

CHAPTER-III
BUDGETARY MANAGEMENT

CHAPTER – III

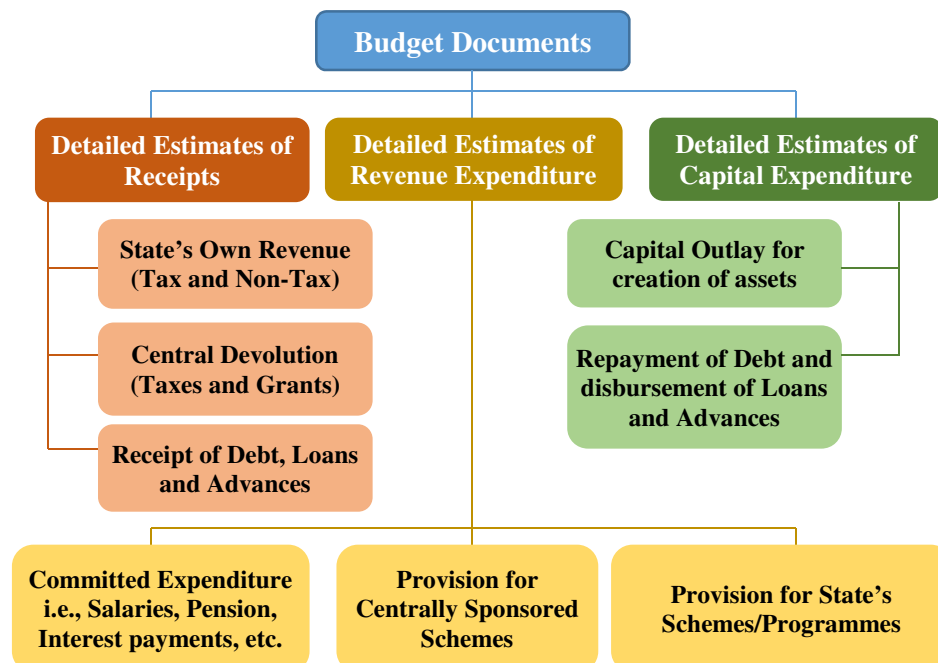
BUDGETARY MANAGEMENT

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, the Governor shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for that year, called “the Annual Financial Statement (Budget)”. The estimates of the expenditure show ‘Charged’ and ‘Voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. Glossary of important budget related terms is given in **Appendix 3.1**.

As per the Himachal Pradesh Financial Rules, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State budget comprises the following documents and components as given in **Chart 3.1**.

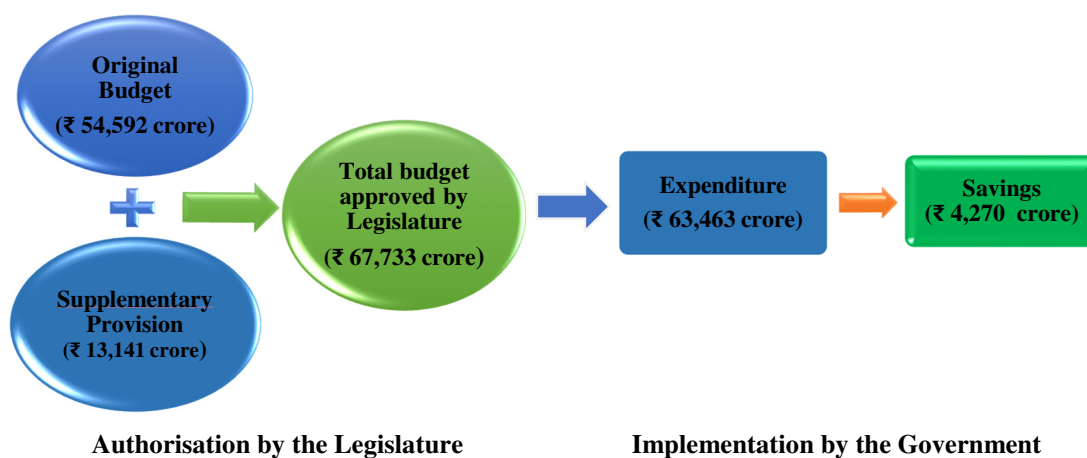
Chart 3.1: Details of State Budget Documents and Components



¹ **Charged expenditure:** Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure are voted by the Legislature.

A summary of the budget implementation for the year 2022-23 is depicted in **Chart 3.2** below:

Chart 3.2: Summary of budget implementation for the year 2022-23



Source: Appropriation Accounts.

3.1.1 Gender Budgeting

Gender Budgeting is a tool that can be used to address gender sensitive vulnerabilities. It uses the budget as an entry point to apply a gender lens to the entire policy of the government. It also recognizes that the budget is a powerful tool that can reduce the vulnerabilities of women and girls and transform their position and life. Gender budgeting further recognizes that if gender disparities are to be addressed, it is not enough to only formulate gender sensitive legislations, programmes and schemes but to provide adequate monetary allocations for the achievement of desired outcomes. Usually, governments express commitments to gender equality and gender mainstreaming, but often there is a gap between policy statements and the ways in which governments raise and spend money.

Hence, Gender Responsive Budget initiative can help to bridge these gaps by ensuring that public money is raised and spent more effectively. Working on this idea, the Government of India firstly, integrated Gender Responsive Budgeting in India's Budgeting Process in 2005-06 and since then it has been preparing and publishing the Gender Based Statements (GBSs) every year. Gender Budget Statement of the Government of India is divided into two parts - Part A i.e., Expenditure on 100 per cent Women-specific programmes and Part B i.e., Expenditure on programmes where at least 30 per cent women are covered.

The promotion of gender equality is also at the heart of the social as well as economic policies of the Government of Himachal Pradesh. In order to mainstream Gender Responsive Budgeting in legislations, policies and programmes, the State Government also envisages preparing Gender Budget Statements (Financial and Physical) annually starting from financial year 2022-23 so that a reporting mechanism is developed and adopted to review the progress of departmental schemes from a gender lens/ perspective. Schemes targeting only women beneficiaries, or

100 per cent women-oriented schemes have been placed in Category-1 and schemes with less than 100 per cent women beneficiaries are in Category-2.

In Category 1, there are 28 women-oriented schemes, in which 20 are State schemes (SSs) and eight are Centrally Sponsored Schemes (CSSs). Out of 28 schemes, for nine schemes, no budget provision was made. The total budget allotted in the balance 19 schemes (both CSSs and SSs) was ₹ 134.82 crore, out of which ₹ 134.46 crore was utilised. The details of these schemes are given in **Appendix 3.2**.

3.1.2 Summary of total provisions, actual disbursements and savings during the financial year

The total budget provision for expenditure in 2022-23 was ₹ 67,733 crore. The actual expenditure during the year was ₹ 63,463 crore² (94 per cent). This resulted in savings of ₹ 4,270 crore (six per cent). The summarised position of actual expenditure vis-à-vis budgetary provisions during 2022-23 for all 32 grants/appropriations is given in **Table 3.1**.

Table 3.1: Budget provision, actual disbursement and savings/excess during financial year 2022-23

(₹ in crore)

Total Budget provision		Disbursements		Saving (-)/ Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
51,164	16,569	48,390	15,073	-2,774	-1,496

Source: Appropriation Accounts.

3.1.3 Charged and Voted disbursements

The position of total budget and disbursements categorised as Charged and Voted during the last five years (2018-23) is given in **Table 3.2**.

Table 3.2: Disbursement and savings/excess during 2018-19 to 2022-23

(₹ in crore)

Year	Total Budget Provision		Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2018-19	37,936	9,048	33,620	8,849	-4,316	-199
2019-20	42,255	11,453	34,507	11,021	-7,748	-432
2020-21	45,157	16,440	37,440	15,699	-7,717	-741
2021-22	45,270	10,445	41,020	9,110	-4,250	-1,335
2022-23	51,164	16,569	48,390	15,073	-2,774	-1,496

Source: Appropriation Accounts.

It can be seen from **Table 3.2** that there were savings in both segments viz., Voted and Charged. There was a decreasing trend in savings (Voted) from the year 2019-20 onwards, while there was an increasing trend in savings (Charged) from the year 2018-19 onwards. Cases of substantial and persistent savings have been highlighted in **Paragraph 3.3.5**.

² The expenditure includes ₹ 448.61 crore on account of clearance of amounts kept under Objection Book Suspense for the year 2019-20 (₹ 157.51 crore), 2020-21 (₹ 212.64 crore) and 2021-22 (₹ 78.46 crore).

3.1.4 Budget marksmanship

Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the aggregate budget expenditure outturn/actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved. For the year 2022-23 Aggregate Budget Outturn is given in **Table 3.3**.

Table 3.3: Aggregate Budget Outturn

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn (Expenditure)	Difference between Actual and BE*
Revenue	43,455.11	47,153.12	(+) 3,698.01
Capital	11,136.92	16,310.23	(+) 5,173.31
Total	54,592.03	63,463.35	(+) 8,871.32

* Excess of actual over original provision is denoted as (+) figures and shortage of actuals over original is denoted as (-) figures.

In the Revenue section, deviation in outturn compared with BE was +8.51 per cent. This was due to the excess of actual over original provision in 26 Grants. In six grants, deviation was more than +50 per cent. In six other grants, there was a shortage of actual over original, where deviation ranged from -3.00 per cent to -24.58 per cent.

In the Capital section, deviation in outturn compared with BE was +46.45 per cent. This is due to the excess of actual over original provision in 17 Grants. In six other grants, deviation was more than +100 per cent. Further, out of these six grants, four grants have deviation more than +400 per cent.

Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition. The Expenditure Composition Outturn for the year 2022-23 is given in **Table 3.4**.

Table 3.4: Expenditure Composition Outturn

(₹ in crore)

Description	Original Approved Budget Estimate (BE)	Revised Estimate (RE)	Actual Outturn (Expenditure)	Difference between RE and BE	Difference between Actual and RE*
Revenue	43,455.11	49,096.21	47,153.12	5,641.10	-1,943.09
Capital	11,136.92	18,636.89	16,310.23	7,499.97	-2,326.66
Total	54,592.03	67,733.10	63,463.35	13,141.07	-4,269.75

* Excess of actual over revised estimate is denoted as (+) figures and shortage of actuals over revised estimate is denoted as (-) figures.

In the revenue section, deviation in outturn compared with RE was -3.96 per cent. This was due to shortage of actual over revised estimates in 25 grants, with the deviation ranging from -0.14 per cent to -24.58 per cent.

In the Capital section, deviation in outturn compared with RE was -12.48 per cent. This was due to shortage of actual over revised estimates in 18 grants and in three grants deviation was more than -50 per cent.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes. These Accounts depict the original budget provision, 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 understanding of utilisation of funds, management of finances and monitoring of budgetary provisions, and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also seeks to ascertain whether the expenditure incurred is in conformity with relevant laws, rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

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 of the Constitution. Further, expenditure should not be incurred on a scheme/service without provision of funds or after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Table 3.5 shows the summarised position of expenditure incurred without any budget provision in nine cases covering seven grants. This is a breach of constitutional provisions. State government must avoid these expenditures. If under any circumstance expenditure is inevitable, the Finance Department must follow the provisions under Articles 205 and 206.

Table 3.5: Summary of expenditure without Budget Provision

Grant/ Appropriation	Heads of Account	Expenditure (in ₹)	Name of Schemes/ Sub-Heads
Voted			
07	2056-00-001-01-C00N	117	Headquarter Staff
09	2210-05-105-07-S10N	3,90,000	National Mission on Extension and Technology
	4210-03-105-13-S10N	41,82,000	Upgradation of Government Medical Colleges
31	4210-03-796-11-S10N	10,78,000	Upgradation of Government Medical Colleges
32	2401-00-789-51-C90N	4,11,300	National Project on Soil Health and Fertility
	4210-03-789-09-S10N	17,90,000	Upgradation of Government Medical Colleges

Grant/ Appropriation	Heads of Account	Expenditure (in ₹)	Name of Schemes/ Sub-Heads
Charged			
08	2202-01-101-03-S00N	20,00,000	Middle Schools
29	2049-01-101-18-S00N	23,27,99,000	7.76% Himachal Pradesh State Development Loan 2030
	2049-01-101-19-S00N	15,63,99,000	7.82% Himachal Pradesh State Development Loan 2032
Total		39,90,49,417 (₹ 39.90 crore)	

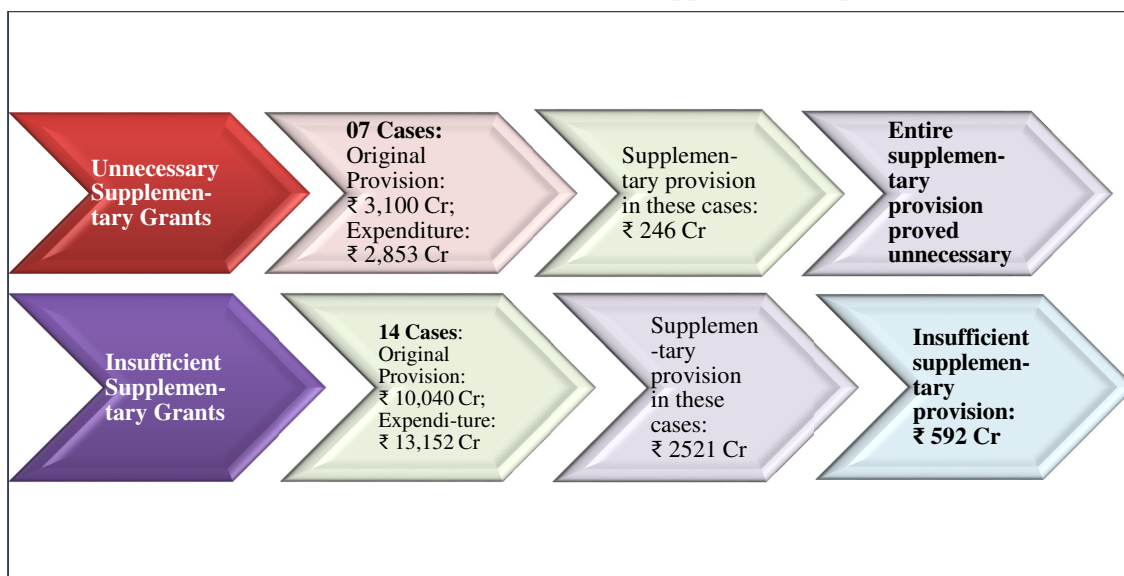
Source: Appropriation Accounts.

3.3.2 Unnecessary or insufficient supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

During 2022-23, there were seven cases (₹ one crore or more in each case) under six grants (Revenue/Capital-Voted) where supplementary provision of ₹ 246.39 crore proved unnecessary as expenditure did not reach the level of original provision itself (Table 3.6), while in 14 cases (Table 3.7) supplementary provision of ₹ 2,520.66 crore proved insufficient as it was not adequate to meet the requirement, leaving aggregate uncovered excess expenditure of ₹ 591.52 crore (Chart 3.3).

Chart 3.3: Unnecessary and insufficient supplementary provisions



Source: Appropriation Accounts.

Table 3.6: Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary

(₹ in crore)

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of original provisions
Revenue-Voted					
1	11-Agriculture	410.09	44.14	397.80	12.29
2	16-Forest and Wildlife	760.70	48.59	720.21	40.49
3	31-Tribal Development	1,720.18	25.22	1,538.47	181.71
Capital-Voted					
4	3-Administration of Justice	11.90	10.63	10.80	1.10
5	16- Forest and Wildlife	10.22	1.76	10.21	0.01
6	19-Social Justice and Empowerment	5.28	58.83	1.69	3.59
7	28-Urban Development, Town and Country Planning and Housing	181.85	57.22	173.51	8.34
Total		3,100.22	246.39	2,852.69	247.53

Source: Appropriation Accounts.

Although the demand for supplementary grants was made by the State Government on the reasoning that additional expenditure was to be incurred in various schemes under the respective grants, the final expenditure was less than even the original provisions in the seven cases as indicated above.

Table 3.7: Details of cases where supplementary provision (₹ one crore or more in each case) proved insufficient

(₹ in crore)

Sr. No.	Name of the Grant	Original provision	Supplementary	Total provision	Actual expenditure	Excess
Revenue-Voted						
1.	14-Animal Husbandry, Dairy Development and Fisheries	418.52	31.81	450.33	453.41	3.08
2.	17-Election	83.53	19.35	102.88	105.57	2.69
3.	18-Industries, Minerals, Supplies and Information Technology	140.25	81.01	221.26	225.18	3.92
4	22-Food and Civil Supplies	192.37	74.62	266.99	332.07	65.08
5	25-Road and Water Transport	245.75	171.11	416.86	417.00	0.14
6	28-Urban Development, Town and Country Planning and Housing	595.60	162.58	758.18	833.60	75.42
7	29-Finance	7,912.59	1,286.29	9,198.88	9,400.77	201.89
8	30-Miscellaneous General Services	118.60	27.15	145.75	146.60	0.85
Capital-Voted						
9	05-Land Revenue and District Administration	13.68	48.68	62.36	72.64	10.28
10	09-Health and Family Welfare	90.42	238.26	328.68	485.86	157.18
11	18-Industries, Minerals, Supplies and Information Technology	32.75	152.72	185.47	187.33	1.86
12	25-Road And Water Transport	93.44	208.74	302.18	363.55	61.37
13	27-Labour Employment and Training	63.51	13.13	76.64	82.94	6.30
14	30-Miscellaneous General Services	38.76	5.21	43.97	45.43	1.46
Total		10,039.77	2,520.66	12,560.43	13,151.95	591.52

As seen from the above, the supplementary provisions were insufficient as the actual expenditure was more than the total budget provisions (original + supplementary).

Both the above incidents indicate 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.

3.3.3 Re-appropriations requiring prior legislative authorisation

‘Re-appropriation’ refers to the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. No re-appropriation should be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted and for no other.

During the year 2022-23, there was no case of re-appropriation from one grant to another or from supplementary grants.

Cases of unnecessary/insufficient re-appropriation within grants are detailed below.

3.3.4 Unnecessary, inappropriate and insufficient re-appropriations

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. During the year 2022-23, there were 96 cases (**Appendix 3.3**), where re-appropriation proved unnecessary, as the expenditure did not reach the level of budget provision. In 23 cases (**Appendix 3.4**), re-appropriations were made inappropriately from those accounts where actual expenditure resulted in excess. In 54 cases (**Appendix 3.5**) re-appropriation proved insufficient, as actual expenditure resulted in excess even after making re-appropriation. Substantial cases (saving/excess more than ₹ 10 crore) are depicted in **Tables 3.8** and **3.9** given below.

Table 3.8: Unnecessary re-appropriations resulting in savings

(₹ in crore)

Sr. No.	Grant	Heads of account	Original	Supplementary	Re-appropriation	Total	Actual	Final Saving
Revenue-Voted								
1	3-Administration of Justice	2014-00-105-01-S00N	149.03	36.30	0.0001	185.33	161.13	-24.20
2	5-Land Revenue and District Administration	2245-02-111-01-S00N	32.00	3.00	0.75	35.75	24.85	-10.90
3	5-Land Revenue and District Administration	2245-02-111-02-S00N	47.00	9.96	2.61	59.57	46.17	-13.40
4	5-Land Revenue and District Administration	2245-08-101-01-S00N	0.00	90.80	95.20	186.00	48.76	-137.24
5	7-Police and Allied Organizations	2055-00-108-05-S00N	332.40	1.87	0.43	334.70	322.71	-11.99
6	8-Education	2202-01-112-01-C90N	88.37	0.00	1.10	89.47	64.01	-25.46

Sr. No.	Grant	Heads of account	Original	Supplementary	Re-appropriation	Total	Actual	Final Saving
Revenue-Voted								
7	9-Health and Family Welfare	2210-01-110-03-S00N	296.80	8.59	9.18	314.57	296.50	-18.07
8	10-Public Works - Roads, Bridges and Buildings	3054-04-105-02-S00N	326.43	0.00	3.39	329.82	298.18	-31.64
9	19-Social Justice and Empowerment	2235-02-104-01-S00N	0.00	33.68	7.32	41.00	0.00	-41.00
10	32-Scheduled Caste Sub Plan	2202-03-789-04-C60N	0.00	0.00	26.40	26.40	0.00	-26.40
Capital-Voted								
11	19-Social Justice and Empowerment	4235-02-104-01-S00N	0.00	58.43	1.57	60.00	0.00	-60.00
12	28-Urban Development, Town and Country Planning and Housing	4215-02-106-02-S00N	134.66	12.22	0.40	147.28	57.27	-90.01
13	31-Tribal Development	5002-03-796-01-S00N	0.00	0.00	10.00	10.00	0.00	-10.00
14	32-Scheduled Caste Sub Plan	5054-04-789-01-S00N	91.94	0.00	2.39	94.33	77.30	-17.03

Source: Appropriation Accounts.

Table 3.9: Inappropriate / insufficient re-appropriations resulting in excess

(₹ in crore)

Sr. No.	Grant	Heads of account	Original	Supplementary	Re-appropriation	Total	Actual	Excess
Revenue-Voted								
1	8-Education	2202-02-109-01-S00N	2,606.99	139.41	11.74	2,758.14	2,792.85	34.71
2	22-Food and Civil Supplies	2408-01-102-13-C75N	0.01	0.00	0.26	0.27	65.67	65.40
3	28-Urban Development, Town and Country Planning and Housing	2217-80-191-63-C90N	0.00	86.20	49.95	136.15	184.66	48.51
4	28-Urban Development, Town and Country Planning and Housing	2217-80-191-64-C90N	0.00	53.00	33.66	86.66	133.16	46.50
5	29-Finance	2071-01-101-03-S00N	4,341.19	200.06	20.82	4,562.07	4,662.02	99.95
6	31-Tribal Development	3054-04-796-02-S00N	113.27	0.00	-4.52	108.75	137.62	28.87
Capital-Voted								
7	7-Police and Allied Organisations	4055-00-211-03-S00N	31.59	0.15	0.40	32.14	52.53	20.39
8	25-Road and Water Transport	5002-03-115-01-S00N	18.48	128.71	1.52	148.71	211.66	62.95

As per Rule 44 (2) of Himachal Pradesh Financial Rules, 2009, re-appropriation of funds may be made with the approval of the Finance Department only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said unit.

3.3.5 Savings

The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, remedial actions may be needed. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprive other departments of the funds which they could have utilised.

(i) Savings vis-à-vis allocations

Analysis of appropriations showed that savings occurred in 51 cases relating to 26 grants during the year, as detailed in **Appendix 3.6**. Against the total provision of ₹ 54,946.43 crore under these cases, there was an overall savings of ₹ 4,269.75 crore which was the net result of saving of ₹ 4,931.89 crore offset by excess of ₹ 662.14 crore in various grants. Out of overall savings of ₹ 4,269.75 crore, substantial savings (₹ 100 crore and more in each case) were observed in 13 cases relating to 10 grants, details of which are given in **Table 3.10**.

Table 3.10: List of grants having large savings (above ₹ 100 crore) during the year
(₹ in crore)

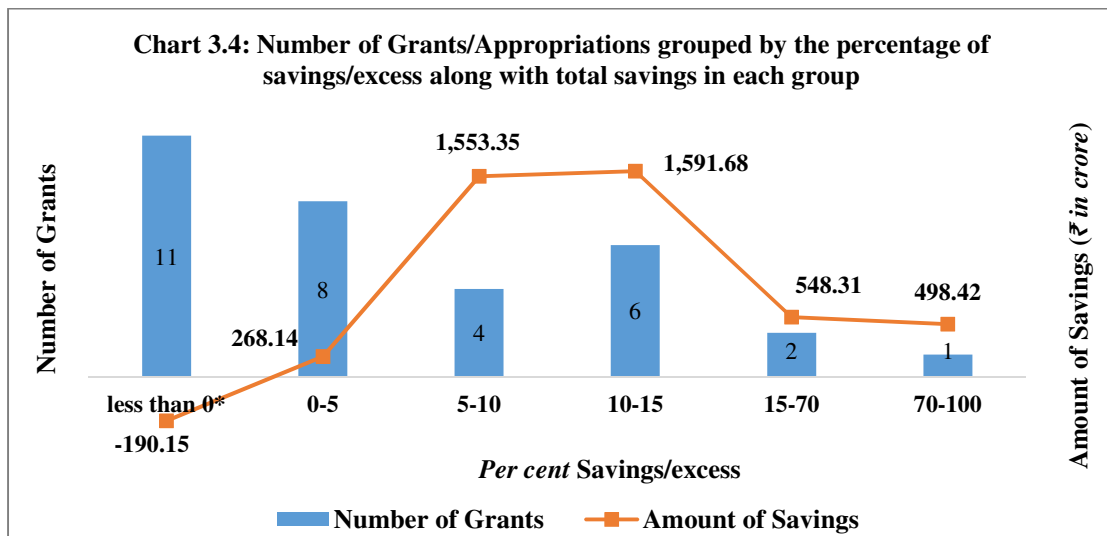
Sr. No.	Number and Name of Grant/ Appropriation	Original	Supplementary	Actual	Savings
Revenue-Voted					
1	5-Land Revenue and District Administration	1,360.47	672.01	1,757.30	-275.18
2	8-Education	7,451.77	440.13	7,770.30	-121.60
3	9-Health and Family Welfare	2,494.16	453.79	2,740.42	-207.53
4	10-Public Works - Roads, Bridges and Buildings	3,432.64	0.00	2,879.87	-552.77
5	20-Rural Development	1,252.90	518.98	1,651.86	-120.02
6	31-Tribal Development	1,720.18	25.22	1,538.47	-206.93
7	32-Scheduled Caste Sub Plan	2,219.57	398.22	2,423.89	-193.90
Capital-Voted					
8	15-Planning and Backward Area Sub Plan	493.74	0.00	325.15	-168.59
9	26-Tourism and Civil Aviation	581.26	0.00	86.15	-495.11

Sr. No.	Number and Name of Grant/Appropriation	Original	Supplementary	Actual	Savings
10	31-Tribal Development	539.63	0.00	386.50	-153.13
11	32-Scheduled Caste Sub Plan	1,418.15	0.00	1,096.37	-321.78
Revenue-Charged					
12	29-Finance	5,104.64	0.00	4,828.69	-275.95
Capital-Charged					
13	29-Finance	5,342.02	6,006.94	10,135.79	-1,213.17

Source: Appropriation Accounts.

Savings were noticed under both the sectors i.e., social and infrastructure. Major savings were noticed in Public Works, Education, Finance, Tribal Development, Health and Family Welfare departments, etc. under social sector due to non-filling up of vacant posts, non-conversion of work-charged staff into regular in primary/secondary schools and university and higher education, less expenditure on maintenance of various schemes/ works, etc. Savings were also noticed in Tourism and Civil Aviation, under economic/ infrastructure sector mainly due to non utilisation of funds relating to development of airports/ heliports and non-implementation of various developmental works.

Chart 3.4 categorises grants / appropriations according to percentage of savings against budget allocations. It can be noted from the chart that in 10 grants, there were savings of ₹ 3,145.03 crore (five to 15 per cent in each grant) during the year.



*Note: Amount shown less than zero (0) denotes excess.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. As can be seen from the test-checked departments (refer **Paragraph 3.5.1 (v)** and **3.5.2 (iii)**), there were delays ranging between 16 and 70 days in submission of statements of excess and surrender. In the absence of surrender of savings, other spending departments are deprived of the funds which they could have utilised and thus demands for supplementary grants by such departments can be avoided. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and keeping a watch

over the progress of the previous month's expenditure can enable a Controlling Officer to arrive at his final requirements with a reasonable degree of exactness and accuracy.

(ii) Persistent Savings

During the last five years, there were 21 cases (₹ one crore or more in each case) relating to 15 grants where persistent savings occurred (details given in **Appendix 3.7**), out of which eight cases (₹ 100 crore or more in each case) are depicted below in **Table 3.11**.

Table 3.11: Details of persistent savings cases (₹ 100 crore or more in each case)

(₹ in crore)

Sr. No.	Grant Number	Name of Grant/ Appropriation	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue- Voted							
1	08	Education	-955.16	-1,110.61	-1,362.09	-1,096.43	-121.60
2	09	Health and Family Welfare	-330.83	-377.72	-489.64	-243.85	-207.53
3	10	Public Works - Roads, Bridges and Buildings	-269.04	-736.83	-963.02	-1,194.46	-552.77
4	20	Rural Development	-383.93	-351.17	-163.47	-134.10	-120.02
5	31	Tribal Development	-325.72	-371.39	-415.69	-403.42	-206.93
6	32	Scheduled Caste Sub Plan	-390.87	-513.37	-264.69	-141.50	-193.90
Capital- Voted							
7	32	Scheduled Caste Sub Plan	-154.08	-231.62	-149.75	-390.46	-321.78
Revenue- Charged							
8	29	Finance	-238.48	-315.99	-459.44	-376.78	-275.95

Source: Appropriation Accounts.

The substantial persistent savings in the grants above indicated that budgetary controls in these departments were not effective as they are unable to spend the allocated funds. The departments need to improve their capacity to spend as these are all social sector departments and even the previous years' trends were not being taken into account while allocating funds. This had also been pointed out in the previous State Finance Audit Reports too.

(iii) Details of surrenders of funds in excess of ₹ 10 crore

Instances of surrender of funds in excess of ₹ 10 crore in each case at the end of March are given in **Table 3.12**.

Table 3.12: Details of surrender of funds in excess of ₹ 10 crore at the end of March 2023

(₹ in crore)

Sr. No.	Grant Number	Original	Supplemen- tary	Total Provision	Actual expenditure	Savings	Amount Surrendered
Revenue-Voted							
1	8	7,451.77	440.13	7,891.90	7,770.30	-121.60	-242.27
2	9	2,494.16	453.79	2,947.95	2,740.42	-207.53	-35.54
3	10	3,432.64	0.00	3,432.64	2,879.87	-552.77	-83.67
4	11	410.09	44.14	454.23	397.80	-56.43	-55.88
5	13	2,681.86	21.47	2,703.33	2,696.81	-6.52	-16.92
6	16	760.70	48.59	809.29	720.21	-89.08	-77.95
7	31	1,720.18	25.22	1,745.40	1,538.47	-206.93	-40.32
8	32	2,219.57	398.22	2,617.79	2,423.89	-193.90	-119.33

Sr. No.	Grant Number	Original	Supplementary	Total Provision	Actual expenditure	Savings	Amount Surrendered
Capital-Voted							
9	15	493.74	0.00	493.74	325.15	-168.59	-80.80
10	26	581.26	0.00	581.26	86.15	-495.11	-483.88
11	28	181.85	57.22	239.07	173.51	-65.56	-70.79
12	31	539.63	0.00	539.63	386.50	-153.13	-63.29
13	32	1,418.15	0.00	1,418.15	1,096.37	-321.78	-220.64
Revenue-Charged							
14	29	5,104.64	0.00	5,104.64	4,828.69	-275.95	-319.90
Total		29,490.24	1,488.78	30,979.02	28,064.14	-2,914.88	-1,911.18

Source: Appropriation Accounts.

As given in the above table, in 14 cases, there was surrender of amounts (₹ 10 crore or more in each case) totaling ₹ 1,911.18 crore (6.48 per cent of original budget allocation) in the month of March 2023.

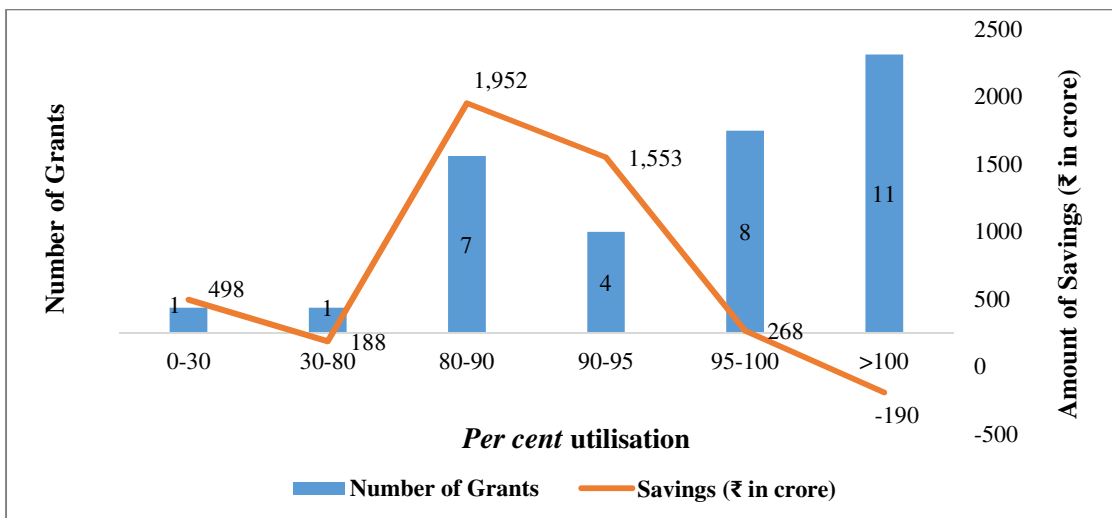
As per Rule 41 of Himachal Pradesh Financial Rules 2009, saving as well as provisions that cannot be profitably utilised should be surrendered to Government immediately when they are foreseen, without waiting till the end of the year. No savings should be held in reserve for possible future excesses.

During checking/scrutiny of all surrender orders, it was noticed that surrender orders were made on the last day (i.e., 31st March) of the year. The surrender of funds at the end of the year indicated poor monitoring of expenditure, weak financial controls, and meant that funds could not be utilised for other purposes.

(iv) Distribution of the number of Grants/ Appropriations grouped by percentage of utilisation

The distribution of the number of Grants/ Appropriations grouped by percentage of utilisation is given in **Chart 3.5**.

Chart 3.5: Distribution of the number of Grants/Appropriations grouped by percentage of utilisation



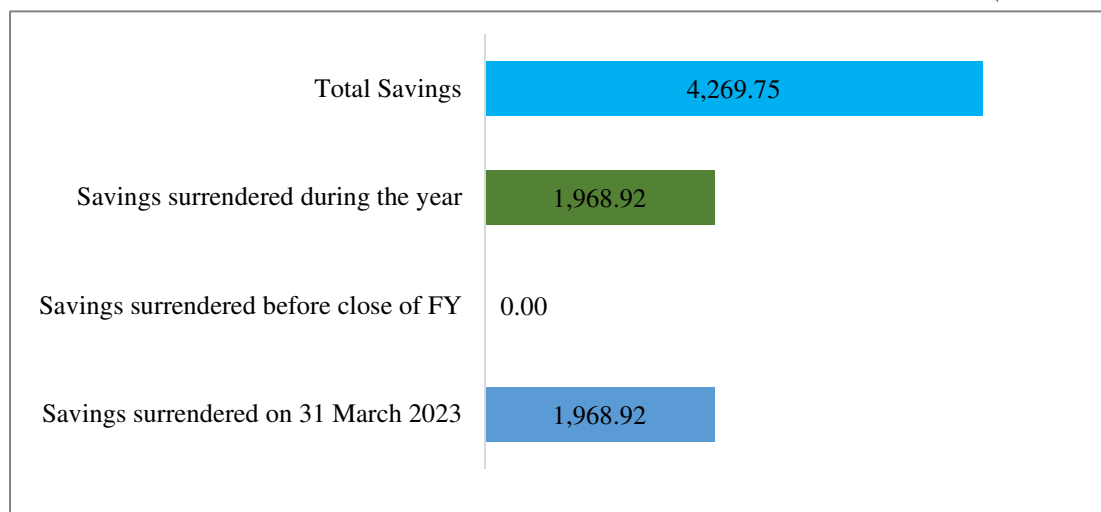
Note: Amount shown as less than zero (0) denotes excess.

In one grant (Grant No. 26 - Tourism and Civil Aviation), utilisation was only 18 *per cent* of the available funds, resulting in savings of ₹ 498.42 crore. In the previous year also, the Department utilised only 24 *per cent* of the available grant.

In 11 Grants, utilisation was more than 100 *per cent*, particularly in Grant No. 22 (Food and Civil Supplies) utilisation was 124.36 *per cent*, resulting in excess of ₹ 65.08 crore.

Chart 3.6: Savings and surrenders before close/ last day of financial year 2022-23

(₹ in crore)



Analysis of **Chart 3.6** revealed that only 46.11 *per cent* of savings were surrendered. All the surrenders (₹ 1,968.92 crore) were made on 31st March 2023. This indicated poor management of funds resulting in sub-optimal utilisation of financial resources.

3.3.6 Excess expenditure and its regularisation

As per Article 204 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 the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/ appropriations 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.

3.3.6.1 Excess expenditure

Excess expenditure over budget provision is not only in contravention of provisions requiring legislative sanction, but also indicative of poor planning. It can be avoided by keeping track of expenditure progression with reference to budgetary outlays. Details of excess expenditure over the budget provision for the financial year 2022-23 are given in **Table 3.13**.

Table 3.13: Summary of excess disbursements over grants/appropriations during 2022-23
(in ₹)

Sr. No.	Number and Name of Grant	Voted		Charged	
		Revenue	Capital	Revenue	Capital
1.	5-Land Revenue and District Administration	--	10,27,59,700	--	--
2.	7-Police and Allied Organisations	--	25,82,14,574	--	--
3.	8-Education	--	--	20,00,000	--
4.	9-Health and Family Welfare	--	1,57,18,03,145	--	--
5.	12-Horticulture	--	2,23,49,267	--	--
6.	13-Irrigation, Water Supply and Sanitation	--	--	--	1,276
7.	14-Animal Husbandry, Dairy Development and Fisheries	3,08,53,938	--	--	--
8.	17-Election	2,69,97,672	--	--	--
9.	18-Industries, Minerals, Supplies and Information Technology	3,91,22,878	1,85,98,571	--	--
10.	20-Rural Development	--	34,74,140	--	--
11.	21-Co-Operation	--	5,25,24,000	--	--
12.	22-Food and Civil Supplies	65,07,85,490	--	--	--
13.	23-Power Development	--	36,76,35,000	--	--
14.	25-Road and Water Transport	14,99,380	61,36,55,000	--	--
15.	27-Labour Employment and Training	--	6,30,05,754	--	--
16.	28-Urban Development, Town and Country Planning and Housing	75,41,13,479	--	--	--
17.	29-Finance	2,01,89,18,637	--	--	--
18.	30-Miscellaneous General Services	85,01,905	1,46,28,245	--	--
Total		3,53,07,93,379	3,08,86,47,396	20,00,000	1,276
Grand Total		₹ 662.14 crore			

Source: Appropriation Accounts.

As seen from the above, in 21 cases (relating to 18 grants), excess expenditure of ₹ 662.14 crore over budget provision was incurred in 2022-23, which requires regularisation by the State Legislature. Details of Major-Head wise excess is given in **Appendix 3.8** and cases (more than ₹ 50 crore) of Major-Heads where excess over budget were substantial are given in **Table 3.14**.

Table 3.14: Major-Head-wise disbursement over the authorisation during 2022-23
(₹ in crore)

Sr. No.	Grant Number	Major Head	Original	Supplementary	Actual Expenditure	Excess
1	29-Finance	2071-Pensions and Other Retirement Benefits	7,790.20	1,260.65	9,283.87	233.02
2	9-Health and Family Welfare	4210-Capital Outlay on Medical and Public Health	90.42	238.26	485.86	157.18
3	13-Irrigation, Water Supply and Sanitation	2215-Water Supply and Sanitation	1,860.02	21.31	2,001.94	120.61
4	28-Urban Development, Town and Country Planning and Housing	2217-Urban Development	577.45	162.58	817.41	77.38
5	22-Food and Civil Supplies	2408-Food Storage and Warehousing	172.76	53.93	291.68	64.99
6	25-Road and Water Transport	5002-Capital Outlay on Indian Railways-Commercial Lines	18.48	128.71	211.66	64.47
7	23-Power Development	6801-Loans for Power Projects	36.19	0.00	97.04	60.85

Source: Appropriation Accounts.

3.3.6.2 Persistent excesses in certain grants

During the five-year period from 2018-19 to 2022-23, there were no cases of persistent excesses in any grants.

3.3.6.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive.

Excess expenditure of ₹ 10,600.63 crore under 20 grants and 11 appropriations incurred during the years 2014-15 to 2021-22 was yet to be regularised by the State Legislature as of September 2023. An age-wise analysis shows that out of excess expenditure of ₹ 10,600.63 crore pertaining to the period 2014-22, ₹ 7,858.49 crore (74.13 per cent) of excess expenditure pertained to the period before 2017-18.

In addition to the above, excess expenditure of ₹ 662.14 crore incurred over authorisation made in 16 grants and two appropriations during the financial year 2022-23 also required regularisation.

The year-wise summary of excess expenditure pending regularisation is given in **Table 3.15:**

Table 3.15: Excess expenditure relating to the previous years (2014-22) requiring regularisation

Year	Number of Grants/ Appropriations	Grant/ Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts (Figures in ₹)	Status of regularisation
2014-15	10 Grants 6 Appropriations	1, 2, 6, 11, 12, 13, 18, 19, 23 (Revenue) 23 (Capital) and 1, 10, 19, 29 (Revenue), 29, 31 (Capital)	15,85,69,18,458	Memorandums/ suo-moto replies were sent by the Finance Department to HP Vidhan Sabha, but excess is yet to be regularised by the Public Accounts Committee (PAC)
2015-16	7 Grants 4 Appropriations	5, 8, 10, 13, 19, 23, 28 (Revenue) and 13, 16, 29 (Revenue) 29 (Capital)	28,48,43,38,113	
2016-17	5 Grants 3 Appropriations	2, 13 (Revenue) 3, 10, 23 (Capital) and 1, 16 (Revenue) 29 (Capital)	30,37,60,82,471	
2017-18	2 Grants 1 Appropriation	5, 10 (Revenue) and 10 (Capital)	3,86,76,41,211	
2018-19	6 Grants 5 Appropriations	05, 13, 22 (Revenue), 03, 10, 12 (Capital) and 07, 20, 25 (Revenue), 10, 29 (Capital)	8,21,37,16,840	
2019-20	4 Grants 3 Appropriations	22 (Revenue), 13, 21, 28 (Capital) and 05 (Revenue), 13, 29 (Capital)	49,91,20,218	
2020-21	3 Grants 2 Appropriations	28 (Revenue), 10, 25 (Capital) 13 (Revenue), 31 (Capital)	88,69,12,706	
2021-22	13 Grants 2 Appropriations	05,12,23 (Revenue), 05, 06, 07, 08, 09, 17, 18, 20, 23, 25, 27, 30 (Capital) and 07(Rvenue), 13 (Capital)	17,82,16,59,142	Under process
Total			1,06,00,63,89,159	

Source: Appropriation Accounts.

3.3.7 Grants-in-aid for creation of capital assets

As per IGAS-2, grants-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India.

During 2022-23, an amount of ₹ 1,376.62 crore was extended as grants-in-aid for capital assets and the whole amount was booked under revenue heads and classified as revenue expenditure in the accounts in compliance with IGAS-2.

3.4 Effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds, which they could have utilised.

The summarised position of original and supplementary provisions *vis-à-vis* actual expenditure during 2022-23 in respect of 32 grants/ appropriations is given in Table 3.16.

Table 3.16: Summarised position of Budget (Original/ Supplementary) provisions *vis-à-vis* Actual Expenditure during 2022-23

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Budget	Actual Expenditure	Net Savings (-)	Surrender during March	
							Amount	Per cent
Voted	I. Revenue	38,267.33	5,632.60	43,899.93	42,239.74	-1,660.19	709.71	1.62
	II. Capital	5,697.53	1,467.37	7,164.90	6,039.61	-1,125.29	934.48	13.04
	III. Loans and Advances	97.38	1.41	98.79	110.57	11.78	0.02	0.02
	Total	44,062.24	7,101.38	51,163.62	48,389.92	-2,773.70	1,644.21	14.68
Charged	I. Revenue	5,187.77	8.50	5,196.27	4,913.38	-282.89	324.71	6.25
	II. Capital	0.00	24.26	24.26	24.26	0.00	0.00	0.00
	III. Public Debt repayments	5,342.01	6,006.94	11,348.95	10,135.79	-1,213.16	0.00	0.00
Total	10,529.78	6,039.70	16,569.48	15,073.43	-1,496.05	324.71	6.25	
Grand Total	54,592.02	13,141.08	67,733.10	63,463.35	-4,269.75	1,968.92	20.93	

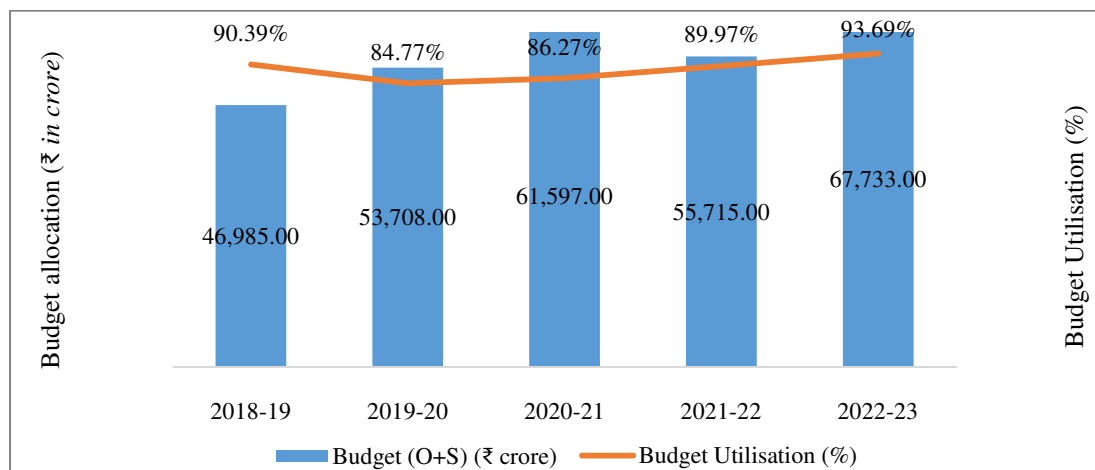
Source: Appropriation Accounts.

As shown in the above table, the total provision for expenditure in 2022-23 was ₹ 67,733.10 crore. The actual gross expenditure during the year was

₹ 63,463.35 crore. There was an overall saving of ₹ 4,269.75 crore which was the net result of saving of ₹ 4,931.89 crore in 26 grants and eight appropriations offset by excess of ₹ 662.14 crore in 16 grants and two appropriations. Out of net savings of ₹ 4,269.75 crore, only ₹ 1,968.92 crore (46.11 per cent) was surrendered. All the surrenders were made on the last day of the financial year i.e., 31 March 2023.

The position of budget utilisation during the five years is given in **Chart 3.7**.

Chart 3.7: Trend of budget utilisation



As can be seen from the above table, the percentage of budget utilisation against total allocation showed a declining trend during 2018-19 to 2019-20 whereas it showed an increasing trend over the last three-year period i.e., 2020-23.

The details of original budget, revised estimates, and actual expenditure during the five-year period from 2018-19 to 2022-23 are given in **Table 3.17**.

Table 3.17: Original Budget, Revised Estimate and Actual Expenditure during 2018-23

(₹ in crore)

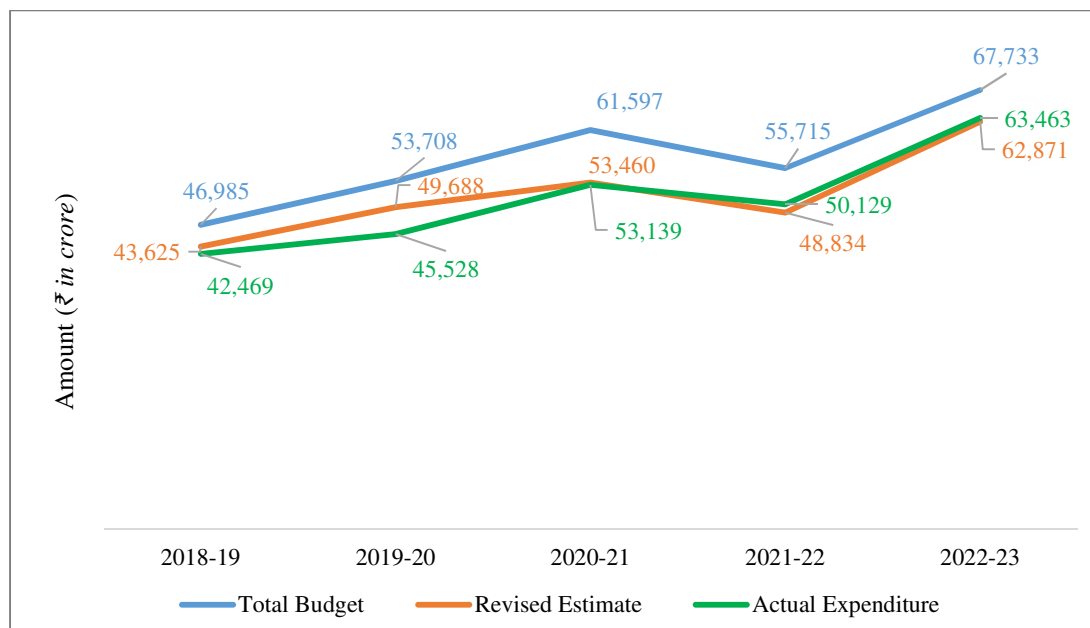
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	43,842	46,971	52,472	53,485	54,592
Supplementary Budget	3,143	6,737	9,125	2,230	13,141
Total Budget (TB)	46,985	53,708	61,597	55,715	67,733
Revised Estimate (RE)	43,625	49,688	53,460	48,834	62,871
Actual Expenditure (AE)	42,469	45,528	53,139	50,129	63,463
Saving (-)/ Excess (+)	-4,516	-8,180	-8,458	-5,585	-4,270
Percentage of supplementary to the original provision	7.17	14.34	17.39	4.17	24.07
Percentage of overall saving/excess to the overall provision	-9.61	-15.23	-13.73	-10.03	-6.30
TB-RE	3,360	4,020	8,137	6,881	4,862
RE-AE	1,156	4,160	321	-1,295	-592
(TB-RE) as a % of TB	7.15	7.48	13.21	12.35	7.18
(RE-AE) as a % of TB	2.46	7.75	0.52	-2.32	-0.87

Source: Appropriation Accounts and Budget documents of the respective years.

Table 3.17 shows that supplementary provisions of ₹ 13,141 crore during the year 2022-23 constituted 24.07 per cent of the original provision as against 4.17 per cent in the previous year.

The trend of budget estimates, revised estimates and utilisation there against is depicted in **Chart 3.8**.

Chart 3.8: Trend showing BE, RE and Actuals



Source: Appropriation Accounts.

From the above chart, it can be seen that Total Budget (TB) was always higher than the Revised Estimate (RE) and Actual Expenditure (AE) in five years (2018-19 to 2022-23). The Revised Estimates were closer to actual expenditure, except in the year 2019-20.

In terms of percentage, RE was lower than TB by 7.15 per cent to 13.21 per cent during 2018-23. Further, the percentage of AE during 2018-19, 2019-20 and 2020-21 was lower than RE by 2.46 per cent, 7.75 per cent, 0.52 per cent respectively. In the last two years i.e., 2021-22 and 2022-23, AE was higher than RE by 2.23 per cent and 0.87 per cent respectively (as shown in **Table 3.17**). As such, the supplementary provisions during 2018-19, 2019-20 and 2021-22 proved unnecessary since the actual expenditure did not come up even to the level of original budget provisions.

This reflects that budgetary allocations were based on unrealistic proposals as budget estimates of the State were always inflated and the actual expenditure was less than the budgetary provisions.

3.4.2 Supplementary budget

While obtaining legislative authorisation for supplementary provisions, departments sometimes report large additional requirements for different purposes under various schemes/activities but are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. Details of unutilised funds under 'Capital-Voted' section are given in **Table 3.18**.

Table 3.18: Details of unutilised funds under 'Capital-Voted' section

(₹ in crore)

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital-Voted						
1	1-Vidhan Sabha	3.05	1.41	4.46	4.36	-0.10
2	3-Administration Of Justice	11.90	10.63	22.53	10.80	-11.73
3	4-General Administration	9.23	0.00	9.23	8.17	-1.06
4	8-Education	87.38	77.02	164.40	163.79	-0.61
5	10-Public Works - Roads, Bridges and Buildings	1,294.54	319.17	1,613.71	1,550.57	-63.14
6	11-Agriculture	65.18	0.00	65.18	65.00	-0.18
7	13-Irrigation, Water Supply and Sanitation	537.17	259.08	796.25	726.64	-69.61
8	14-Animal Husbandry, Dairy Development and Fisheries	13.28	0.34	13.62	12.69	-0.93
9	15-Planning and Backward Area Sub Plan	493.74	0.00	493.74	325.15	-168.59
10	16-Forest and Wildlife	10.22	1.76	11.98	10.21	-1.77
11	19-Social Justice and Empowerment	5.28	58.83	64.11	1.69	-62.42
12	22-Food and Civil Supplies	0.09	0.00	0.09	0.08	-0.01
13	24-Printing and Stationery	0.30	1.00	1.30	1.22	-0.08
14	26-Tourism and Civil Aviation	581.26	0.00	581.26	86.15	-495.11
15	28-Urban Development, Town and Country Planning and Housing	181.85	57.22	239.07	173.51	-65.56
16	29-Finance	7.28	15.12	22.40	15.83	-6.57
17	31-Tribal Development	539.63	0.00	539.63	386.50	-153.13
18	32-Scheduled Caste Sub Plan	1,418.15	0.00	1,418.15	1,096.37	-321.78
Total		5,259.53	801.58	6,061.11	4,638.73	-1,422.38

Source: Appropriation Accounts.

3.4.3 Major policy pronouncements in budget and actual provision/expenditure

The Government announces several new policies/ schemes for implementation through the Budget Speech and other budget documents which are either for that particular financial year (one-time activity) or the subsequent financial years (of recurring nature).

Some of the major policies were pronounced in the Budget but no budget provisions were provided thereagainst. Details are given in **Table 3.19**.

Table 3.19: Major policy pronouncements in Budget and actual provision during 2022-23

(₹ in crore)

Sr. No.	Name of the Scheme	Budget Provisions
1	Mukhya Mantri Asahaya Bal Punarvas Yojna	Nil
2	Shreshta Shiksha Gunvatta Protsahan Yojna	
3	Bal Pratibha Scholarship Yojna	
4	Mukhya Mantri Shodh Protsahan Yojna	
5	Kaushal Aapke Dwar	
6	Mukhya Mantri Mobile Clinic (M3C)	
7	Governance and Reform using Drones (GARUD)	

Source: Budget Document.

3.4.4 Schemes and their actual funding for ensuring implementation

Several policy initiatives of the Government are partially executed or not executed due to non-approval of scheme guidelines/ modalities, non-commencement of works for want of administrative sanctions, non-release of budget, etc. This deprives beneficiaries of the intended benefits. Savings in such schemes deprive other departments of funds which could have been utilised.

During 2022-23, there were 77 schemes where budget provision (₹ one crore and above) was made but no expenditure was incurred (details given in **Appendix 3.9**). Details of seven major schemes (₹ 50 crore and above provision in each case) are depicted in **Table 3.20**.

Table 3.20: Details of some schemes for which substantial provision (₹ 50 crore and above in each case) was made but no expenditure was incurred

(₹ in crore)

Sr. No.	Grant No.	Name of Scheme	Approved outlay	Remarks
1	32	Development of Airports/Heliports	278.65	No expenditure was incurred on these schemes during the year.
2	5	Expenditure on Natural Disaster Contingency Plans in Disaster Prone Areas	95.20	
3	31	Development Airports and Heliports	81.50	
4	28	Smart City Mission	74.80	
5	20	Health Assistance to Gram Panchayats Under 15 th Finance Commission	64.81	
6	19	Construction of Sukh Ashray Bhawan	58.43	
7	19	Pensioners Funds Reserve with Finance Department (Medical reimbursement)	57.61	

Source: Appropriation Accounts.

It was further noted that out of these 77 schemes, there were 51 schemes in which the entire budget provision was removed either by re-appropriation or by surrender in the revised outlay. The details of these schemes are given in **Appendix 3.10**.

Non-utilisation of funds on sanctioned schemes shows that the State Government departments had either not adequately planned for launching such schemes or did not have the capacity for their implementation. Poor scheme implementation capacities increase the tendency of departments to retain cash balances outside the Government Account in bank accounts or surrender funds at the end of the year, thereby depriving other departments of funds which could have been utilised.

3.4.5 Rush of expenditure

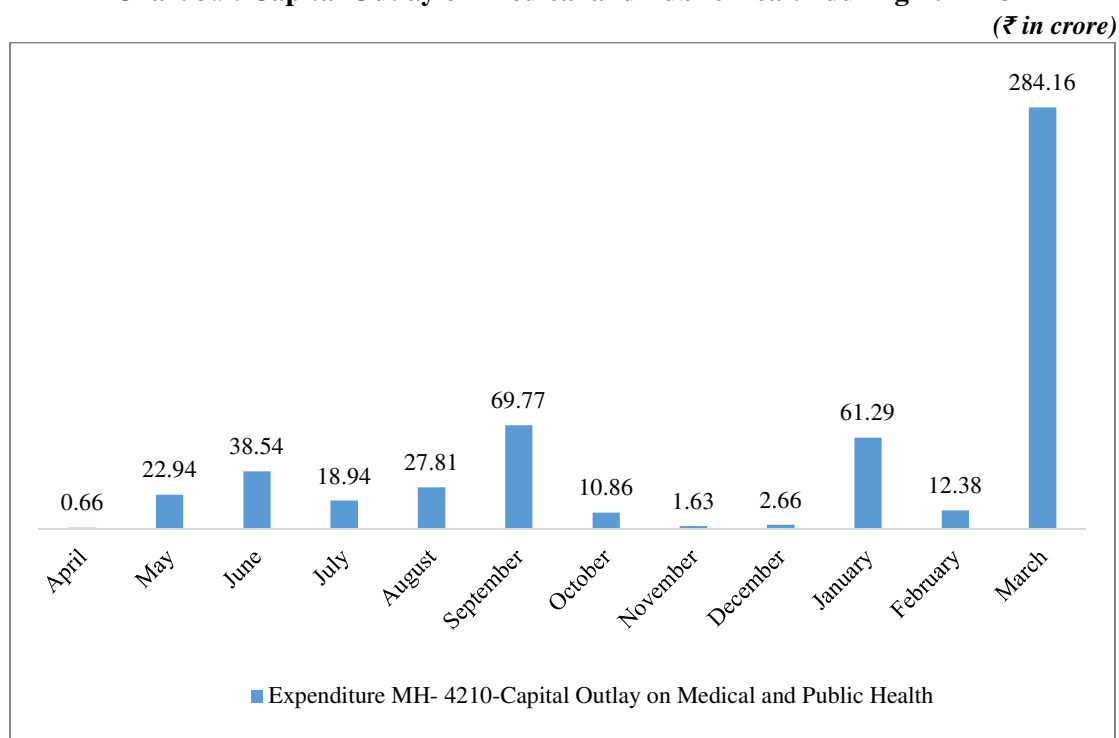
Government funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure.

The State Government prescribed (September 1995) quarter-wise percentages (1st Quarter-20 per cent; 2nd Quarter-25 per cent; 3rd Quarter-30 per cent; 4th Quarter-25 per cent) for incurring expenditure during the year, with the aim of regulating the expenditure in a phased manner.

During scrutiny, it was found that during 2022-23 under 22 Major Heads, more than 50 per cent of expenditure was incurred in the last quarter of the year against the target of 25 per cent. In 12 cases, more than 50 per cent of total expenditure was incurred in March alone. The details are given in **Appendix 3.11**.

It was also observed that under Major Head- 4210 (Capital Outlay on Medical and Public Health), out of total expenditure of ₹ 551.64 crore, ₹ 357.83 crore (64.87 per cent) was incurred in the last quarter while ₹ 284.16 crore (51.51 per cent) was incurred in March 2023. Month-wise expenditure under Major Head 4210 - Capital Outlay on Medical and Public Health during 2022-23 is depicted in **Chart 3.9**.

Chart 3.9: Capital Outlay on Medical and Public Health during 2022-23



Government funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure. The quarterly details of expenditures incurred across all Grants are shown in **Appendix 3.12**.

It is evident from the appendix that in case of 26 grants, compliance to the quarterly expenditure limits could not be ensured during the year. The details of grants where expenditure incurred was more than 40 per cent in the last quarter is given in **Table 3.21**.

Table 3.21: Details of grants where expenditure incurred more than 40 per cent in the last quarter during 2022-23*(₹ in crore)*

Sr. No.	Description	Allocation during 2022-23	Expenditure					Total expenditure during 2022-23	Expenditure in 4 th Quarter as percentage of total expenditure	Expenditure in March 2023 as percentage of total expenditure
			1st qtr.	2 nd qtr.	3 rd qtr.	4 th qtr.	In March			
1	10 Public Works - Roads, Bridges and Buildings	5,046.35	763.02	886.20	873.53	1,907.68	1,228.65	4,430.43	43.06	27.73
2	17 Election	103.62	9.62	20.57	24.46	51.67	32.86	106.32	48.60	30.91
3	18 Industries, Minerals, Supplies and Information Technology	406.73	28.37	77.49	29.54	277.11	241.83	412.51	67.18	58.62
4	21 Cooperation	45.42	9.20	9.03	11.09	21.30	15.55	50.61	42.08	30.72
5	24 Printing and Stationery	41.14	9.89	7.68	6.29	16.81	11.41	40.68	41.34	28.04
6	25 Road and Water Transport	719.03	164.75	143.14	134.00	338.66	125.93	780.55	43.39	16.13
7	28 Urban Development, Town and Country Planning and Housing	998.88	28.18	369.18	103.22	508.15	407.34	1,008.73	50.38	40.38

Rush of expenditure during the last quarter, especially during the month of March, showed non-adherence to financial rules. The State Government may consider devising suitable mechanism to avoid rush of expenditure in the last quarter/month of the financial year.

3.5 Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of two grants viz., Grant No. 10 - 'Public Works Roads, Bridges and Buildings' and Grant No. 26 - Tourism and Civil Aviation for the period 2020-21 to 2022-23 revealed the following:

3.5.1 Grant No. 10 – Public Works-Roads, Bridges and Buildings

The Grant is administered by Public Works Department and includes Major Heads: 2059-Public Works, 2216-Housing, 3054-Roads and Bridges, 4059-Capital Outlay on Public Works, 4216-Capital Outlay on Housing and 5054-Capital Outlay on Roads and Bridges.

(i) Budget and Expenditure

The overall position of funds allotted and expenditure incurred under Grant No. 10 during the financial years 2020-23, as detailed in **Table 3.22**.

Table 3.22: Budget provision, expenditure, excess/savings*(₹ in crore)*

Year	Budget		Expenditure		Savings (-)/Excess (+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2020-21	5,186.88	18.05	4,285.96	12.63	-900.92 (17%)	-5.42 (30%)
2021-22	5,221.58	0.20	3,981.80	0.19	-1,239.78 (24%)	-0.01(5%)
2022-23	5,046.35	0.00	4,430.43	0.00	-615.92 (12%)	0.00

It can be seen from the above table that there were persistent savings during 2020-21 to 2022-23 ranging from 12 per cent to 24 per cent under Voted and five per cent to 30 per cent under Charged section.

(ii) Insufficient Re-appropriation

Table 3.23 shows there are five cases under Grant no. 10 where re-appropriation proved insufficient, as it was not adequate to meet the requirements.

Table 3.23: Insufficient re-appropriation to meet expenditure

(₹ in crore)

Sr. No.	Heads of account	Budget	Re-appropriation	Actual Expenditure	Excess
1	2059-80-053-04-S00N-02	0.09	0.54	1.29	0.66
2	3054-04-105-02-S00N-02	3.50	2.88	8.00	1.62
3	3054-04-105-15-S00N-21	44.89	1.50	51.48	5.09
4	3054-04-105-17-S00N-21	25.37	2.11	31.01	3.53
5	4059-80-051-03-S00N-37	27.12	0.67	28.04	0.25

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. As can be seen from the table in the next paragraph, there were huge savings in many heads, which could have been re-appropriated to meet the excess in cases where re-appropriation proved insufficient.

(iii) Savings

Table 3.24 shows that there were 14 cases in Grant No. 10, where savings were more than ₹ 10 crore in each case (including ₹ 100 crore in two cases) were noticed.

Table 3.24: List of cases having savings of more than ₹ 10 crore

(₹ in crore)

Sr. No.	Heads of Account	Total budget provision	Actual Expenditure	Savings
1	3054-04-105-06-S00N-21	693.35	487.87	-205.48
2	3054-04-105-20-S00N-21	299.75	189.93	-109.82
3	3054-04-105-07-S00N-01	691.13	617.65	-73.48
4	2059-80-799-01-S00N-79	118.80	50.99	-67.81
5	3054-04-105-02-S00N-21	322.93	289.78	-33.15
6	5054-04-337-02-S00N-37	264.12	234.44	-29.68
7	2059-80-053-06-S00N-21	100.84	79.11	-21.73
8	5054-04-101-01-S00N-37	62.86	48.33	-14.53
9	3054-04-105-28-S00N-21	50.00	37.50	-12.50
10	3054-04-105-22-S00N-01	86.80	74.76	-12.04
11	3054-04-105-21-S00N-01	89.43	77.60	-11.83
12	3054-04-337-06-S00N-21	27.19	16.47	-10.72
13	3054-04-105-23-S00N-01	122.75	112.43	-10.32
14	3054-04-105-29-S00N-21	10.00	0.00	-10.00

Rule 31 (4) of Himachal Pradesh Financial Rules (HPFR), 2009 stipulates that budget estimates for expenditures, after being scrutinised and approved by the administrative department concerned, shall be forwarded to the Finance Department in such manner and form as may be prescribed.

Considering persistent savings in Grant No. 10 for the last five years, it appears that the Department did not consider last year's savings while preparing budget estimates. The Department should be more careful while preparing the budget estimates so that funds can be utilised elsewhere and do not end up in huge savings.

The Deputy Controller (F&A), Public Works Department stated that savings occurred due to non-preparation of DPRs, non-adjustments of transfer entries by office of Pr. Accountant General (A&E) and slow execution of works by the Divisions.

(iv) Excess expenditure over and above the budget provision

As per Rule 37 (3) of HPFR 2009, no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by State legislature by law for a financial year except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund.

There were ten cases where expenditure was more than the approved budget, resulting in excess. The details are given in **Table 3.25**.

Table 3.25: Details of excess expenditure over budget provision

(₹ in crore)

Sr. No.	Heads of Account	Total Budget provision	Actual Expenditure	Excess
1	2059-80-799-03-S00N-79	60.50	124.23	63.73
2	3054-04-105-15-S00N-21	46.39	51.48	5.09
3	3054-04-105-17-S00N-21	27.48	31.01	3.53
4	5054-04-337-26-S00N-37	0.00	1.97	1.97
5	3054-04-105-02-S00N-02	6.38	8.00	1.62
6	5054-04-337-19-S00N-37	373.67	375.19	1.52
7	2059-80-053-04-S00N-02	0.63	1.29	0.66
8	5054-04-337-10-S00N-37	21.93	22.36	0.43
9	4059-80-051-03-S00N-37	27.79	28.04	0.25
10	3054-04-105-14-S00N-02	0.017	0.019	0.002

These cases clearly indicate that the Department had not made budget provision on realistic basis and further where extra expenditure seemed unavoidable, the Department did not follow the rules and instructions issued by the State Government/ Finance Department.

In reply, the Deputy Controller (F&A), Public Works Department stated that the final excess and surrender was sent to the State Government/ Finance Department for approval.

(v) Delay in submission of statements of Excess and Surrender

As per Himachal Pradesh Budget Manual, the Head of Department is required to submit budget estimates and the statement of excesses and surrenders to the Finance Department by 1st October and 15th January or well before the close of the financial year respectively.

Further, the Finance Department, Government of Himachal Pradesh issues instructions every year stipulating the dates of submission of statement of Excess and Surrender by all departments.

Scrutiny of statements of excess and surrender for the years 2020-21, 2021-22 and 2022-23 revealed that the Public Works Department submitted the 1st and 2nd statement of excess and surrender to Finance Department with delays ranging from 16 to 70 days. The details are given in **Table 3.26**.

Table 3.26: Delay in submission of excess and surrender statements

Year	Required date of submission of Excess and surrender statements as per letter issued by the Finance Department	Actual date of submission of Excess and surrender statements	Delay (in days)
2020-21*	01-12-2020 (1 st)	04-02-2021	68
	15-01-2021 (2 nd)	04-02-2021	21
	15-03-2021 (Final)	--	--
2021-22 [#]	31-10-2021 (1 st)	08-02-2022	70
	31-01-2022 (2 nd)	08-02-2022	24
	15-03-2022 (Final)	--	--
2022-23 [§]	31-10-2022 (1 st)	31-01-2023	62
	31-01-2023 (2 nd)	31-01-2023	16
	15-03-2023 (Final)	--	--

* Instructions issued vide letter No. Fin-A-C(6)1/2020 dated 01.09.2020.

Instructions issued vide letter No. Fin-A-C(3)-1/2021-II dated 27.08.2021.

§ Instructions issued vide letter No. Fin-A-C(6)1/2022 dated 23.08.2022.

This showed that the prescribed time schedule for submission of statement of excess and surrender was not followed by the Department (except on three occasions).

The Deputy Controller (F&A) of Public Works Department stated (July 2023) that the delay in submission of budgetary estimates and returns were due to delays in receipt of data from the field offices and its consolidation at headquarters level. The reply is not acceptable because instructions issued by Finance Department are to be mandatorily followed and the Department should have instructed its regional/field offices to adhere to the timelines.

3.5.2 Grant No. 26 – Tourism and Civil Aviation

The Grant is administered by Tourism and Civil Aviation Department and includes Major Heads: 2059-Public Works, 3053-Civil Aviation, 3452-Tourism, 5053-Capital Outlay on Civil Aviation, 5452-Capital Outlay on Tourism.

(i) Budget and Expenditure

The overall position of funds allotted, and expenditure incurred under Grant No. 26 during the financial years 2020-23, is detailed in **Table 3.27**.

Table 3.27: Budget provision, expenditure, excess/savings

(₹ in crore)

Year	Budget provision		Expenditure		Savings (-)/ Excess (+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2020-21	1,112.20	0.00	165.63	0.00	(-) 946.57 (85%)	0
2021-22	720.87	0.00	176.21	0.00	(-) 544.66 (76%)	0
2022-23	609.23	0.16	110.82	0.16	(-) 498.42 (82%)	0

Source: Appropriation Accounts.

From the above table it can be seen that there were 76 to 85 *per cent* savings during 2020-23, resulting in issues regarding supplementary provision, re-appropriation of

fund from one head to another head of account, lapse/surrender of budget, unnecessary budget provisions, etc. as discussed in the succeeding paragraphs. This indicated that either the budget had not been prepared on a realistic basis or expenditure was not incurred as per the provisions of financial rules.

While confirming the facts and figures, the Additional Director, Tourism and Civil Aviation Department stated (August 2023) that budget had been proposed to the Finance Department by keeping in mind the previous expenditure, pending liabilities and expected expenditure. But due to Corona pandemic, non-completion of Nagchala Airport preliminaries and by keeping some vouchers of the Department in objection book (OB) suspense account by office of the Pr. AG (A&E), less expenditure was incurred.

The reply of the Department is not justified because the expenditure in the last two years was only 15 to 24 *per cent* as compared to budget provision. The substantial persistent savings in the above grant indicated that budgetary controls in the Department were not effective.

(ii) Budget provision of ₹ 100 crore without demand/proposals

During test-check/analysis of budget figures of the Tourism and Civil Aviation Department, it was noticed that budget provision of an amount of ₹ 100 crore was made in the annual Budget for the years 2020-21 and 2021-22 under Head of Account 3053-02-Airports, 102-Aerodromes, 02-Rehabilitation & Operation/ Maintenance of Airports/ Heliports, 20- Other Charges by the Finance Department.

It was further noticed that the provision of such a huge amount was made without any demand or proposals submitted by the Tourism Department. Due to non-finalisation of proposals, the entire amount (₹ 100 crore) was surrendered during 2020-21 while during 2021-22, after incurring only ₹ 2.38 crore, the balance amount of ₹ 97.62 crore was again surrendered, that too at the fag end of the year, on 28.03.2022.

While confirming the facts and figures, the Additional Director, Tourism and Civil Aviation Department stated (August 2023) that the Department had not made any demand for the amount in question. But construction of airport at Nagchala, District Mandi was among the topmost priority of the Government and adequate budgetary provision under Civil Aviation Head was kept. But due to non-completion of codal preliminary formalities, the Department had to surrender the entire budget provision.

(iii) Delay in submission of statements of Excess and Surrender

As per Himachal Pradesh Budget Manual, the Head of Department is required to submit budget estimates and the statement of excesses and surrenders to the Finance Department by 1st October and 15th January or well before the close of the financial year respectively.

Further, the Finance Department, Government of Himachal Pradesh issues instructions every year stipulating the dates of submission of statement of Excess and Surrender by all departments.

Scrutiny of statements of excess and surrender for the years 2020-21, 2021-22 and 2022-23 revealed that the Department of Tourism and Civil Aviation submitted 1st, 2nd and final statement of excess and surrender to Finance Department with delays ranging from 22 to 59 days. The details are given in **Table 3.28**.

Table 3.28: Delay in submission of excess and surrender statements

Year	Required date of submission of Excess and surrender Statements as per letter issued by the Finance Department	Actual date of submission of excess and surrender Statements	Delay (in days)
2020-21*	01-12-2020 (1 st)	28-01-21	59
	15-01-2021 (2 nd)	08-02-21	25
	15-03-2021 (Final)	28-04-21	45
2021-22 [#]	31-10-2021 (1 st)	20-11-21	21
	31-01-2022 (2 nd)	31-01-22	-
	15-03-2022 (Final)	05-04-22	22
2022-23 [§]	31-10-2022 (1 st)	31-10-22	-
	31-01-2023 (2 nd)	13-01-23	-
	15-03-2023 (Final)	24-04-23	41

* Instructions issued vide letter No. Fin-A-C(6)1/2020 dated 01.09.2020.

Instructions issued vide letter No. Fin-A-C(3)-1/2021-II dated 27.08.2021.

§ Instructions issued vide letter No. Fin-A-C(6)1/2022 dated 23.08.2022.

This showed that the prescribed time schedule of submission of statement of excess and surrender was not followed by the Department (except on three occasions).

While confirming the facts and figures, the Additional Director (Tourism & Civil Aviation) stated (August 2023) that in order to submit realistic position of the excess and surrender, the information is collected from field offices and submission of excess and surrender report depends upon the information received from the regional field offices. This process takes a lot of time and after detailed discussions with the authorities, consolidated information was sent to the Finance Department. The reply is not acceptable because instructions issued by Finance Department are to be mandatorily followed and the Department should have instructed its regional/field offices to adhere to the timelines.

3.6 Conclusion

The overall utilisation of budget was 93.69 *per cent* of total grants and appropriations during 2022-23.

Expenditure of ₹ 39.90 crore was incurred in nine cases under six grants during the year 2022-23 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

Supplementary provisions were also not on a realistic basis as in seven cases, the supplementary provisions of ₹ 246.39 crore proved unnecessary as the expenditure did not come up even to the level of the original provisions. Budgetary allocations were based on unrealistic proposals as in 13 cases pertaining to 10 grants, savings excluding surrenders were more than ₹ 100 crore.

The excess expenditure of ₹ 10,600.63 crore the period 2014-22 and ₹ 662.14 crore for the current year 2022-23 was required to be regularised by the State Legislature.

During 2022-23, there were 77 schemes where budget provision (₹ one crore and above) was made but no expenditure was incurred. Further, under 51 schemes the entire budget provision was fully withdrawn through re-appropriation or by surrender.

There was rush of expenditure at fag end of the year. In 12 major heads, more than 50 per cent of the expenditure under each major head was incurred in the month of March 2023.

3.7 Recommendations

- 1. The State Government should be accurate in its assumptions for preparing budget estimates.*
- 2. Government should ensure strict compliance with budget manual in preparation of supplementary provisions and ensure transparency in estimation for avoiding unnecessary supplementary provisions.*
- 3. Government may consider formulating strategies for actual execution of major policy decisions in the State at the time of preparing budgetary estimates.*
- 4. The State Government should ensure regular monitoring to ascertain the progress of expenditure with reference to the stipulated quarterly targets and assess anticipated savings/ excess. Surrenders of anticipated savings should be made well before the close of the financial year so that they can be utilised for other schemes. Excess expenditure over authorisation approved by the Legislature must be avoided.*

