW): ₹0.30 crore; No.II Chamba (PW): ₹3.99 crore; Joginder Nagar (PW): ₹3.00 crore; Dharamshala (PW): ₹1.20 crore; Kangra (PW): ₹1.38 crore; Shahpur (PW): ₹0.45 crore; Mandi No.III (PW): ₹2.45 crore; No. I Paonta Sahib (PW): ₹1.79 crore; Bangana (PW): ₹3.90 crore and Bharwain (PW): ₹2.90 crore.

¹⁶ Jubbil: ₹6.42 crore; Rohru (I&PH): ₹7.44 crore; Barsar: ₹2.65 crore; Chamba: ₹4.29 crore; Joginder Nagar: ₹3.00 crore; Kangra: ₹1.21 crore; No.II Mandi: ₹2.35 crore; Paonta Sahib: ₹1.79 crore and Una (PW): ₹1.90 crore.

¹⁷ Calculation: Average rate of interest on borrowings: 8.41%- average rate of interest on savings: 4% = Difference: 4.41%, so Loss is ₹387.18 crore X 4.41%= ₹17.07 crore)

of using sanctions for drawal of money and depositing it in bank accounts, it would be useful to operate the provision of AC bills for incurring expenditure of contingency nature as there is a robust procedure to review / monitor the position of AC bills and pending DC bills. The Finance Department stated that in response to the audit observation, the State Government had identified six departments¹⁸ to operate AC bills.

Audit is of the view that drawal of funds in advance of requirement and parking of huge amounts in different savings bank accounts meant not only that expenditure was being booked without such expenditure having been actually incurred, but also that interest accrued on the funds parked in savings bank accounts was not being accounted for. Further, this was reducing the cash-in-hand at the disposal of the State Government, while on the other hand, the State Government was taking market loans and paying interest at higher rates. Thus, the above practice not only constituted incorrect financial reporting to the legislature by the executive, but was also financially imprudent.

2.4 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. Information obtained from the office of the Accountant General (A&E), Himachal Pradesh showed that there were 112 PDAs in operation in 15 District Treasuries. The position of balances of ₹ 3.37 crore lying in these 112 accounts as on 31 March 2018 (**Appendix 2.12**) is given as under:

- 80 PDAs having balance of ₹ 3.10 crore were in operation during the year.
- Two PDAs involving an amount of ₹ 0.27 crore remained inoperative since 2010-11.
- 30 PDAs have nil balances.

Non-reconciliation of balances in PD accounts periodically and not transferring the unspent balances lying in PD accounts to Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

2.5 Reconciliation of receipt and expenditure

Chief Controlling Officers (CCOs)/Controlling officers (COs) are required to reconcile the receipts and expenditure figures of the Government with the figures accounted for by the Accountant General (A&E). Such reconciliation has been completed by all CCOs/COs for both receipts and expenditure.

¹⁸ Youth Services and Sports, Ayurveda, Health and Family Welfare, Prosecution, Agriculture and Horticulture.

2.6 Misclassification of expenditure

During checking of the Finance and Appropriation Accounts for the year 2017-18, the following cases of misclassification of expenditure were noticed:

2.6.1 Budget Classification

Standardisation of object heads of classification vide Ministry of Finance GOI, office memorandum No. F.1(47)-E.II(A)/94 dated 12.12.1994 provides that budget provision in respect of revenue expenditure major heads cannot be assigned under object heads meant for capital expenditure and vice-versa.

It was noticed that the expenditure under SOE-31 of ₹ 53.41 crore has been booked under Revenue Head which should have been booked under the Capital Head. Machinery and Equipment (SOE-31) only includes items such as purchase of machinery, equipment and apparatus, other than those required for the running of an office and special tools and plants acquired for the specific works which are distinct from revenue expenditure.

2.6.2 Classification of 'Grants-in-Aid' under Capital Expenditure Heads

The disbursement of Grants-in-Aid under Capital Heads of expenditure as per budget provision is against the rule provided in Indian Government Accounting Standard-2 issued by GOI in May 2011.

It was noticed that Grant-in-Aid (Grant No. 31 – Tribal Development) has been disbursed by the State Government from Capital Heads instead of Revenue Heads and the following instances have been noticed:

- (i) 4225-02-796-01-00-42 -- ₹ 49 lakh
- (ii) 5055-00-796-05-44-31 -- ₹ 36 lakh

2.6.3 Operation of Omnibus Minor Head-800

The expenditure of the government under the Consolidated Fund is classified as revenue and capital under various functional heads. The sub major heads and minor heads (MH) representing the sub functions/programmes are opened below the major heads. The MH-800 is an omnibus head, opened in the accounts, when a particular item of expenditure/receipt cannot be accommodated in any of the existing minor heads. It does not reflect the actual nature of expenditure/receipts thereby refraining the legislature from knowing the actual nomenclature of expenditure of a particular scheme which is being booked under this Head and the purpose of the scheme also gets defeated. The expenditure of some flagship schemes was also being booked under this MH-800-Other expenditure. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque and affects true and fair picture of the financial reporting and obscures transparency in accounts for informed decision making.

During the scrutiny of the Finance and Appropriation Accounts for 2017-18, it was observed that:

- Revenue receipts aggregating ₹ 1,315 crore (4.81 per cent of total revenue receipts) were classified under omnibus minor head-800-other receipts under 48 major heads. Instances where a substantial proportion (50 per cent or more) of the receipts were classified under the minor head 800-Other receipts are given in Appendix 2.13 (A).
- Expenditure aggregating ₹ 961 crore constituting 3.12 per cent of total expenditure (revenue and capital) during 2017-18 was classified under major head 800-other expenditure under 45 revenue and capital major heads as details given in Appendix 2.13 (B).
- Grants amounting to ₹ 77.47 crore received for different schemes operated for improvement of Irrigation, Education and Health were booked under Minor Head 800, instances of the same are given in Appendix 2.13 (C).

The above discrepancies were discussed (August 2018) in the Entry conference with the Additional Chief Secretary (Finance). The State Government admitted (October 2018) the facts and assured to stop the existing practice of booking under Minor Head 800-Other Expenditure/Other Receipts and the expenditure should be booked under an already existing appropriate minor head or by opening a new sub-head under an appropriate minor head.

2.7 Outcome of Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of (two test-checked grants i.e. Grant No. 8¹⁹-“Education” and Grant No. 12²⁰-Horticulture were conducted (July-September 2018) and the points noticed during the review are detailed below:

2.7.1 Grant No. 8-'Education'

2.7.1.1 Budget and expenditure

The overall position of funds allotted and expenditure incurred under the grant during 2017-18 is given in **Table 2.7**:

Table 2.7: Provision of funds allocated and expenditure incurred during 2017-18
(₹ in crore)

Section	Total Grant	Expenditure incurred	Excess(+)/Savings(-)
Revenue Section	5,671.48	5,006.46	(-)665.02
Capital Section	155.86	155.86	(-)0.00 ²¹
Total	5,827.34	5,162.32	(-)665.02

Source: Appropriation Accounts

¹⁹ Including major heads 2202-General Education, 2205-Art and Culture, 2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities, 2235-Social Security and Welfare under Revenue Section 4202-Capital Outlay on Education, Sports, Art and Culture and 6202-Loans for Education, Sports, Art and Culture in Capital Section.

²⁰ 2059-Public Works, 2216-Housing, 2401-Crop Husbandry, 2415-Agricultural Research and Education, 4401-Capital Outlay on Crop Husbandry, 4402-Capital Outlay on Soil and Water Conservation and 6401-Loans for Crop Husbandry.

²¹ Actual figure is ₹(-) 2,000/- only.

From the above table it is seen that against the budget provision of ₹ 5,827.34 crore under the grant (Revenue Section: ₹ 5,671.48 crore and Capital Section: ₹ 155.86 crore) an expenditure of ₹ 5,162.32 crore (Revenue Section: ₹ 5,006.46 crore and Capital Section: ₹ 155.86 crore) was incurred during 2017-18 resulting in savings of ₹ 665.02 crore, which indicated that budget estimates were not prepared on realistic basis.

2.7.1.2 Unnecessary supplementary provision

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

Test-check of the records revealed the following:

- (i) Under Revenue Section, against the total provision of ₹ 5,671.48 crore (Original: ₹ 5,391.90 crore+ Supplementary ₹ 279.58 crore) Plan and Non-Plan, an expenditure of ₹ 5,006.46 crore had been incurred. As the expenditure did not come upto the level of original provision of ₹ 5,391.90 crore, the supplementary provision of ₹ 279.58 crore proved to be unnecessary.
- (ii) During 2017-18, the supplementary demand of ₹ 3.25 crore under four sub heads (Non-Plan) of Major Head 2202-General education proved unnecessary as the expenditure of ₹ 2,261.67 crore did not come up even to the level of original provision of ₹ 2,489.36 crore and ultimately resulted in savings of ₹ 230.94 crore as per details given in **Table 2.7 (A)**:

Table 2.7 (A): Unnecessary Supplementary grant

Sr. No.	Sub Heads (Non-plan)	Total budget provision			Expenditure	Excess(+)/ Saving(-) over total provision
		Original	Supplementary	Total		
1.	2202-01-101-01	1,460.78	1.01	1,461.79	1312.39	(-)149.40
2.	2202-01-101-03	1,007.99	1.41	1,009.40	929.61	(-)79.79
3.	2202-01-104-01	16.34	0.29	16.63	15.71	(-)0.92
4.	2205-00-105-01	4.25	0.54	4.79	3.96	(-)0.83
	Total	2,489.36	3.25	2,492.61	2,261.67	(-)230.94

Thus, the unnecessary supplementary provisions were indicative of poor financial management.

- (iii) As per the excess and surrender statement of DEE, the supplementary provisions were ₹ 28.73 crore {Plan: ₹ 23.85 crore (Revenue + Capital) + Non-Plan: ₹ 4.88 crore (Revenue)}. Out of these provisions an amount of ₹ 2.70 crore²² was provided as supplementary grant under three minor/sub heads wherein the expenditure could not reach even upto original provision. Under 16 SOEs of five minor/sub heads, the supplementary provisions of ₹ 1.26 crore²³ did not reach upto level of the original

²² Heads of Account: (i) 2202-01-101-01 (₹ 1.00 crore), (ii) 2202-01-101-03 (₹ 1.41 crore) and (iii) 2202-01-104-01 (₹ 0.29 crore).

²³ Heads of Account: (i) 2202-01-001-01 (03-TE: ₹ 0.4 lakh), (ii) 2202-01-101-01 (03-TE: ₹ 25.00 lakh; 06-MR: ₹ 25.00 lakh and 64-TTE: ₹ 0.5 lakh) (iii) 2202-01-101-03 S00N (03-TE: ₹ 8.00 lakh; 05-OE: ₹ 15.00 lakh; 06-MR: ₹ 15.00 lakh; RRT: ₹ 2.08 lakh and 64-TTE: ₹ 1.00 lakh) (iv) 2202-01-104-01 (02-

provisions. Thus, supplementary provisions of ₹ 2.70 crore was made unnecessary wherein the expenditure could not reach up to the level of the original provision during the year 2017-18.

Thus, supplementary provision under the Grant, Major head and sub heads was made unnecessary wherein the expenditure could not reach the original provision besides there was saving under these heads during the year 2017-18.

2.7.1.3 Drawal of funds without immediate requirement

Rule 2.10(b) of Himachal Pradesh Financial Rules stipulates that money should not be withdrawn from the treasury unless required for immediate use.

During the test-check of the records and as per information supplied by the DHE, it was noticed that under various scholarship schemes an amount of ₹ 35.24 crore was withdrawn from the treasury during the financial year 2017-18. Out of which ₹ 4.35 crore was expended till the closure of financial year 2017-18 and ₹ 7.60 crore was expended between 01-04-2018 to 31-07-2018 leaving unspent balance of ₹ 23.29 crore out of withdrawn funds as per details given in **Table 2.8:**

Table 2.8: Drawal of funds without immediate requirement

(₹ in crore)

Bank Account No.	Head of Account	Funds withdrawn	Expenditure up to 31/03/2018	Expenditure incurred between 1/04/18 to 31/07/18
20224, SBI, The Mall, Shimla	2202-80-107-08 NP Post Matric OBC (Post Matric SC likely to be transferred in PMS(OBC) A/C))Interest	13.05	0	0
20586, SBI, The Mall, Shimla	2202-80-107-08 NP Post Matric OBC	3.59	0	0
10587, UCO Bank, Ram Bazar, Shimla	2202-80-107-18-KalpanaChawala NP	2.21	0	1.04
	2202-03-103-01-Indira Gandhi(NP)	0.01	0	0.01
4178, SBI, The Mall, Shimla	2202-02-109-01- NP Dr. Ambedkar Medhabi (OBC)	1.80	0	1.70
	SVUCY(P/NP)	3.40	0	1.65
	IRDP NP	2.00	0	2.39
	2202-80-107-08- NP Post Matric OBC	4.78	4.32	0
	2202-80-107-20- Dr. Ambedkar PMS EBC	0.59	0	0
	2202-02-109-01- NP IRDP	0.02	0	0
	2202-02-109-01- NP RIMC	0.02	0	0
20712, SBI, The Mall, Shimla	2202-80-800-08 NP Sainik School	0.37	0	0
	2202-80-107-20- Dr. Ambedkar PMS EBC Interest	3.42	0.03	0.81
	Total	35.24	4.35	7.60

The Additional Director of Higher Education while confirming the facts and figures stated that the online documents submitted by the institutions were under progress and the scholarship would be released shortly. The reply was not acceptable as the funds were drawn without requirement.

2.7.1.4 Surrender over the budget provisions due to unrealistic estimation

During test-check of the records of DHE, it was noticed that under three MHs covering 30 minor/sub heads under Plan and Non-plan, budget provisions of ₹ 262.35 crore (Plan: ₹ 242.55 crore + Non Plan: ₹ 19.80 crore) had been made during

Wages: ₹ 1.70 lakh; 05-OE: ₹ 8.00 lakh; 06-MR: ₹ 2.50 lakh) and (v) 2202-01-104-02 (02-Wages: ₹ 12.00 lakh; 03-TE: ₹ 6.00 lakh; 07-RRT: ₹ 2.99 lakh and 64-TTE: ₹ 0.5 lakh).

the year 2017-18. However, out of this, an expenditure of ₹ 60.20 crore (Plan: ₹ 52.80 crore + Non-Plan: ₹ 7.40 crore) was incurred during the year as detailed in **Appendix 2.14**. The percentage of expenditure to budget under minor/sub head ranged between 0 per cent and 58 per cent. In 22 cases, no expenditure has been incurred resulting into 100 per cent surrender of the sanctioned budget. **Thus, unrealistic budget estimation was made resulting into non-utilization and surrender at the end of the year. These are indicative of ineffective monitoring and control over expenditure.**

2.7.1.5 Expenditure without provisions

Paragraph 1.19 of the HPBM stipulates that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204, through an Appropriation Act.

During test-check of the records of the Finance Department, it was noticed that neither there was any original nor supplementary provision under the head 2202-80-107-08 during the year 2017-18 but re-appropriation of ₹ 6.16 crore was made. Thus, the re-appropriation made was in contravention of provisions *ibid*. As per re-appropriation orders entitlement of more students for post-matric scholarship to OBC students were the reasons for variation which is not acceptable as there was no provision under the head. **Further, the funds were withdrawn and lying unutilised in the Bank Account as of July 2018.**

2.7.1.6 Unjustified provision for closed scheme

During test-check of the records of Plan schemes, it was noticed that original budget provision under the head of account 2202-80-107-15, scholarship, stipend and concessions for the year 2017-18 under the scheme Protsahan Chhatrvrity Yojna has been made for ₹ one crore.

As per proposed outlay for the year 2017-18 submitted by the DHE, there was no proposal for any provision under the Head of Account. However, as per Excess and Surrender/ Appropriation Accounts there was provision of ₹ one crore in the scheme for which saving of entire amount was provided. The scheme stood withdrawn on 18/11/2013 and the provision made for the year 2017-18 on a closed scheme was unjustified. The Joint Controller (F&A), DHE while confirming the facts and figures stated that the Department had not raised any demand for making the provision and it was made by the Government itself.

2.7.1.7 Non-maintenance of requisite ratio resulting into less expenditure of the matching State share under Sarva Shiksha Abhiyan

During test-check of the records in the Finance Department, it was noticed that under the head-2202-01-111-01-GIA, in Sarva Shiksha Abhiyan (SSA), total provision of ₹ 263.24 crore (₹ 236.92 crore as 90 per cent Centre share and ₹ 26.32 crore as 10 per cent State share) was made. Out of this provision, after re-appropriation of ₹ 36.28 crore in Centre share and ₹ 24.10 crore in State share the final share remained ₹ 200.64 crore and ₹ 2.22 crore respectively which was not in the requisite ratio resulting in less release/expenditure of State share of ₹ 20.07 crore.

2.7.1.8 Delay in submission of budgetary returns

As per Himachal Pradesh Budget Manual (HPBM), the Head of Department is required to submit budget estimates, the statement of excess and surrenders, final statement of excess and surrender by 25 October, 1 December and 31 March, respectively. It was however, noticed that DHE and DEE had submitted the budget estimates, the statement of excess and surrenders and the final statement of excess and surrenders for the year 2017-18 after a delay ranging between 25 and 88 days as per details given in **Table 2.9**:

Table 2.9: Details of submission of budgetary returns to Finance Department

Sr. No.	Name of return	Department	Due date	Actual date of submission*	Delay in submission
1	Budget estimates	DHE	25 October 2016	21 January 2017	88
		DEE	25 October 2016	19 November 2016	25
2	Statement of excess and surrenders	DHE	01 December 2017	05 January 2018	35
		DEE	01 December 2017	22 February 2018	83
3	Final statement of excess and surrenders	DHE	31 March 2018	10 May 2018	40
		DEE	31 March 2018	22 May 2018	52

*Actual date of submission in the FD

This showed that the prescribed time schedule for submission of budget estimates and other budgetary returns was not followed by the Departments. The Joint Controller (F&A) of DHE stated that timely submission of returns would be ensured in future.

2.7.1.9 Unrealistic budget estimates/provisions

Paragraph 5.3 of HPBM stipulates that estimates should be complete and accurate. All estimating officers must know that an avoidable extra provision in an estimate is as much a financial irregularity as an excess in the sanctioned expenditure and it can sometimes lead to serious consequences for which the officers found to be at fault may be held personally responsible.

During test-check of the records of FD, it was noticed that the position of the budget estimates submitted by the offices of the DHE, DEE and the budget provision by the Finance Department for the year 2017-18 is as per details given in **Table 2.10**:

Table 2.10: Position of the Budget Estimates

MH	Departmental Estimates	Provision by FD	Excess/Less Provisions	Actual Expenditure	Supplementary	Re-appropriation
2202-02-001-01 NP	14.60	15.47	0.87	15.14	0.32	(-) 0.65
2202-02-101-01NP	11.75	11.84	0.09	17.57	6.93	(-) 1.20
2202-02-109-01NP	1,619.62	1,678.89	59.27	1,722.92	147.01	(-) 102.98
2202-01-001-01NP	19.59	16.34	(-)3.25	17.01	1.48	(-) 0.81
2202-01-101-01NP	1,466.66	1,460.79	(-)5.87	1,312.39	1.01	(-) 149.40
2202-01-101-03NP	1,331.55	1,007.99	(-)323.56	929.61	1.41	(-) 79.79
Total	4,463.77	4,191.32		4,014.64	158.16	(-)334.83

From the above table it is seen that under six sub heads, the Departmental estimates were reassessed by the FD and there was variation as excess provisions ranging between ₹ 0.87 crore and ₹ 59.27 crore was provided against demand by the Higher Education whereas less provisions ranging between ₹ 3.25 crore and ₹ 323.56 crore

was provided by the FD against demand by Elementary Education. Actual expenditure was neither closer to the estimates of Departments nor of the FD. In spite of Supplementary provisions of ₹ 158.16 crore there was saving of ₹ 334.83 crore. Thus, unrealistic budget estimates/provisions were made.

The Joint Controller (F&A) while confirming the facts and figures stated that demand for additional budget was received from the DDOs and the saving was also on the part of the DDOs due to non-completion of codal formalities. These are indicative of inefficient planning and unrealistic estimation of requirement of funds by the Education/Finance Department.

2.7.1.10 Savings due to non-completion of codal formalities

During test-check of the records of DHE, it was noticed that under two major heads (2202-General Education and 2205-Art and Culture) covering 6 minor heads against the final grant of ₹ 25.25 crore during the year 2017-18, an expenditure of ₹ 22.51 crore had been incurred resulting into substantial saving of ₹ 2.74 crore. Due to non-completion of codal formalities, an amount of ₹ 2.74 crore could not be spent during the financial year depriving the beneficiaries from the intended benefits. The Joint Controller (F&A) DHE while confirming the facts and figures stated that non-completion of codal formalities as required could not be completed in time.

2.7.1.11 Rush of expenditure

State Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 08, the prescribed quarter-wise flow of expenditure was not maintained during the year 2017-18 as per details given in **Table 2.11:**

Table 2.11 : Rush of expenditure

Month	Expenditure (₹ in crore)	Quarter	Prescribed norm of expenditure during the quarter (per cent)	Quarterly Expenditure (₹ in crore)	Percentage of actual expenditure
April-2017	138.78	1 st	20	527.10	21
May-2017	176.59				
June-2017	211.73				
July-2017	242.27	2 nd	25	602.04	24
August-2017	174.88				
September-2017	184.89				
October-2017	187.78	3 rd	30	573.35	23
November-2017	211.55				
December-2017	174.02				
January-2018	194.11	4 th	25	773.00	32
February-2018	201.19				
March-2018	377.70				
Total	2,475.49		100	2,475.49	100

From the above table it is seen that the department did not adhere to the prescribed norm of expenditure and there was rush of expenditure in the last quarter of the financial year as 32 per cent and during the month of March, 2018 alone it was 15 per cent (₹ 377.70 crore) of the total expenditure (₹ 2,475.49 crore) of the Grant. In the third quarter expenditure was 23 per cent against the norm of 30 per cent. This not only indicated lack of planning for allocation and utilisation of funds but also showed absence of expenditure control system.

2.7.2 Grant No. 12- "Horticulture"

The overall position of funds allocated and expenditure incurred under the grant during 2017-18 is given in **Table 2.12**:

Table 2.12: Provision of funds allocated and expenditure incurred during 2017-18
(₹ in crore)

Section	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
Revenue Section	349.40	246.43	(-) 102.97
Capital Section	26.61	26.60	(-) 0.01*
Total	376.01	273.03	(-) 102.98

*Actual figure is ₹5,370/- only

From the above table it is seen that against the budget provision of ₹ 376.01 crore under the grant, an expenditure of ₹ 273.03 crore was incurred resulting in overall saving of ₹ 102.98 crore. This shows that budget estimates were not realistic.

2.7.2.1 Unnecessary supplementary provision

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

During 2017-18 under the grant under the Revenue Section-Voted against the total provision of ₹ 349.40 crore (Original: ₹ 303.14 crore and supplementary: ₹ 46.26 crore) an expenditure of ₹ 246.43 crore was incurred. As the expenditure did not come upto the level of original provision of ₹ 303.14 crore, the supplementary provision of ₹ 46.26 crore proved to be unnecessary.

2.7.2.2 Excess (+)/Saving (-) over the Budget Provision under Major Heads

During 2017-18, there was a total budget provision of ₹ 376.01 crore (Original Provision : ₹ 317.75 crore and Supplementary Provision : ₹ 58.26 crore) under seven major heads as per details given in **Table 2.13**:

Table 2.13: Excess (+)/Savings (-) over the budget provisions

(₹ in crore)

Sr No.	Major Head	Total budget provisions			Total Final Grant	Expenditure	Excess (+)/ Savings (-)
		Original	Supplementary	Re-appropriation			
Revenue Section							
1	2059- Public Works	0.00*	0.05	0.00*	0.05	0.05	-
2	2216-Housing	0.02	0.05	0.00*	0.07	0.07	-
3	2401- Crop Husbandry	255.74	3.08	(-) 108.64	150.18	150.32	0.14
4	2415- Agricultural Research and Education	47.38	43.08	5.53	95.99	95.99	-
Total		303.14	46.26	(-) 103.11	246.29	246.43	0.14
Capital Section							
5	4401-Capital outlay on Crop Husbandry	14.61	-	0.00*	14.61	14.61	0.00*
6	4402-Capital outlay on Soil & Water Conservation	0.00*	-	0.00*	-	-	-
7	6401-Loans for Crop Husbandry	0.00*	12.00	(-) 0.00*	12.00	12.00	-
Total		14.61	12.00	0.00*	26.61	26.61	(-) 0.00*
Grand Total		317.75	58.26	(-) 103.11	272.90	273.04	0.14

* Actual figures are ₹ 1,000/-; 2,000/-; (-) 2,164/-; (-) 27,077/-; (-) 663/-; (-)1,000/-; (-) 2,000/-; (-) 3,663/-; and (-)1,707/- only.

- Under the Major Head 2401-Crop Husbandry against the total provision of ₹ 258.82 crore (Original: ₹ 255.74 crore and Supplementary: ₹ 3.08 crore) an expenditure of ₹ 150.32 crore was incurred. As the expenditure did not come upto the level of the original provision of ₹ 255.74 crore, the supplementary provision of ₹ 3.08 crore proved to be unnecessary. The Director, Horticulture stated that the supplementary provision was not unnecessarily made as the funds cannot be transferred between plan and non-plan. The reply was not acceptable as the Department should have done proper analysis before making overall budget provisions.
- The Department re-appropriated an amount of ₹ 108.64 crore under the Major Head 2401-Crop Husbandry which included an amount of ₹ 65.81 crore due to non-implementation of Horticulture Development project, non-release of Central Share for various schemes worth ₹23.25 crore, and rest due to less drawal of salary and miscellaneous expenditure. The Director admitted the facts. This shows that the budget estimates were not realistic.

2.7.2.3 Injudicious Re-appropriation

Under the four sub heads of Major Head "2401-Crop Husbandry", injudicious re-appropriation resulted in excess expenditure of ₹ 31.43 lakh. In the case of sub head

(2401-00-119-05) "Horticulture Development", an excess expenditure of ₹15.95 lakh was incurred even after obtaining supplementary provision of ₹15.50 lakh. The detail is given in **Table 2.14**:

Table 2.14: Injudicious Re-appropriation

(₹ in lakh)

Sr. No.	Head of account of Scheme/Service	Total budget provision			Total	Expenditure	Excess
		Original	Supplementary	Re-appropriation			
1	2401-00-119-02 (District and Field Staff)	2,764.82	-	(-) 509.43	2,255.39	2,256.48	1.09
2	2401-00-119-05 (Horticulture Development)	1,568.91	15.50	(-) 47.13	1,537.28	1,553.23	15.95
3	2401-00-119-11 (Establishment/ Maintenance of Govt Orchards/ Nurseries)	804.10	-	(-) 121.90	682.20	683.04	0.84
4	2401-00-119-19 (Training & Extension)	2,341.11	-	(-) 291.83	2,049.28	2,062.83	13.55
Total		7,478.94	15.50	(-) 970.29	6,524.15	6,555.58	31.43

This shows that the budget estimates were not realistic.

2.7.2.4 Anticipated savings not surrendered

According to Himachal Pradesh Budget Manual (Paragraph 11.2 of Chapter 11), all the savings as and when anticipated, must be surrendered to the Finance Department latest by 15 January by the spending Department. During test-check of the records, it was noticed that the Department had not surrendered savings of ₹ 30.74 lakh under the following sub-heads of the Major 2401-Crop husbandry as per details given in **Table 2.15**:

Table 2.15: Non-surrender of anticipated savings

(₹ in lakh)

Head of Accounts	Name of Scheme	Budget Provision	Actual Expenditure	Excess (+)/ Savings(-)
2401-00-119-04	Plant Protection Scheme	100.00	83.70	(-) 16.30
2401-00-119-05	Horticulture Development	72.00	57.56	(-) 14.44
Total		172.00	141.26	(-) 30.74

The Director, Horticulture stated that due to less purchase of Horticulture implements on account of non-finalisation of rate contracts, savings could not be surrendered well before the stipulated period during 2017-18. The reply was not acceptable as the Department should have ensured timely completion of all the codal formalities.

2.7.2.5 Rush of expenditure

State Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 12, the prescribed quarter-wise flow of expenditure was not maintained during the year 2017-18 as per details given in **Table 2.16:**

Table 2.16: Rush of expenditure

Month	Expenditure (₹ in crore)	Quarter	Prescribed norms of expenditure during the quarter (in per cent)	Quarterly Expenditure (₹ in crore)	Percentage of actual expenditure
April-2017	17.43	1 st	20	53.73	19
May-2017	8.68				
June-2017	27.62				
July-2017	18.55	2 nd	25	59.42	22
August-2017	9.33				
September-2017	31.54				
October-2017	21.74	3 rd	30	57.18	21
November-2017	17.04				
December-2017	18.40				
January-2018	20.17	4 th	25	102.71	38
February-2018	38.12				
March-2018	44.42				
Total	273.04		100	273.04	100

The department did not adhere to the prescribed norm of expenditure and there was rush of expenditure in the last quarter of the financial year as 38 per cent and during the month of March, 2018 alone it was 16 per cent (₹ 44.42 crore) of the total expenditure (₹ 273.04 crore) of the Grant. In the third quarter expenditure was 21 per cent against the norm of 30 per cent. **This not only indicated lack of planning for allocation and utilisation of funds but also showed absence of expenditure control system.**

2.7.2.6 Delay in submission of budgetary returns

As per Himachal Pradesh Budget Manual, the head of the department is required to submit budget estimates, the statement of excess and surrenders and final statement of excess and surrenders by 25 October, 1st December and 15th January respectively.

It was, however, noticed that the Director, Horticulture had submitted budget estimates, the statement of excess and surrenders and the final statement of excess and surrender for the year 2017-18 after a delay ranging between 5 days and 120 days as per the details given in **Table 2.17:**

Table 2.17: Details of submission of budgetary returns to Finance Department

Sr. No.	Name of the Return	Department	Due Date	Actual date of Submission	Delay in days
1	Budget Estimates for 2017-18	DH	25-Oct-16	22-Feb-17	120
2	Statement of Excess and Surrender for 2017-18	DH	01-Dec-17	11-Dec-2017	10
3	Final statement of Excess and Surrender for 2017-18	DH	15-Jan-18	20-Jan-2018	5

This showed that the prescribed time schedule for submission of budget estimates and other budgetary returns was not followed by the Department during 2017-18.

2.8 Outcome of Inspection of Treasuries

2.8.1 Excess payment of Pensionary benefits

While inspection during 2016-17 of District Treasuries/Treasuries, by the Office of the Accountant General (A&E) for the year 2016-17, the test-check of pension payment records showed that four District Treasury Officers had made over payment to the extent of ₹ 1.63 lakh to nine family pensioners as per detail given in **Table 2.18**. The excess payment had occurred due to grant of family pension on enhanced rate after prescribed period and authorization of family pension after attaining the age of 25 years.

Table 2.18: Excess payment of Pensionary benefits (on account of Family Pension)

(₹ in lakh)

Sr. No.	Name of Treasury (DT/Treasury)	Nature of overpayment	Number of cases	Payment		
				Through Bank	Through Treasury	Treasury-wise Total
1.	D.T. Bilaspur	Family Pension	01	---	By Treasury	0.59
2.	D.T. Kangra at Dharamshala	Family Pension	01	---	By Treasury	0.29
3.	D.T. Mandi	Family Pension	03	---	By Treasury	0.28
4.	D.T. Shimla	Family Pension	04	---	By Treasury	0.47
		Total	09			1.63

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2016-17 prepared by Accountant General (A&E).

2.8.2 Misclassification of payment made under Group Insurance Scheme

During test check of data for the year 2016-17 available in Himachal Pradesh Online Treasury Information System (HPOLTIS) of District Treasuries/Treasuries, it was noticed that payment amounting to ₹ 4.65 lakh made on account of Insurance Fund, had been wrongly booked under Saving Fund and similarly an amount of ₹ 17.39 lakh pertaining to payment on account of Saving Fund was wrongly booked in Insurance Fund by nine District Treasuries and 18 Treasuries as detailed in **Appendix 2.15**. The

wrong booking resulted in incorrect estimation of interest due on Savings and Insurance Fund.

2.8.3 Misclassification of expenditure under Pensionary Heads

During test-check of data available in Himachal Pradesh Online Treasury Information System (HPOLTIS) for the year 2016-17, it was noticed that an amount of ₹ 41.81 lakh had been misclassified under the Pensionary account heads as detailed in **Table 2.19** and **Appendix 2.16** by District Treasury Officers/Treasury Officers. The wrong classification resulted in wrong depiction of expenditure in accounts.

Table 2.19: Misclassification of expenditure under Pensionary Heads

(₹ in lakh)

Sr. No.	Correct Head of Account	Nature of expenditure	Head of account under which amount was wrongly booked	Amount
1.	2071-01-104-02	DCRG	2071-01-102-02	8.70
2.	2071-01-101-03	Pension	2071-01-101-02 & 2071-01-105-01	33.11
			Total	41.81

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2016-17 prepared by Accountant General (A&E).

2.8.4 Authorization of bills without Budget

In accordance with the provisions contained in Rule 17.14 of Himachal Pradesh Financial Rules Volume-I, no Government servant, may without previously obtaining an extra appropriation, incur expenditure in excess of the amount provided for expenditure under the heads concerned and when a Government servant exceeds the annual appropriation he may be held responsible for the excess. Point 15 of Rule 5.20 of Himachal Pradesh Treasury Rules 2007, further states that the bill assistant in the treasury while passing the bills is required to check, whether sufficient budget under relevant head of account is available with the DDO.

During test-check of data for the year 2016-17 in District Treasuries/ Treasuries, it was noticed that in 105 cases, 12 District Treasury Officers and 20 Treasury Officers had authorized an amount of ₹ 12.98 crore in respect of 85 DDOs where budget was not available as detailed in **Appendix 2.17**. **The authorisation of bills without budget during the year 2016-17 not only resulted in unauthorised drawl of funds in violation of appropriation granted by the legislature but also led to financial indiscipline.**

2.8.5 Authorization of funds in excess of sanctioned budget

In accordance with the provisions contained in Point 15 of Rule 5.20 of Himachal Pradesh Treasury Rules 2007, the Treasury Officer is required to see, while passing the bills, whether sufficient budget under relevant head of account is available with the DDO.

During inspection (2016-17) of Treasuries, it was noticed that 12 District Treasury Officers and 72 Treasury Officers authorized excess amount of ₹ 57.22 crore than

available budget to 370 DDOs as detailed in **Appendix 2.18**. The authorisation of funds in excess of the sanctioned budget during the year 2016-17 not only resulted in unauthorised drawl of funds in violation of appropriation granted by the legislature but also led to financial indiscipline. A few of the cases where the unauthorised drawals were substantive are listed below:

Name of District Treasury (DT)/Treasury	Number of DDOs	Number of cases	Excess amount authorized (₹ in lakh)
D.T.Chamba	05	06	220.07
S.T.Kangra	09	10	1,357.19
D.T.Mandi	08	08	303.46
S.T.Nalagarh	06	06	248.48

2.9 Conclusion

During 2017-18, expenditure of ₹ 37,811.09 crore was incurred against total grants and appropriations of ₹ 41,267.45 crore. Overall savings of ₹ 3,456.36 crore were the result of savings of ₹ 3,843.12 crore in various grants/appropriations offset by excess expenditure of ₹ 386.76 crore in two grants and one appropriation which required regularisation of the State Legislature under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 9,402.18 crore for the period 2011-12 to 2016-17. Supplementary provision of ₹ 1,340.08 crore in 21 sub-heads proved unnecessary/inadequate as either expenditure did not come up to the level of original provision or leaving an aggregate uncovered excess expenditure and re-appropriation of funds in 20 sub-heads (₹ one crore or more in each case) was made injudiciously which resulted in excess/savings. In 60 cases (₹ 10 crore or more in each case) ₹ 2,558.50 crore were surrendered at the end of the financial year. In 70 cases/sub-heads, 100 *per cent* grant amounting to ₹ 661.87 crore was surrendered.

In six cases, the expenditure incurred during the last quarter of the year ranged between 65 and 97 *per cent* and the expenditure incurred during the month of March 2018 alone under these heads of accounts constituted 58 to 88 *per cent* of the total expenditure.