

## CHAPTER- II

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

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

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-2011 against 31 grants/appropriations is given in **Table 2.1**:

**Table-2.1: Summarized Position of Original/Supplementary provisions vis-à-vis Actual Expenditure during the year 2010-2011.**

(₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	1,02,34.27	10,98.92	1,13,33.19	1,00,03.96	(-) 1,329.23
	II Capital	20,04.07	6,87.22	26,91.29	33,27.07	(+) 635.78
	III Loans and Advances	1,50.54	-	1,50.54	59.68	(-) 90.86
	<b>Total Voted</b>	<b>1,23,88.88</b>	<b>1,786.14</b>	<b>1,41,75.02</b>	<b>1,33,90.71</b>	<b>(-) 784.31</b>
<b>Charged</b>	IV Revenue	17,62.38	32.90	17,95.28	16,36.07	(-) 159.21
	V Capital	1.01	5.81	6.82	2.03	(-) 4.79
	VI Public Debt- Repayment	1299.63	-	1299.63	1180.34	(-) 119.29
	<b>Total Charged</b>	<b>30,63.02</b>	<b>38.71</b>	<b>3101.73</b>	<b>28,18.44</b>	<b>(-) 283.29</b>
	Appropriation to Contingency Fund (if any)	-	-	-	-	
	<b>Grand Total</b>	<b>1,54,51.90</b>	<b>1824.85</b>	<b>1,72,76.75</b>	<b>1,62,09.15</b>	<b>(-) 1,067.60</b>

The overall saving of ₹ 1,067.60 crore (**Table-2.1**) was the result of saving of ₹ 2,362.99 crore in grants and appropriations under Revenue Section (37 cases), and Capital Section (23 cases) offset by excess of ₹ 1,295.39 crore in six grants and three appropriations.

Departments against which significant savings were noticed during the year were Finance (₹ 375.16 crore), Energy (₹ 286.69 crore), Water Supply, Housing & Urban Development (₹ 372.80 crore), Welfare of Scheduled Castes (₹ 214.30 crore), Education, Sports, Youth Welfare and Culture (₹ 236.22 crore) and Medical Health & Family Welfare (₹ 186.91 crore). Similarly, departments against which significant excess expenditure over the allotments noticed during the year 2010-11 were Food (₹ 1,207.14 crore), Agriculture (₹ 30.82 crore), Irrigation (₹ 28.09 crore), Public Works Department (₹ 25.87 crore) and Horticulture (₹ 3.00 crore) respectively.

The savings/excess (Detailed Appropriation Accounts) were intimated (July 2011) to the Controlling Officers requesting them to furnish reasons for substantial savings/excess. Their replies were awaited as of November 2011.

## **2.3 Financial Accountability and Budget Management**

### **2.3.1 Appropriation vis-à-vis expenditure**

The outcome of the appropriation audit reveals that in 52 cases, savings exceeded ₹ one crore in each case, and more than 20 *per cent* of total provision in 22 cases (**Appendix-2.1**). Against the total savings of ₹ 2,362.99 crore, savings of ₹ 1,904.96 crore (80.62 *per cent*)<sup>1</sup> occurred in 14 cases relating to nine grants and two appropriation as indicated in **Table 2.2**.

**Table-2.2: List of Grants/appropriation with savings of ₹ 50 crore and above**

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	1,818.59	54.63	1,873.22	1,766.87	106.35
2	11-Education, Sports, Youth Welfare & Culture	2,864.34	374.15	3,238.49	3,062.47	176.02
3	12-Medical, Health & Family Welfare	688.07	28.05	716.12	591.73	124.39
4	13-Water Supply, Housing & Urban Development	748.11	99.67	847.78	474.98	372.80
5	15-Welfare	375.77	89.49	465.26	381.54	83.72
6	19-Rural Development	433.40	29.48	462.88	387.66	75.22

<sup>1</sup> Exceeding ₹ 50 crore in each case.

7	17-Agriculture Works & Research	370.65	60.84	431.49	348.78	82.71
8	30 – Welfare of Scheduled Castes	448.01	41.19	489.20	393.01	96.19
<b>Capital-Voted</b>						
9	11-Education, Sports, Youth Welfare & Culture	47.63	1,11.97	159.60	99.40	60.20
10	12-Medical, Health & Family Welfare	110.67	18.73	129.40	66.88	62.52
11	21-Energy	385.65	10.69	396.34	109.65	286.69
12	30-Welfare of Scheduled Castes	210.95	49.65	260.60	142.49	118.11
<b>Revenue-Charged</b>						
13	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	1,715.93	30.47	1,746.40	1,605.65	140.75
<b>Capital – Charged</b>						
14	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	1299.63		1299.63	1180.34	119.24
<b>Total</b>		<b>11,517.40</b>	<b>999.01</b>	<b>12,516.41</b>	<b>10,611.45</b>	<b>1904.96</b>

The reasons for savings were awaited as of November 2011.

### **2.3.2 Persistent Savings**

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

**Table-2.3: List of Grants indicating persistent savings during last five years**  
(₹ in crore)

Sl.No.	No and Name of grant	Amount of Saving				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue-Voted						
1	04-Judicial Administration	15.59	18.69	16.29	28.57	29.91
2	05-Election	1.37	3.82	3.68	3.65	1.03
3	06-Revenue & General Administration	90.37	30.52	67.57	56.74	29.52
4	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	114.41	106.16	394.33	418.97	106.35
5	12-Medical, Health & Family Welfare	172.06	86.33	122.06	91.88	124.39
6	13-Water Supply, Housing & Urban Development	423.35	68.45	88.69	47.75	372.80
7	15-Welfare	23.84	36.41	93.53	80.43	83.72
8	16-Labour & Employment	42.48	38.41	35.29	5.61	12.08
9	18-Co-operative	7.96	1.39	7.72	1.83	4.87
10	19-Rural Development	71.45	49.63	45.13	70.21	75.22
11	22-Public Works	68.41	29.78	51.18	28.64	34.94

12	23-Industries	43.21	14.96	13.08	1.34	5.15
13	24-Transport	21.57	10.10	11.56	5.62	2.52
14	26-Tourism	1.20	0.71	2.31	2.85	2.92
15	28-Animal Husbandry	19.64	12.18	7.38	8.49	15.53
<b>Capital-Voted</b>						
1	07- Finance, Tax, Planning, Secretariat & Miscellaneous Services	126.95	24.06	45.12	51.24	8.78
2	11-Education, Sports, Youth Welfare & Culture	71.17	16.97	14.57	7.80	60.20
3	15-Welfare	16.25	2.15	6.39	5.09	13.74
4	23-Industries	122.69	40.58	5.41	9.55	11.54

Despite mention made in the Comptroller & Auditor General of India's State Finances Report for the year 2009-10, a substantial number of cases were noticed where savings persisted during the year which is indicative of over assessment of requirement of funds. This needs to be reviewed.

### **2.3.3 Excess Expenditure**

In five cases, expenditure aggregating ₹ 2,456.57 crore exceeded the approved provision by ₹ 1,294.45 crore which was more than ₹ one crore in each case or by more than 20 *per cent* of the total provision. Details are given in **Appendix-2.2**. Of these, in the following grants/heads (**Table 2.4**), excess expenditure has been observed consistently during the last five years:

**Table-2.4: List of Grants indicating persistent excess expenditure during 2006-11**

(₹ in crore)						
Sl.No.	No and Name of grant	Amount of excess expenditure				
		2006-07	2007-08	2008-09	2009-10	2010-11
Capital-Voted						
1	17-Agriculture works & Research(voted)	4.15	14.81	11.72	11.73	30.82
2	25-Food	404.16	367.77	564.40	916.31	1207.14
Total		408.31	382.58	576.12	9,28.04	12,37.96

Persistent excess under the grants/heads was indicative of un-realistic budgetary techniques. Thus, for a sound financial management, assessment of requirement of funds under the heads should be more realistic to avoid recurrence of such instances of persisting excess expenditure in future.

Reasons for persistent excesses were awaited (November 2011).

### **2.3.4 Expenditure without Provision**

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 2.99 crore was incurred in one case as detailed in **Table 2.5**

without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

**Table-2.5: Expenditure incurred without provision during 2010-11**

(₹ in crore)

No. and Name of Grants	Amount of Expenditure without provision	Reasons/Remarks
29-Horticulture Development Capital(voted)	2.99	Reasons were awaited

Despite a mention was made in the earlier report of CAG of India for the year ended 31 March 2010, the State Government seemed to have not taken cognizance and have incurred an expenditure ₹ 2.99 crore under the same head without any budgetary provision during the current year also, which was irregular and unauthorized and needs regularization.

### 2.3.5 Excess over provision relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 4,487.11 crore pertaining to previous years 2005-10 was yet to be regularized by the State Legislature. The year-wise amount of excess expenditure pending regularization is summarized in **Table 2.6**.

**Table-2.6: Excess expenditure over the provision relating to previous years requiring regularization**

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grant / Appropriation	Details of Grant / Appropriation		
2005-06	7	7,8,17,20,22,25&29	663.50	Status not intimated by the State Government
2006-07	6	7,17,20,22,25& 29	935.92	
2007-08	6	7,17,20, 22,25 & 29	733.79	
2008-09	6	7,17, ,20,22,25&29	1,146.41	
2009-10	7	7,17,18,21,22,25&29	1,007.49	
<b>Total</b>			<b>4,487.11</b>	

Action needs to be initiated at the earliest to get the excess expenditure incurred over grants/ three appropriations of the previous years regularized by the state legislature.

### 2.3.6 Excess over provisions during 2010-11 requiring regularization

**Table 2.7** contains the summary of total excess expenditure registered under six grants/three appropriations amounting to ₹ 12,95,40,01 thousand over authorization from the Consolidated Fund of State (CFS) during the year 2010-11.

**Table-2.7: Excess over provision requiring regularization during 2010-11**

(₹ in thousand)

Sl. No.	Number and title of Grant/ Appropriation		Total Grant/ Appropriation	Expenditure	Excess
Revenue Voted					
1	20	Irrigation & Flood	2,83,61,58	3,11,24, 11	27,62,53
2	21	Energy	9,02,35	9,49,50	47,15
Revenue Charged					
	10	Police & Jail	...	43	43
	12	Medical, Health & Family Welfare	...	02	02
	15	Welfare	...	40	40
Capital Voted					
1	17	Agriculture Works & Research	12,80,00	43,61,86	30,81,86
2	20	Irrigation & Flood	4,23,88,39	4,24,35,31	46,92
3	22	Public Works	8,62,75,01	8,88,61,66	25,86,65
4	25	Food	2,95,01	12,10,09,37	12,07,14,36
5	29	Horticulture Development	—	2,99,69	2,99,69
Total			15,95,02,34	28,90,42,35	12,95,40,01

Reasons for the excess had not been intimated by the State Government/Department as of November 2011.

The excess expenditure over the provision under the grants/appropriations incurred during the year 2010-11, thus, would require regularization under Article 205 of the constitution.

### 2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 550.66 crore obtained in 25 cases, amounting to ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure registered under the grants was within the original provision as detailed in **Appendix-2.3**. In four cases, supplementary provision of ₹ 325.82 crore proved insufficient by more than ₹ one crore in each case leaving an aggregate uncovered excess expenditure of ₹ 12,91.45 crore (**Appendix-2.4**) of the uncovered excess expenditure, ₹ 12,07.14 crore (93.47 per cent ) was incurred alone by department of Food and Civil Supplies which is indicative of poor financial management by the department.

### **2.3.8 Excessive/unnecessary re-appropriation of funds**

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of ₹ 10 lakh and above in 86 sub-heads as detailed in **Appendix-2.5**. Of these, savings exceeding ₹ 20 crore and above occurred in three cases viz. ₹ 31.90 crore under welfare department on account of child welfare centrally sponsored scheme, ₹ 41.67 crore under Irrigation and Flood control on account of new projects for irrigation department central Plan and ₹ 76.50 crore under the grant Energy on account of capital outlay on power projects.

Reasons for the savings had not been furnished by the Government as of November 2011. The substantial savings in the three cases above indicates that the funds could not be spent as estimated and planned under the scheme by the respective departments.

### **2.3.9 Substantial surrenders**

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 62 sub-heads on account of either non-implementation or slow implementation of schemes/ programmes. Out of the total provision amounting to ₹ 262.53 crore in these 62 schemes, ₹ 209.40 crore (79.76 *per cent*) were surrendered (under the sectors General and Economic Services), which included *cent per cent* surrender in 11 schemes (₹ 17.94 crore) as detailed in **Appendix-2.6**.

### **2.3.10 Surrender in excess of actual saving**

In six cases, the amount surrendered was in excess of actual savings (₹ 50 lakh or more in each case) indicating lack of budgetary controls in these departments. As against savings of ₹ 211.45 crore in these cases, the amount surrendered was ₹ 229.62 crore resulting in injudicious excess surrender of ₹ 18.17 crore. Details are given in **Appendix-2.7**.

### **2.3.11 Anticipated savings not surrendered**

As per Budget Manual, the spending departments are required to surrender the savings under grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2010-11, there were, however, six grants/appropriations in which savings of ₹ 10 crore and above occurred but no part of it had been surrendered by the concerned departments. The amount involved in these cases was ₹ 372.22 crore (15.75 *per cent* of the total savings) (**Appendix-2.8**).



Similarly, out of savings of ₹ 1,744.24 crore (cases where savings of more than ₹ one crore occurred), amount aggregating ₹ 669.11 crore was surrendered resulting in non surrender of ₹ 1,075.13 crore (61.64 *per cent* of total savings), details of which are given in **Appendix-2.9**. Besides, in 9 cases, (surrender of funds in excess of ₹ 10 crore), ₹ 402.56 crore was surrendered (**Appendix-2.10**) on the last two working days of March 2011 thereby defeating the intended purpose of surrenders as these funds could not be utilized for other developmental purposes.

### **2.3.12 Rush of expenditure**

**Table-2.8: Cases of Rush of Expenditure towards the end of the financial year 2010-11**  
(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2011	
			Amount (₹ in crore)	Percentage of total expenditure	Amount (₹ in crore)	Percentage of total expenditure
1	2030	27.18	14.19	52	11.30	42
2	2402	1.90	1.41	60	0.71	37
3	2501	84.86	59.79	70	29.64	35
4	3054	101.29	54.91	54	45.31	45
5	3604	407.68	207.49	51	172.83	42
6	4202	121.37	91.25	75	62.35	51
7	4210	67.75	35.19	52	22.45	33
8	4225	8.37	8.37	100	7.72	92
9	4401	46.62	34.77	75	31.79	68
10	4406	16.47	10.66	65	10.24	62
11	4425	0.76	0.76	100	0.76	100
12	4701	2.11	1.80	85	1.05	50
13	4702	200.40	143.98	72	96.45	48
14	4711	20.63	15.64	76	13.53	66
15	4851	3.15	1.93	61	1.63	52
<b>Total</b>		<b>1110.54</b>	<b>682.14</b>		<b>507.76</b>	

Source: Information provided by Accountant General (A&E) Uttarakhand.

According to Financial regulation, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 52 sub-major heads listed in **Appendix-2.11** expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure for the year was incurred in last quarter or in March 2011. **Table 2.8** also presents the major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Scrutiny revealed that 61.42 *per cent* of the total expenditure of ₹ 1,110.54 crore spent against these major heads during the year 2010-11 was incurred in the last quarter of the financial year. Further, in 10 cases above, the expenditure exceeding ₹ 10 crore was incurred in the month of March 2011 alone.



For a sound financial management, uniform pace of expenditure should be maintained. Contrary to the spirit of financial regulation a substantial amount was incurred by the Government at the end of the year which was indicative of poor financial control over the expenditure.

## 2.4 Non-reconciliation of Departmental figures

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

As per financial rules, every Drawing Officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignatures and transmission to the Accountant General (Accounts and Entitlement). The total amount of DCC bills received during the year 2010-11 was only ₹ 24.12 crore against the amount of AC bills of ₹ 101.27 crore leading to an outstanding balance of A.C. bills of ₹ 77.15 crore awaiting adjustment as on 31 March 2011. Year wise details are given in **Table 2.9**.

**Table-2.9: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills (as on 31 March 2011).**

(₹ in crore)

Year	Amount of AC Bills	Amount of DCC Bills	Outstanding AC Bills	
			Number	Amount
2008-09	3.25	0.25	02	3.00
2009-10	3.88	2.47	22	1.41
2010-11	94.14	21.40	367	72.74
<b>Total</b>	<b>101.27</b>	<b>24.12</b>	<b>391</b>	<b>77.15</b>

Source: Information provided by Accountant General (A&E) Uttarakhand.

As can be seen from the table above, the total amount of AC bills outstanding against 391 AC Bills was ₹ 77.15 crore at the end of March 2011. However, an attempt was made to verify the AC bills outstanding as of September 2011 and it was noticed that DCC bills for an amount of ₹ 76.93 crore were outstanding against 357 AC bills drawn during the period from 2008-09 to 2010-11. It was further noticed that out of the total outstanding balance of ₹ 76.93 crore, a substantial amount of ₹ 41.54 crore was drawn (during 2010-11) through 71 AC bills by Secretary, Revenue and General Administration and was outstanding on account of non-submission of DCC bills. Department-wise pending DCC bills for the years up to 2010-11 showing position of outstanding DCC bills as on 30 September 2011 have been detailed in **Appendix-2.12**.

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

## 2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budgetary allocation and to ensure accuracy of their accounts, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (Accounts and Entitlement). Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2010-11 also. Audit scrutiny revealed cases where the amount exceeding ₹ 10 crore involving ₹ 4,427 crore remained unreconciled in respect of 11 controlling officers during the year 2010-11, which constituted 33 per cent of the total net expenditure of ₹ 13,536 crore as detailed in **Table 2.10**:

**Table-2.10: List of controlling officers where amounts exceeding ₹ 10 crore in each case remained fully un-reconciled during 2010-11**

		(₹ in crore)
Sl. No.	Controlling Officers	Amount not reconciled
1	Secretary, Revenue Department/Natural Calamities Management	331
2	Commissioner Tax, Uttarakhand Dehradun	92
3	Principal Secretary, Finance	1,122
4	Principal Secretary, Social Welfare Department	701
5	Secretary, State Estate Department	480
6	Secretary, Women and Children Welfare	763
7	Secretary, Energy	113
8	Secretary, Food and Supply Department	40
9	Secretary, General Administration Department	41
10	Secretary, Transport and Civil Aviation	10
11	Secretary, Water Supply	734
<b>Total</b>		<b>4,427</b>

*Source: Information provided by Accountant General (A&E) Uttarakhand.*

On this being pointed out, the reasons for the huge amount of ₹ 4,427 crore remaining unreconciled during the year 2010-11 was not furnished to audit.

Thus, efforts to get the accounts reconciled need be undertaken expeditiously to obviate the possibilities of fraud and misuse of funds.

## 2.5 Advances from Contingency Fund

The Contingency Fund of the State with its corpus of ₹ 600 crore has been established in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature, would be undesirable. The fund is in the nature of an imprest and any drawal of advances from the fund needs to be

recouped within the same financial year. However, advances to the tune of ₹ 536.71 crore drawn from the contingency fund remained to be recouped as on 31 March 2011 is as given in **Table 2.11** below.

**Table-2.11: Expenditure met from contingency fund during the year 2010-11 remained un-recouped**

*(₹ in crore)*

	Grant No	Major Head	Budget Estimate	Re-appropriation /Surrender	Total	Actual Exp	Adv From Contingen cy fund	Month of Sanction
1	03	2013- Councils of Ministers	25.89	-	25.89	25.70	16.00	10,11, 12/2010 01,02/2011
2	06	2029-Land Revenue	122.32	-4.56	117.76	101.45	0.22	12/2010
3	06	2070-Other Administrative Services	27.66	-1.16	26.50	29.59	0.46	01,03/2011
4	06	2245- Relief On Account of Natural Calamities	175.93	0.00	175.93	165.51	485.79	10,11, 12/2010 01,02, 03/2011
5	07	2052- Secretariat-General Services	93.46	-16.29	77.17	70.45	0.05	03/2011
6	07	4515-Capital Outlay on Other Rural Development programmes	17.44	0.00	17.44	17.06	5.47	03/2011
7	13	2217-Urban Development	395.75	-1.65	394.10	107.90	1.90	03/2011
8	15	2235-Social Security and Welfare	392.40	-4.31	388.09	321.08	1.08	10,12/2010
9	19	2515-Other Rural Development Programmes	385.43	-29.24	356.19	319.96	14.60	01,02, 03/2011
10	23	3425-Other Scientific Research	9.50	0.60	10.10	10.15	2.65	01/2011
11	27	2406-Forestry and Wild Life	315.62	0.00	315.62	285.11	0.01	11,12/2010
12	28	2403-Animal Husbandry	89.24	0.00	89.24	79.20	0.20	05,08, 03/2010
13	29	2401-Crop Husbandry	88.30	-0.32	87.98	86.69	8.28	03/2011
<b>Total</b>			<b>2138.94</b>	<b>-56.93</b>	<b>2082.01</b>	<b>1619.85</b>	<b>536.71</b>	

*Source: Information provided by Accountant General (A&E) Uttarakhand.*

It would be evident from the above that the expenditure to the tune of ₹ 536.71 crore was met through advances from the Contingency fund during the year and had not been recouped to the fund during the year defeating the purpose of the creation of fund. Advances from contingency fund were mainly drawn under Relief on account of Natural Calamities (91 per cent) which is

understandable, in view of the urgency of the restoration and relief works. However, Government resorted to advances from the Contingency Fund during the year for meeting the Capital Expenditure to the tune of ₹ 5.47 crore which was in contravention of financial management.

## **2.6 Errors in Budgeting Process**

Lapses or errors observed in the process of budgeting by the State Government for the financial year 2010-11 were as under:

- Minor Head 900-Recoveries has been shown below Sector-A Tax-Revenue, while the list of Major & Minor Heads of Account (volume-I) provides that the Minor Head-900 recoveries shall be shown below every Major/Minor Head coming under the Sector-A Tax-Revenue. The State Government have not taken cognizance, despite being pointed out in earlier reports also.
- Under Major Head 3454, Minor Head 001- Direction and Administration has been shown below Sub-Major Head 02 instead of 01 as is provided in the list of Major and Minor Heads of Account.
- Under Grant Number 14, below Major Head 4059, Sub-Major Head 60 has been shown as 'Others. This should have been shown as 'Other Buildings' as is provided in the List of Major and Minor Heads of Account.
- In the Major Head 2059, under Grant Number 22, Minor head 102 under Sub-Major Head 80 has been shown as 'Repair and Maintenance', where as it should have been shown as Minor Head 053 under Sub-Major 80,as per in the List of Major and Minor Heads of Account.
- Sub-Major Head 04- has been shown as 'Development of Towns' under the Major Head 2215 while it should have been depicted as 'Development of Slums' as provided in the List of Major and Minor Heads of Account.
- In the Major Head-7610 advance on purchase of Computer has been shown in Sub Head-03 under Minor Head-800, while as per list of Major-Minor Heads it should be shown under Minor Head-204.
- In the Major Head 4235, 'Welfare of Handicapped' has been shown against Minor Head 104 whereas it should have been 'Welfare of Aged, Infirm and Destitute'. As per the List of Major and Minor Heads of Account 'Welfare of Handicapped' should have been shown against Minor Head 101.
- In Major Head 2402 under Grant Number 17, Minor Heads 101 and 102 have been shown as 'Soil Conservation & Testing' and 'Water Conservation' respectively, where as these should have been shown as 'Soil Survey &

Testing’ and ‘Soil Conservation’ as per the List of Major and Minor Heads of Account.

- In Grant number -07 total appropriations of revenue section under grand total differ with that of detailed sub-totals.

## 2.7 Outcome of Review of selected Grant

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

### *Rush of Expenditure*

General Financial rules provide that the expenditure shall uniformly be incurred during the year taking month wise/quarter wise flow into consideration. In the case of Grant Number 07 (General Services), it is revealed that the uniform flow of expenditure was not maintained during 2010-2011 as per prescribed norms, which led to rush of expenditure. The details are shown below:

Table-2.12: Rush of expenditure during the last quarter/in the month of March, 2011

(₹ in crore)

Sl.No.	Major Head	Expenditure in last Quarter	Expenditure in March	Total Expenditure during 2010-11	Percentage of expenditure in last quarter	Percentage of expenditure in March
1	2030 (Voted)	14.19	11.30	27.19	52.19	41.56
2	3604 (Voted)	207.49	172.83	407.68	50.89	42.39
3	4059 (Voted)	9.82	4.73	19.57	50.17	24.17
4	4216 (Voted)	9.38	5.34	20.54	45.67	26.00
<b>Total</b>		<b>240.88</b>	<b>194.20</b>	<b>474.98</b>	<b>50.71</b>	<b>40.89</b>

Source: Information provided by Accountant General (A&E) Uttarakhand.

The expenditure in four major heads under the grant in the last quarter of 2010-11 was 50.71 per cent of the total expenditure with the fact that 40.89 per cent of the total expenditure under these heads was incurred in the month of March, 2011 alone leading to the rush of expenditure. This indicates lack of planning in regulating the expenditure by the Finance Department.

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

### *Unnecessary Supplementary Grants*

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the requirement of additional funds under the Grants/Appropriations during a financial year. However, it was noticed that supplementary Grants were obtained under Grant Number 07, without any proper planning as tabulated in the **Table-2.13**:

**Table-2.13: Details of supplementary provision obtained under the Grant**

(₹ in crore)

Sl. No.	Major Head	Total Budget Provision				Actual Expenditure	Saving
		Original	Supplementary	Re-appropriation	Total		
1	2052	87.33	6.13	(-) 16.29	77.17	69.37	(-) 7.80
2	3451	7.26	0.98	(+) 0.44	8.68	3.61	(-) 5.07
3	3454	16.07	14.15	(-) 5.56	24.66	13.08	(-) 11.58
<b>Total</b>		<b>110.66</b>	<b>21.26</b>		<b>110.51</b>	<b>86.06</b>	

Supplementary grants amounting to ₹ 21.26 crore obtained under three major heads of Grant Number 07, proved unnecessary since the Savings/overall Savings under two major heads itself was more than the supplementary grant obtained by the Department. Whereas a major portion of supplementary Grant obtained under the Major Head 3454 remained unspent by the department.

The Government should therefore, put a proper mechanism in place to ensure better management for utilization of funds.

### ***Unutilised Provision***

Annual Financial Statement of the State provides for provisions for different schemes and programmes in order to carry out various development programmes/schemes. In Grant Number 07, it was noticed that the entire budgetary provision under certain sub-heads remained unutilized at the end of financial year 2010-11 as per details below.

**Table-2.14: Details of Heads of accounts where the allocation were not used at all**

(₹ in crore)

Sl No.	Major Head	Budget Provision	Saving
1	2040-00-800-06	5.00	5.00
2	2052-00-800-03	4.50	4.50
3	3451-00-092-06	2.50	2.50
4	3604-01-192-04	0.50	0.50
<b>Total</b>		<b>12.50</b>	<b>12.50</b>

Entire allocation of ₹ 12.50 crore under various schemes/programmes of various major heads of Grant Number 07 remained unutilised during 2010-11. This indicates that expenditure could not be incurred as estimated and planned. This needs to be looked into to ensure optimum utilization of funds.

## **2.8 Conclusion**

The overall saving of ₹ 1,067.60 crore was the result of saving of ₹ 2,362.99 crore in various grants and appropriations offset by excess of ₹ 1,295.39 crore in six grants and three appropriations.

Excess expenditure of ₹ 1,295.39 crore over the approved provision registered in ten cases under six grants and three appropriations during the year would require

regularization under Article 205 of the constitution of India. Revenue and General Administration, Finance Tax Planning, Medical Health and Family Welfare, Water Supply Housing and Urban Development, Welfare and Rural Development Sectors posted large savings persistently during the last five years. There were also instances of inadequate provision and unnecessary/excessive re-appropriations of funds besides rush of expenditure in the last quarter/at the end of the financial year indicating lack of or inadequate budgetary control in the departments. In many cases, the anticipated savings were either not surrendered or surrendered at the end of the year in the month of March leaving no scope for utilizing these funds for other development purposes. Advances sanctioned from the Contingency Fund (though in certain cases were not of emergent nature requiring drawal from Contingency Fund) were not recouped at the end of the year defeating the very purpose of creation of the Fund.

Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided. The Government should sanction advances from the contingency fund only for meeting expenditure of an unforeseen and emergent nature and the mechanism to recoup the fund timely should be streamlined to maintain the purpose of its creation. A close and rigorous monitoring mechanism should be put in place by the Controlling officers to ensure adjustment of Abstract Contingent bills during the stipulated time frame.