

CHAPTER-III

BUDGETARY MANAGEMENT

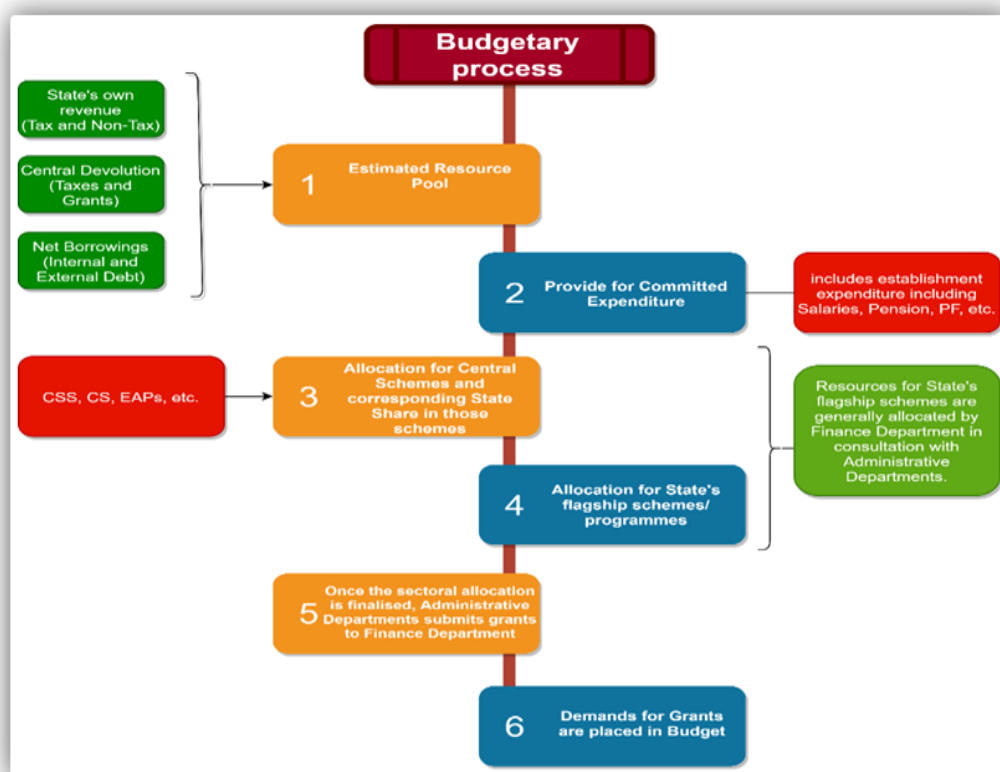
This Chapter deals with the integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants, and the concomitant financial management, assessing whether decisions taken at the policy level are implemented at the administrative level without diversion of funds.

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Uttar Pradesh Budget Manual (UPBM) specifies the Budget preparation process for the Government of Uttar Pradesh.

As per Para 8 of UPBM, the Finance Department is responsible for the preparation of the annual budget. The Heads of Departments and other estimating officers prepare the estimates for each head of account with which they are concerned and forward these to the Finance Department. The budget is prepared on the basis of the material furnished by the departmental officers and the administrative departments of the Secretariat. The budget preparation process is given in **Chart 3.1**.

Chart 3.1: Budget preparation process

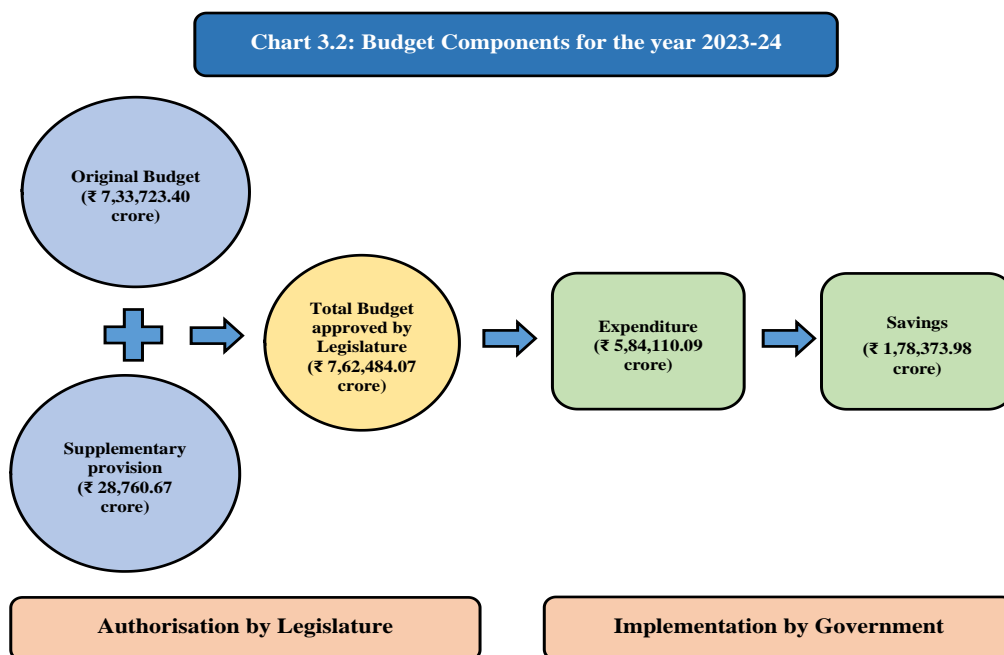


CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAPs: Externally Aided Projects.

After the finalisation of the Budget, it is presented, under Article 202 of the Constitution of India, to both the Houses of the State Legislature on the recommendation of the Governor. The estimates of the expenditure embodied in the Budget show 'charged' and 'voted' items of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. After the Grants have been voted by the Legislative Assembly, a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the Voted as well as the charged expenditure, is introduced in the Legislative Assembly. When the Appropriation Bill is passed by both the Houses of the Legislature and it has also received the assent of the Governor, the amounts shown therein can be expended during the financial year concerned.

Article 205 of the Constitution of India prescribes that a Supplementary Grant or Appropriation over the provisions passed in the Appropriation Act for the year can be made during the current financial year to meet expenditure where provisions of the Appropriation Act is found to be insufficient, or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the original budget, or if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within the same Grant or Charged Appropriation. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure on existing service under another unit within the same section (*viz.*, Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. The various components of budget for the year 2023-24 are depicted in **Chart 3.2**.



Source: Uttar Pradesh Annual Financial Statement and Appropriation Accounts for the year 2023-24

Appropriation Accounts depict the original budget provision, supplementary grants, re-appropriations and surrenders distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act under Articles 204 and 205 of the Constitution of India in respect of both Charged and Voted items of budget. Audit of appropriations by the Comptroller and Auditor General of India 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 is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

3.1.1 Summary of total provisions, actual expenditure and savings during 2023-24

Summarised position of total budget provisions, expenditure and savings are given in **Table 3.1**.

Table 3.1: Budget provisions, expenditure and savings during 2023-24

(₹ in crore)

	Total Budget provision		Expenditure		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	484739.59	54657.84	385132.11	49588.58	99607.48	5069.26
Capital	191843.90	31242.74	127981.05	21408.35	63862.85	9834.39
Total	676583.49	85900.58	513113.16	70996.93	163470.33	14903.65

Source: Appropriation Accounts 2023-24 & Budget Documents.

During the financial year 2023-24, the actual expenditure was substantially lower than the budget provisions both under Revenue and Capital Sections which witnessed savings of 19.41 *per cent* and 33.04 *per cent* respectively. The total expenditure against the budget provision was 79.45 *per cent* in Revenue Voted section, 90.73 *per cent* in Revenue Charged section, 66.71 *per cent* in Capital Voted section and 68.52 *per cent* in Capital Charged section of Grants/ Appropriations.

3.1.2 Charged and Voted expenditure

Break-up of total expenditure into Charged and Voted and savings thereon and trend analysis during the period 2019-24 is detailed in **Table 3.2**.

Table 3.2: Expenditure under Voted and Charged during the period 2019-24
(₹ in crore)

Year	Revenue				Capital			
	Expenditure		Savings		Expenditure		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2019-20	266083	35367	64113	22640	75556	22420	27637	12993
2020-21	263323	39047	81777	25080	66856	26798	33551	8139
2021-22	293995	45530	84220	999	80806	28734	57149	10258
2022-23	336997	46227	99264	3296	113919	22716	53234	9902
2023-24	385132	49589	99607	5069	127981	21408	63863	9834

Source: Appropriation Accounts of respective years

Table 3.2 shows that the expenditure under Revenue Voted Section decreased from ₹ 2,66,083 crore during the year 2019-20 to ₹ 2,63,323 crore during the year 2020-21 and thereafter increased to ₹ 2,93,995 crore in the year 2021-22 and further increased to ₹ 3,85,132 crore in the year 2023-24. During the year 2023-24, the expenditure under Revenue Voted Section was 14.28 *per cent* higher than the expenditure during the previous year. However, savings under Revenue Voted section had consistently increased from ₹ 64,113 crore in 2019-20 to ₹ 99,607 crore in the year 2023-24.

Similarly, expenditure under Capital Voted section was volatile during the period 2019-24 and it was highest (₹ 1,27,981 crore) during the year 2023-24 and lowest (₹ 66,856 crore) during the year 2020-21. During the year 2023-24, the expenditure under Capital Voted Section (₹ 1,27,981 crore) was 12.34 *per cent* higher than the expenditure during the previous year. However, saving under Capital Voted section increased from ₹ 27,637 crore in 2019-20 to ₹ 57,149 crore in the year 2021-22 and thereafter decreased marginally to ₹ 53,234 crore in the year 2022-23 which further increased to ₹ 63,863 crore in the year 2023-24.

3.1.3 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. **Table 3.3** provides details of actual outturn as compared to original approved budget.

Table 3.3: Actual Outturn vs. original approved budget during 2023-24

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(4)
Revenue	520351.04	434720.69	(-)85630.35
Capital	213372.36	149389.40	(-)63982.96
Total	733723.40	584110.09	(-)149613.31

Source: Appropriation Accounts and Budget document

*Excess of actual outturn over original budget provision is denoted as (+) figure and shortage of actual outturn over original budget provision is denoted as (-) figure.

In Revenue section, deviation in outturn compared with BE was (-) 16.46 per cent. This was due to deviation between 0 to ± 25 per cent in 53 grants, between ± 25 per cent to ± 50 per cent in 29 grants and between ± 50 per cent to ± 100 per cent in nine grants.

In capital section, deviation in outturn compared with BE was (-) 29.99 per cent. This was due to deviation between 0 to ± 25 per cent in 42 grants, between ± 25 per cent to ± 50 per cent in nine grants, between ± 50 per cent to ± 100 per cent in 34 grants and equal to or more than 100 per cent in six grants.

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 as detailed in **Table 3.4**.

Table 3.4: Expenditure Composition Outturn

(₹ in crore)

Description	Original Approved Budget (BE)	Revised (RE)	Actual Outturn	Difference between BE & RE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(5)	(6)
Revenue	520351.04	473043.44	434720.69	47307.60	(-)38322.75
Capital	213372.36	203049.98	149389.40	10322.38	(-)53660.58
Total	733723.40	676093.42	584110.09	57629.98	(-)91983.33

Source: Appropriation Accounts and Budget document

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

In Revenue section, deviation in outturn compared with RE was (-) 8.10 per cent. This was due to deviation between 0 to ± 25 per cent in 72 grants, between ± 25 per cent to ± 50 per cent in 12 grants and between ± 50 per cent to ± 100 per cent in seven grants.

In capital section, deviation in outturn compared with RE was (-) 26.43 per cent. This was due to deviation between 0 to ± 25 per cent in 44 grants, between ± 25 per cent to ± 50 per cent in 16 grants, between ± 50 per cent to ± 100 per cent in 27 grants and more than or equal to 100 per cent in four grants.

3.2 Comments on integrity of budgetary and accounting process

Deviations from prescribed budgetary and accounting process procedures are discussed in this section.

3.2.1 Regularisation of excess expenditure

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be laid before the Legislative Assembly of the State, a demand for such excess.

Para 137 of UPBM lays down that if after the close of the year, it is revealed that any expenditure was incurred under any Grant or Charged Appropriation in excess of the total appropriation for that year under that Grant or Charged Appropriation, the excess expenditure should be regularised, on the basis of the recommendation of the Committee on Public Accounts, by presenting to the Legislative Assembly demands for excess grants as required under Article 205(1)(b) of the Constitution.

Excess disbursements amounting to ₹ 32,533.56 crore under 104 grants and 49 appropriations pertaining to the years 2005-06 to 2023-24, as commented in the Appropriation Accounts of respective years, are yet to be regularised by the State Legislature as detailed in **Table 3.5**.

Table 3.5: Excess expenditure yet to be regularised

(₹ in crore)

Year	Description of Grant/ Appropriation	Amounts of excess expenditure required to be regularised
2005-06	Revenue Voted- 8,12,53,55,57,58,72 Capital Voted-15,16,18,23, 33, 34,37,38,40, 55,56, 57,58,73,75,96 Revenue Charged-1,52; Capital Charged-52,55	869.05
2006-07	Revenue Voted-9,13,55,58,61,62,73,91,95 Capital Voted-3,16,31, 37, 55,57,58,89,96 Revenue Charged-2,3,10,52,62,89	2484.47

Year	Description of Grant/ Appropriation	Amounts of excess expenditure required to be regularised
2007-08	Revenue Voted-51,55,57,58,62; Capital Voted-13,16,55,58,63,83,96 Revenue Charged-51,66	3610.65
2008-09	Revenue Voted-62,96; Capital Voted-55,58,96 Revenue Charged-52	3399.42
2009-10	Revenue Voted-58; Capital Voted-1,16,55,58,59 Revenue Charged-3,10,16,48,52,66	1250.16
2010-11	Revenue Voted-30,51,91; Capital Voted-10,55,58 Revenue Charged-10,23,61,82	1702.62
2011-12	Revenue Voted-21,62,91; Capital Voted-1,55,58 Revenue Charged-13,18,23,61,62,82	1889.66
2012-13	Revenue Voted-51,57; Capital Voted-55,58 Revenue Charged-55,62,89	2380.23
2013-14	Capital Voted – 55, 58 Capital Charged – 52	2608.18
2014-15	Revenue Voted – 57,91; Capital Voted -1,40,55,57,58 Revenue Charged -13	2225.32
2015-16	Capital Voted – 55,57,58,87 Revenue Charged – 2,23,52,62	1566.71
2016-17	Capital Voted – 55,58,87 Revenue Charged – 89; Capital Charged – 61	5662.17
2017-18	Revenue Voted- 62; Capital voted-55 Revenue Charged-91; Capital Charged-58	1337.17
2018-19	Revenue Voted -57; Capital Voted – 55, 57, 58 Revenue Charged – 52; Capital Charged – 10, 21, 55	1539.44
2019-20	Capital Charged – 55	0.11
2020-21	Revenue Voted -57; Capital Voted –55; Capital Charged – 55	8.10
2023-24	Revenue Charged - 62	0.10
Total excess expenditure relating to previous years requiring regularisation		32533.56

Source: Appropriation Accounts of respective years

Excess expenditure vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public money and its non-regularisation is an infringement of the constitutional provision. The excess expenditure over the authorisation and non-regularisation of excess expenditure have been regularly reported in previous State Finances Audit Reports of Uttar Pradesh. However, the cases of excess expenditure pertaining to the years 2005-06 to 2023-24 are yet to be placed before State Legislature for regularisation by the Finance Department. This is in violation of Articles 204 and 205 of the Constitution, which provide that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature.

3.2.2 Misclassification of expenditure

The Finance Department has adopted a list of Object heads as primary unit of appropriation showing economic nature of expenditure. As such, certain Object heads correspond only to Revenue nature of expenditure as they do not result in creation of assets. Further, certain Object heads can only be associated with capital nature of expenditure since assets are created from these provisions and need to be budgeted and accounted for accordingly.

Audit noticed misclassification between revenue and capital expenditure under object heads 15 (Maintenance of vehicle and purchase of petrol, etc.), 16 (Payment for Commercial and Special Services), 25 (Minor Construction Works), 29 (Maintenance), 47 (Maintenance of Computer/ Purchase of related Stationery) and 58 (Payment for outsourcing services) as summarised in **Table 3.6**.

Table 3.6: Classification of Revenue expenditure as Capital Expenditure
(₹ in crore)

Sl. No.	Object Head	Object Head Nomenclature	Major Head	Expenditure in 2023-24
1.	15	Maintenance of vehicle and purchase of petrol etc.	4406	0.12
2.	16	Payment for Commercial and Special Services.	4059, 5054	21.18
3.	25	Minor Construction Works	4055, 4058, 4059, 4070, 4202, 4210, 4216, 4225, 4235, 4250, 4406, 4415, 4702, 4851	159.10
4.	29	Maintenance	4406, 4215	100.17
5.	47	Maintenance of Computer/ Purchase of related Stationery.	4202, 5054	1.23
6.	58	Payment for outsourcing services	4070	1.59
Understatement of Revenue Expenditure				283.39

Source: Finance Accounts 2023-24

As a result of misclassification of revenue expenditure as capital expenditure as detailed in **Table 3.6**, State's Revenue Surplus during the year 2023-24 was overstated by ₹ 283.39 crore.

3.2.3 Lump sum budgetary provisions

Availability of reliable, relevant and timely information about the institutional arrangements for public finance allows for the assessment of a Government's financial position and the true cost of government activities. Transparency is a means to strengthening governance.

As per Para 31 of UPBM, lump sum provisions should not, as a rule, be made in the estimates except when the expenditure out of lump sum allotments is regulated by standing sanctions, instructions or rules.

During the year 2023-24, lump sum provisions of ₹ 11,022.30 crore were made under various Heads of 17 Grants without indicating scheme details (**Appendix-3.1**). Out of these lump sum provisions, actual expenditure of ₹ 6,474.16 crore (58.74 *per cent* of the provision) was incurred.

In case of Capital (Voted) section of Grant No. 58-Public Works Department (Communications-Roads), the lump sum provisions of ₹ 7,049.00 crore were made for road works in the original budget provision, which constituted 40.09 *per cent* of the budgeted original provisions of ₹ 17,582.52 crore under Capital (Voted) section of the Grant. Out of this, the actual expenditure was ₹ 5,623.21 crore.

Lump sum provisions without identifying the exact object of expenditure are against transparent budgetary practices.

3.2.4 Discrepancies in depiction of Centrally Sponsored Schemes

The Uttar Pradesh Budget Manual and the Guidelines issued for preparation of Budget provide that the budget provisions should be made with specified funding pattern (Central share/State share/Financial Institution) with appropriate detailed head under sub-head in respect of Centrally Sponsored Schemes.

Scrutiny of Budget Documents for 2023-24 revealed that the aforesaid criteria for recording funding pattern were not adhered. In case of 22 programmes under Centrally Sponsored Schemes (**Appendix-3.2**) funding pattern (Central share/ State share/ Financial Institution) was not mentioned with detailed head. Further, in case of four programmes under Centrally Sponsored Schemes (**Appendix-3.3**) the sum total of Central share and State share was less than 100 *per cent* without specifying any reason.

The matter was also highlighted in previous the State Finances Audit Reports for the year ended 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023.

3.3 Comments on effectiveness of budgetary and accounting process

Details of budgetary allocations, actual disbursement, savings and surrenders and their impact on envisaged Schemes/Projects are discussed in succeeding paragraphs.

3.3.1 Budget projection and gap between planning and execution

The summarised position of Budget provisions, Supplementary provisions, actual expenditure against total budget provisions and savings under Revenue Voted, Revenue Charged, Capital Voted and Capital Charged sections for the financial year 2023-24 is detailed in **Table 3.7**

Table 3.7: Summarised position of Actual Expenditure vis-à-vis Budget provisions during the year 2023-24

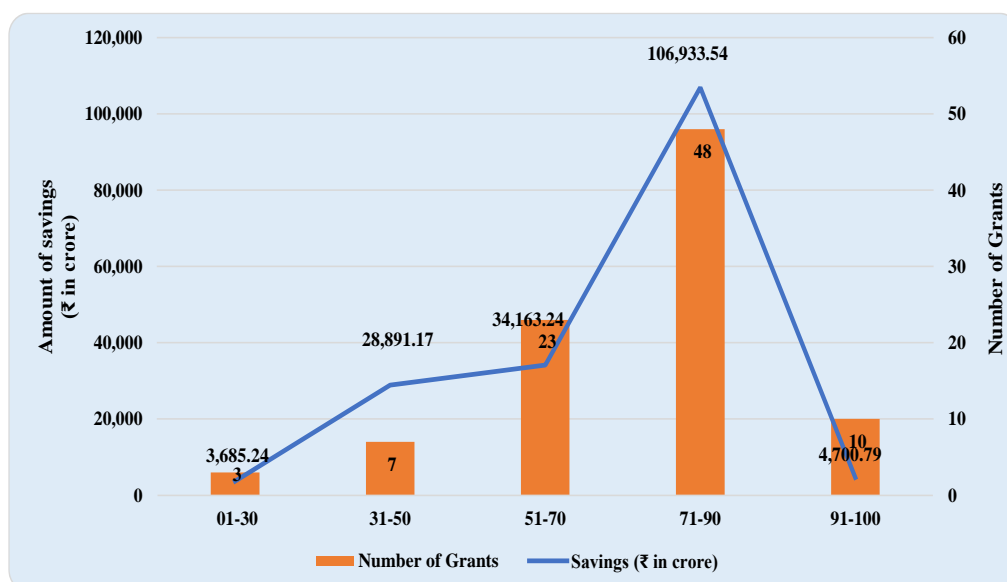
(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary Grant	Total Grant/ Appropriation	Actual Expenditure	Savings	Surrender	
							Amount	Percentage
Voted	Revenue	466547.59	18192.00	484739.59	385132.11	99607.48	20770.24	20.85
	Capital	172925.82	8821.96	181747.78	119966.09	61781.69	23200.02	37.55
	Loans & Advances	9214.71	881.41	10096.12	8014.96	2081.16	30.54	1.47
Total		648688.12	27895.37	676583.49	513113.16	163470.33	44000.80	26.92
Charged	Revenue	53803.45	854.39	54657.84	49588.58	5069.26	80.64	1.59
	Capital	50.40	1.10	51.50	19.72	31.78	23.10	72.69
	Public Debt-Repayment	31181.43	9.81	31191.24	21388.63	9802.61	00	00
Total		85035.28	865.30	85900.58	70996.93	14903.65	103.74	0.70
Grand Total		733723.40	28760.67	762484.07	584110.09	178373.98	44104.54	24.73

Source: Appropriation Accounts 2023-24

During 2023-24, actual expenditure was ₹ 5,84,110.09 crore against the total provision of ₹ 7,62,484.07 crore. The overall savings of ₹ 1,78,373.98 crore were 23.39 per cent of total provision, which was mainly under Revenue Voted (20.55 per cent) and Capital Voted (33.29 per cent) sections. This indicates wide gap between planning and execution by the State Government.

Detail of grants grouped by the percentage of utilization along with total savings during 2023-24 has been shown in **Appendix 3.4** and **Chart 3.3**.

Chart 3.3: Distribution of the number of Grants/Appropriations grouped by the percentage of savings along with total savings

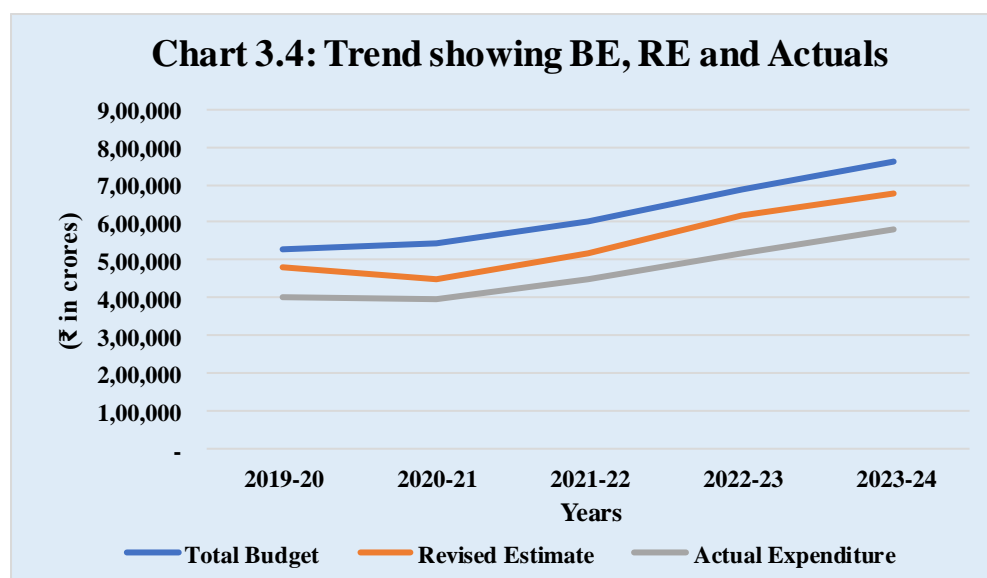
Source: Appropriation Accounts 2023-24

Trends in the original budget, revised estimates and actual expenditure for the period 2019-20 to 2023-24 are given in **Table 3.8**.

Table 3.8: Original Budget, Revised Estimate and Actual Expenditure during 2019-24

(₹ in crore)

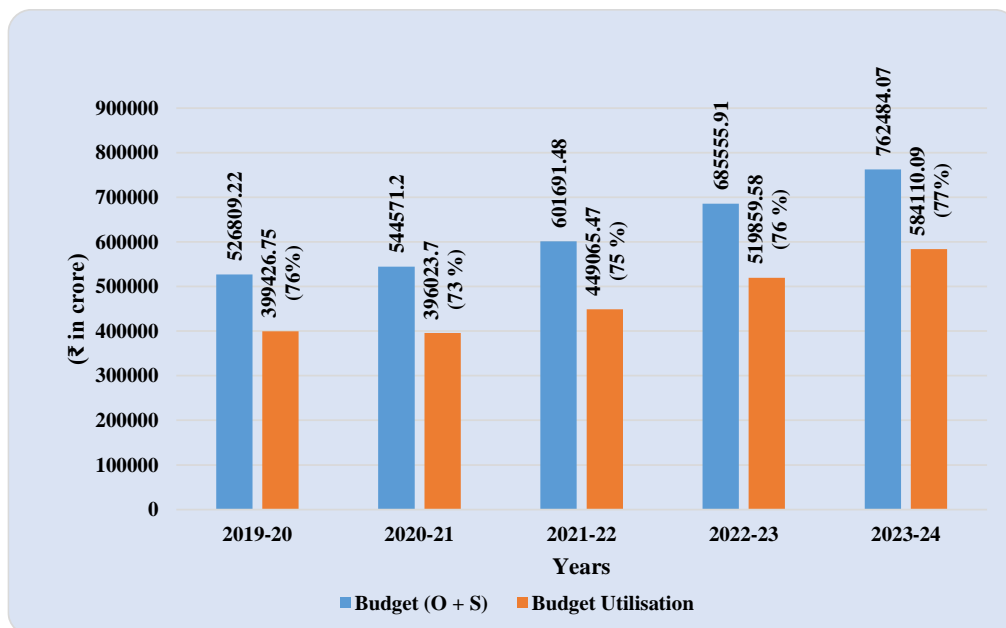
Details	2019-20	2020-21	2021-22	2022-23	2023-24
Original Budget	509003.49	544571.20	585910.43	651786.36	733723.40
Supplementary Budget	17805.73	00	15781.05	33769.55	28760.67
Total Budget(TB)	526809.22	544571.20	601691.48	685555.91	762484.07
Revised Estimate(RE)	481130.95	446224.67	517531.86	619139.44	676093.42
Actual Expenditure(AE)	399426.75	396023.70	449065.47	519859.58	584110.09
Savings	127382.47	148547.50	152626.01	165696.33	178373.98
Percentage of supplementary to original provision	3.50	00	2.69	5.18	3.92
Percentage of overall savings to the overall provision	24.18	27.28	25.37	24.17	23.39
TB –RE	45678.27	98346.53	84159.61	66416.47	86390.65
RE-AE	81704.20	50200.97	68466.39	99279.86	91983.33
(TB-RE) as % of TB	8.67	18.06	13.99	9.69	11.33
(RE-AE) as % of RE	16.98	11.25	13.23	16.04	13.61

*Source: Annual Financial Statement and Appropriation Accounts*Trend showing BE, RE and Actuals were as depicted in **Chart 3.4**.

From **Table 3.8** and **Chart 3.4**, it can be seen that over the years from 2019-20 to 2023-24, the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. The gap between the RE and the TB increased during 2023-24 as compared to 2022-23. Savings varied between 23.39 per cent (2023-24) and 27.28 per cent (2020-21) of budget provisions during 2019-24. Further, Actual Expenditure was lower than the RE throughout during 2019-24, and it ranged between 11.25 per cent (2020-21) and 16.98 per cent (2019-20). As such, the expenditure did not come up to the level of original budget provisions.

Pattern of lower budget utilisation against provision during the last five years (2019-24) has been visualised in **Chart 3.5**.

Chart 3.5: Budget provisions and utilisation of budget during last five years (2019-24)



Source: Appropriation Accounts of respective years

Chart 3.5 shows that the budgetary provisions increased consistently during the last five years (2019-24). Actual expenditure also increased during 2021-22 to 2023-24, but it remained 75 per cent to 77 per cent of budget provision. This reflects that budgetary allocations were based on unrealistic proposals. A comparison between estimated receipts and actual receipts during 2023-24 also revealed resource gap to meet the budget provisions for total budgeted expenditure, as detailed in **Table 3.9**.

Table 3.9: Budget Estimates and Actual Receipts during 2023-24

(₹ in crore)				
Item of receipts	Budget Estimates	Actual Receipts	Shortfall/excess of actual receipts vis-à-vis Budget Estimates	Percentage of Shortfall/excess
(i) Revenue receipts of which	570865.66	465801.15	(-) 105064.51	(-) 18.40
Own Tax Revenue	262634.00	193129.35	(-) 69504.65	(-) 26.46
Share of Union Taxes/Duties	183237.59	202619.69	19382.10	10.58
Non Tax Revenue	23790.77	14249.49	(-) 9541.28	(-) 40.10
Grants-in-aid from GoI	101203.30	55802.62	(-) 45400.68	(-) 44.86
(ii) Recovery of Loans and advance	3312.18	1834.44	(-) 1477.74	(-) 44.62
(iii) Public Debt	109114.90	120653.96	11539.06	10.58
Total Receipts	683292.74	588289.55	(-) 95003.19	(-) 13.90

Source: Budget document of the State Government and Finance Accounts

As evident from **Table 3.9**, there was substantial gap (₹ 95,003.19 crore) between estimated resources in Budget 2023-24 and actual receipts. Therefore, the State Government may review the increase in budget size vis-à-vis available revenue space.

3.3.2 Unspent budget provisions

Defective or inaccurate budgeting, necessitating large surrenders or resulting in excesses has been considered a financial irregularity in terms of Para 174 of UPBM. The guidelines for preparation of budget, issued by the Finance Department every year at the commencement of budgetary process, also lays stress on accuracy of estimates and contemplates of fixing personal responsibility of officers found responsible for inaccuracies in demands.

Audit scrutiny of budget provision *vis-à-vis* savings with regards to 91 grants under Appropriation Accounts for the year 2023-24 revealed that in 57 cases pertaining to 57 Grants under Revenue-Voted and in 35 cases pertaining to 35 Grants under Capital-Voted sections (where savings in each case were more than ₹ 100 crore), savings of ₹ 99,008.04 crore and ₹ 62,584.28 crore respectively were recorded. Similarly, in two cases pertaining to two Grants under Revenue Charged Section and in one case pertaining to one Grant under Capital Charged Sections (where savings in each case were more than ₹100 crore), savings of ₹ 4,983.10 crore and ₹ 9,802.52 crore respectively were recorded during 2023-24. Thus, there were total savings amounting to ₹ 1,76,377.94 crore (24.23 *per cent*) in 95 cases of 65 Grants (exceeding ₹ 100 crore in each case) as detailed in **Appendix-3.5** and summarised in **Table 3.10**.

Table 3.10: Summary of grants having large savings above ₹100 crore during the period 2023-24

(₹ in crore)						
Sl. No	Section of Grant	Number of Cases	Total Provision	Expenditure	Savings	Savings over total provisions (<i>per cent</i>)
1.	Revenue Voted	57	465936.15	366928.11	99008.04	21.25
2.	Capital Voted	35	184753.40	122169.12	62584.28	33.87
Total Voted		92	650689.55	489097.23	161592.32	24.83
1.	Revenue Charged	2	50432.92	45449.82	4983.10	9.88
2.	Capital Charged	1	26750.56	16948.04	9802.52	36.64
Total Charged		3	77183.48	62397.86	14785.62	19.16
Grand Total		95	727873.03	551495.09	176377.94	24.23

Source: Appropriation Accounts 2023-24

Large savings are indicative of poor budgeting or shortfall in performance or both, in respect of concerned schemes being implemented by the Department.

3.3.3 Persistent Savings

Persistent savings (₹100 crore and above) had been commented upon in previous State Finances Audit Reports of Uttar Pradesh and the State Government was recommended to review the reasons for non-utilisation of provisions under various schemes for more judicious provision in future years.

In 27 cases involving 24 grants, it was noticed that there were persistent savings (₹ 100 crore and above) during the last five years ranging between ₹ 124.91 crore and ₹ 18,142.29 crore. The persistent savings are detailed in **Appendix-3.6** and summarised in **Table 3.11**.

Table 3.11: Summary of grants having persistent savings during the period 2019-24
(₹ in crore)

Nature of expenditure	No. of Cases	Amount of Savings				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Voted	23	47801.39	53290.45	52515.92	61142.03	65172.09
Capital Voted	04	12115.09	10233.06	11636.85	5663.27	13950.15
Total	27	59916.48	63523.51	64152.77	66805.30	79122.24

Source: Appropriation Accounts of respective years

Persistent savings in substantial number of grants over the years are indicative of improper assessment of the requirement of fund by the State Government repeatedly.

3.3.4 Unnecessary Supplementary Grants

Para 162 of UPBM, *inter-alia* stipulates that Supplementary grants or appropriations are required in the cases when the amount included in a grant or appropriation authorised by the Appropriation Act is found to be insufficient for the year or when need has arisen for incurring expenditure upon some new services, scheme or item not contemplated in the Appropriation Act for the year.

Appropriation Accounts for the year 2023-24 revealed that Supplementary provisions (₹ 1.00 crore or more in each case) made in 72 cases of 37 Grants amounting to ₹ 3,312.20 crore proved unnecessary due to savings of ₹ 17,051.03 crore in these Grants. The expenditure was up to or less than the level of original provisions as detailed in the **Appendix-3.7** and summarised in **Table 3.12**.

**Table 3.12: Summary of cases in which supplementary provisions
(₹ 1 crore or more in each case) proved unnecessary in 2023-24**

(₹ in crore)

Sl. No	Section of the Grant	Total Cases	Original Provision	Supplementary Provision	Total	Expenditure	Savings
1.	Revenue Voted	39	39633.54	932.80	40566.34	31993.76	8572.58
2.	Capital Voted	33	30654.84	2379.40	33034.24	24555.79	8478.45
Total		72	70288.38	3312.20	73600.58	56549.55	17051.03

This shows absence of adequate justification for obtaining supplementary provisions resulting in substantial savings under these Grants. Moreover, this is also indicative of poor budget discipline as it entails that supplementary provisions were not based on careful assessment of fund requirement.

3.3.5 Unnecessary Re-appropriations

Para 147 of UPBM stipulates that expenditure under each unit of appropriation should be kept within the amount originally provided under that unit of appropriation. However, if the original/ supplementary provision on a scheme/ service is found short of requirement, the Government may resort to re-appropriation which is transfer of savings from one head of the grant to another, within the same section of the grant.

Audit noticed that during 2023-24, in 47 sub-heads involving 21 Grants (*Appendix-3.8*), the total budget provision was ₹ 11,549.12 crore, and further augmentation of ₹ 473.49 crore was made through re-appropriation. However, re-appropriation proved unnecessary, as in each case, expenditure was within the total budget provision under these sub-heads. There were overall savings of ₹ 2,443.96 crore in these 47 sub-heads as summarised in **Table 3.13**.

Table 3.13: Summarised position of unnecessary re-appropriation

(₹ in crore)

Grants	Sub Head	Total Provision	Re-appropriations	Total provision after re-appropriation	Expenditure	Savings
21	47	11549.12	473.49	12022.61	9578.65	2443.96

Source: Appropriation Accounts 2023-24

This shows absence of adequate justification for resorting to re-appropriation under these Grants while sufficient budgetary provisions were already available.

3.3.6 Rush of expenditure

Under Rule 62 (3) of the General Financial Rules, applicable in the Central Government, rush of expenditure, particularly in the closing month of

financial year, has been regarded as a breach of financial propriety. However, no specific instructions have been given in the UPBM to prevent rush of expenditure.

Audit scrutiny of Appropriation Accounts for the year 2023-24 revealed that under four Grants, the expenditure incurred during the month of March 2024 ranged between 51 and 68 *per cent* as detailed in **Appendix 3.9**. The expenditure under these Grants during the fourth quarter of the year 2023-24 ranged between 56 *per cent* and 71 *per cent*.

Further examination revealed that out of ₹ 16,111.18 crore incurred under Grant No. 58 (PWD-Communication and Roads) during March 2024, ₹ 268.60 crore was transferred to Personal Deposit (PD)/Personal Ledger Account (PLA) (Heads 844300101 and 844300117) in six districts (Ayodhya, Baharaich, Lucknow, Prayagraj, Siddharthnagar and Varanasi). Similarly, out of ₹ 126.30 crore incurred under Grant No. 55 (PWD-Buildings) in March 2024, ₹ 4.86 crore was transferred to PD/PLA (Heads 844300117) in Amethi district.

3.3.7 Scheme (Sub heads) for which budget provisions could not be utilised

Para 212 of UPBM outlines that rigorous project formulation and appraisal have a major bearing on the relevance and impact of projects as well as on their timely implementation.

Audit scrutiny of Appropriation Accounts 2023-24 revealed that the State Government did not incur any expenditure under 26 schemes (**Appendix-3.10**) in 15 Grants for which budget provision of one hundred crore and above were made, as summarised in **Table 3.14**.

Table 3.14: Summary of schemes in which original provisions not utilised

(₹ in crore)

Number of Grants	Number of Schemes	Original Provision	Total Expenditure	Saving
15	26	9859.33	0.00	9859.33

Source: Appropriation Accounts 2023-24

Scheme (Sub heads) from which budget provisions were re-appropriated to other Schemes

Further, the State Government provisioned ₹ 2,465.30 crore for 50 schemes under 26 Grants for which budget provision of ten crore and above were made during the year 2023-24 (**Appendix-3.11**), but no expenditure was incurred and the provisions were re-appropriated (₹ 2,465.30 crore) from these schemes.

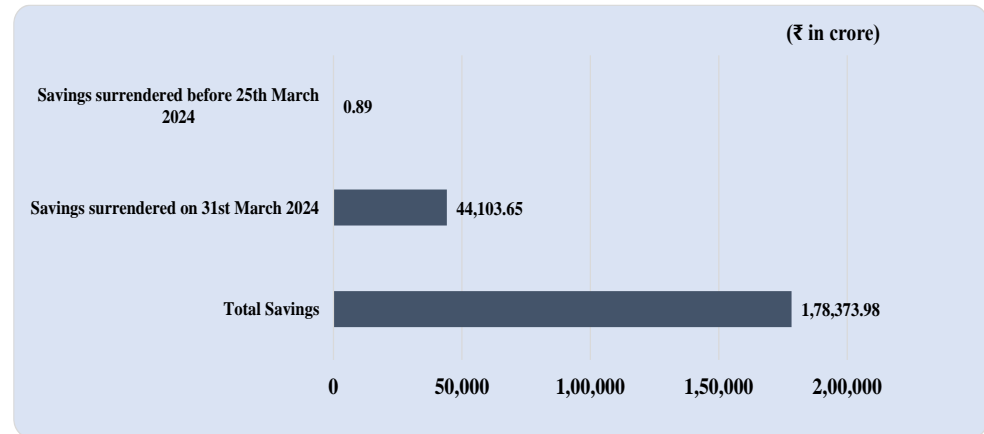
Non-utilisation of funds under above 76 schemes indicated that either the budgeting was done without due prudence or there was slippage in programme implementation.

3.3.8 Delayed surrender of Savings

Para 141 of UPBM directs Controlling Officers that all final savings must be surrendered to the Finance Department by 25th March. Officers making belated surrenders, when savings could reasonably have been foreseen and surrendered earlier, would be held responsible for the resultant financial irregularity if the Finance Department is not able to accept such surrenders.

The detail of savings and surrenders during the year 2023-24 is plotted in **Chart 3.6**.

Chart 3.6: Total Savings and Surrenders during the year 2023-24



Source: Appropriation Accounts 2023-24

It can be seen in **Chart 3.6** that out of the total savings of ₹ 1,78,373.98 crore, the amount surrendered was ₹ 44,104.54 crore (24.73 per cent). Out of total surrender, ₹ 0.89 crore was surrendered before 25 March 2024 and remaining ₹ 44,103.65 crore was surrendered on the last day of financial year. Remaining savings of ₹ 1,34,269.44 crore (75.27 per cent) was not surrendered. Further, the surrenders done on the last day of the financial year was in gross violation of the directions of UPBM.

Surrenders in Excess of actual savings

In 15 cases involving 13 Grants (₹1.00 crore or more in each case) as against saving of ₹ 10,649.42 crore, ₹ 11,926.55 crore was surrendered resulting in excess surrenders of ₹ 1,277.13 crore during the year 2023-24 (**Appendix 3.12**) and as summarised in **Table 3.15**.

Table 3.15: Summary of schemes in which surrender excess to savings

(₹ in Crore)

Serial No.	Description	Saving	Surrender	Excess Surrender
1.	Revenue Voted (10 Cases)	6757.62	6856.92	99.30
2.	Revenue Charged (One Case)	6.45	6.49	0.04
3.	Capital Voted (Four Cases)	3885.35	5063.14	1177.79
Total		10649.42	11926.55	1277.13

Source: Appropriation Accounts 2023-24

Such surrenders in excess of actual saving indicate that the departments did not exercise adequate budgetary controls by watching flow of expenditure.

3.4 Conclusion

- Out of total budget provision of ₹ 7,62,484.07 crore during the year 2023-24, there were overall savings of ₹ 1,78,373.98 crore. Budgetary provisions increased consistently during the last five years (2019-24) but utilization of budget remained in the range of 73 *per cent* to 77 *per cent*. However, there was increase of ₹ 64,250.51 crore (12.36 *per cent*) in actual expenditure during 2023-24 over the previous year 2022-23.
- There were cases of misclassification of expenditure, rush of expenditure in the last quarter of the financial year, unutilised provisions under large number of schemes and unnecessary re-appropriation of budget provisions. Besides, Departmental Controlling Officers did not surrender savings and 75.27 *per cent* of savings lapsed.
- Excess disbursements of ₹ 32,533.56 crore under 104 Grants and 49 Appropriations pertaining to the years 2005-06 to 2023-24 are yet to be placed before the State Legislature for regularisation. Excess expenditure requires regularisation under Article 205 of the Constitution of India.

3.5 Recommendations

5. *The Finance Department should review the reasons due to which the provisions under various Grants/Appropriations remained unutilised and take steps to make more judicious budget provisions in future years.*
6. *Re-appropriations should be based on careful assessment of fund requirements. Finance Department may advice line departments to improve accuracy in cost estimation of Schemes/Projects at the time of submitting Revised Estimates in order to optimise utilisation of funds.*
7. *The Finance Department should monitor trend of expenditure by Departmental Controlling Officers, so that funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapse of allocations.*
8. *Classification of some expenditure items as Capital or Revenue nature included in certain Object Heads, as pointed out in Paragraph 3.2.2 needs review and redressal to align it with UPBM.*

9. *The Government may consider issuing guidelines to control rush of expenditure towards the closing months of the financial year especially in the month of March in order to maintain a steady pace of expenditure.*
10. *The State Government should ensure that all the existing cases of excess expenditure are placed before the State Legislature for regularisation in term of the provisions contained in Article 205 of the Constitution.*