

# 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 Act, 2012. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services, *vis-à-vis*, those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts are thus a control document facilitating management of finances and monitoring of the budgetary provision and are therefore complementary to the Finance Accounts.

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

## 2.2 Summary of Appropriation Accounts

The summarised position of Actual Expenditure during 2012-13 against 92 grants / appropriations is as given in **Table 2.1**.

**Table 2.1: Summarised position of Actual Expenditure, *vis-a-vis*, Original/ Supplementary Provision**

(₹ in crore)

Nature of expenditure		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Grant/ Appropriation	Actual Expenditure	Savings
<b>Voted</b>	I- Revenue	1,26,586.19	3,546.99	1,30,133.18	1,16,011.02	14,122.16
	II -Capital	36,932.43	2,197.51	39,129.94	35,536.27	3,593.67
	III -Loans and Advances	1,324.78	17.96	1,342.74	1,003.24	339.50
	<b>Total Voted</b>	<b>1,64,843.40</b>	<b>5,762.46</b>	<b>1,70,605.86</b>	<b>1,52,550.53</b>	<b>18,055.33</b>
<b>Charged</b>	IV -Revenue	27,045.16	11.80	27,056.96	25,409.54	1,647.42
	V- Capital	166.10	87.03	253.13	189.11	64.02
	VI- Public Debt-Repayment	18,843.96	0	18,843.96	8,909.03	9,934.93
	<b>Total Charged</b>	<b>46,055.22</b>	<b>98.83</b>	<b>46,154.05</b>	<b>34,507.68</b>	<b>11,646.37</b>
<b>Grand Total</b>		<b>2,10,898.62</b>	<b>5,861.29</b>	<b>2,16,759.91</b>	<b>1,87,058.21</b>	<b>29,701.70</b>
<p><i>Note: Figures of actual expenditure include recoveries adjusted as reduction of expenditure under voted revenue expenditure (₹ 696.92 crore) and voted capital expenditure (₹11,891.09 crore).</i></p>						

(Source: Appropriation and Finance Accounts 2012-13)

Overall savings of ₹ 29,701.70 crore were the result of savings of ₹ 32,706.99 crore (*Appendix 2.1*) in 121 cases of grants and appropriations under Revenue Section and 70 cases of grants and appropriations under Capital Section including Loan Section (Public Debt-Repayments), offset by excess of ₹ 3,005.29 crore in nine grants and appropriations under Revenue Section and four grants under Capital Section.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation, vis-a-vis, Allocative Priorities

Appropriation Audit revealed that savings exceeded ₹ 10 crore in each case or by more than 20 per cent of total provisions in 131 cases (*Appendix 2.2*). Against the savings of ₹ 32,706.99 crore, savings of ₹ 30,511.92 crore (93 per cent) occurred in 39 cases (exceeding ₹ 100 crore in each case) relating to 27 grants/appropriations. The details thereof are given in **Table 2.2**.

**Table 2.2: Grants with Savings of ₹ 100 crore and above**

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant	Provision			Actual Expenditure	Savings
			Original Grant	Supplementary	Total Grant		
<b>Revenue Voted</b>							
1	11	Agriculture and Other Allied Departments (Agriculture)	2,688.55	1.50	2,690.05	2,045.13	644.92
2	13	Agriculture and Other Allied Departments (Rural Development)	1,420.93	7.30	1,428.23	1,324.44	103.79
3	14	Agriculture and Other Allied Departments (Panchayati Raj)	3,873.87	0.02	3,873.89	2,966.36	907.53
4	26	Home Department (Police)	9,663.33	28.07	9,691.40	8,898.00	793.40
5	32	Medical Department (Allopathy)	3,207.14	5.05	3,212.19	2,808.40	403.79
6	35	Medical Department (Family Welfare)	2,476.89	80.00	2,556.89	2,335.64	221.25
7	37	Urban Development Department	1,126.51	24.00	1,150.51	912.00	238.51

8	42	Judicial Department	1,146.36	16.43	1,162.79	984.27	178.52
9	48	Minorities Welfare Department	1,378.02	271.00	1,649.02	1,544.76	104.26
10	49	Women and Child Welfare Department	4,307.44	69.00	4,376.44	4,003.46	372.98
11	50	Revenue Department (District Administration)	650.14	Nil	650.14	494.67	155.47
12	52	Revenue Department (Board of Revenue and Other Expenditure)	2,140.51	Nil	2,140.51	1,787.49	353.02
13	54	Public Works Department (Establishment)	1,507.60	Nil	1,507.60	826.15	681.45
14	62	Finance Department (Superannuation Allowances and Pensions)	13,380.48	828.08	14,208.56	13,530.80	677.76
15	71	Education Department (Primary Education)	23,680.47	400.00	24,080.47	22,214.66	1,865.81
16	72	Education Department (Secondary Education)	8,228.70	302.62	8,531.32	7,254.54	1,276.78
17	73	Education Department (Higher Education)	2,287.48	0.40	2,287.88	1,471.79	816.09
18	76	Labour Department (Labour Welfare)	1,023.45	0.50	1,023.95	208.80	815.15
19	77	Labour Department (Employment)	771.37	Nil	771.37	568.90	202.47
20	83	Social Welfare Department (Special Component Plan for Scheduled Castes)	6,626.97	547.40	7,174.37	5,412.27	1,762.10
21	94	Irrigation Department (Works)	2,181.43	Nil	2,181.43	1,982.64	198.79
22	95	Irrigation Department (Establishment)	2,514.47	200.05	2,714.52	2,231.12	483.40
<b>Total</b>			<b>96,282.11</b>	<b>2,781.42</b>	<b>99,063.53</b>	<b>85,806.29</b>	<b>13,257.24</b>

Revenue – Charged							
23	61	Finance Department (Debt services and other expenditure)	26,501.79	Nil	26,501.79	24,856.66	1,645.13
<b>Total</b>			<b>26,501.79</b>	<b>Nil</b>	<b>26,501.79</b>	<b>24,856.66</b>	<b>1,645.13</b>
Capital – Voted							
24	11	Agriculture and Other Allied Departments (Agriculture)	716.02	1.00	717.02	539.29	177.73
25	13	Agriculture and Other Allied Departments (Rural Development)	2,198.78	386.93	2,585.71	2,382.49	203.22
26	14	Agriculture and Other Allied Departments (Panchayati Raj)	622.41	3.38	625.79	302.51	323.28
27	21	Food and Civil Supplies Department	8,796.21	847.92	9,644.13	8,604.63	1,039.49
28	26	Home Department (Police)	714.12	Nil	714.12	350.87	363.25
29	32	Medical Department (Allopathy)	583.69	Nil	583.69	353.01	230.68
30	37	Urban Development Department	3,388.11	Nil	3,388.11	2,650.12	737.99
31	40	Planning Department	1,549.50	410.00	1,959.50	1,499.80	459.70
32	47	Technical Education Department	238.24	28.72	266.96	134.65	132.31
33	48	Minorities Welfare Department	696.07	Nil	696.07	531.34	164.73
34	61	Finance Department (Debt Services & Other Expenditure)	331.40	Nil	331.40	108.76	222.64
35	70	Science & Technology Department	102.00	Nil	102.00	Nil	102.00

36	73	Education Department (Higher Education)	214.19	1.75	215.94	92.18	123.76
37	83	Social Welfare Department (Special Component Plan for Scheduled Castes)	3,477.77	0.13	3,477.90	2,889.06	588.84
38	94	Irrigation Department (Works)	3,018.62	15.00	3,033.62	2,227.86	805.77
<b>Total</b>			<b>26,647.13</b>	<b>1,694.83</b>	<b>28,341.96</b>	<b>22,666.57</b>	<b>5,675.39</b>
<b>Capital – Charged</b>							
39	61	Finance Department (Debt Services & Other Expenditure)	18,044.06	Nil	18,044.06	8,109.90	9,934.16
<b>Total</b>			<b>18,044.06</b>	<b>Nil</b>	<b>18,044.06</b>	<b>8,109.90</b>	<b>9,934.16</b>
<b>Grand Total</b>			<b>1,67,475.09</b>	<b>4,476.25</b>	<b>1,71,951.34</b>	<b>1,41,439.42</b>	<b>30,511.92</b>

(Source: Appropriation Accounts 2012-13)

**Table 2.2** shows that savings exceeding ₹ 500 crore occurred (10 Grants) under Grant numbers 11- Agriculture and Other Allied Department (Agriculture), 14- Agriculture and Other Allied Department (*Panchayati Raj*), 26- Home Department (Police), 54- Public works department (Establishment), 62- Finance Department (Superannuation Allowances and Pensions), 71-Education Department (Primary Education), 72- Education Department (Secondary Education), 73- Education Department (Higher Education), 76- Labour Department (Labour Welfare), 83- Social Welfare Department (Special Component Plan for Scheduled Castes) pertaining to Revenue – voted where the savings ranged between five and 80 *per cent* of the total grants.

Savings exceeding ₹ 500 crore also occurred (four Grants) under Grant numbers 21- Food and Civil Supplies Department, 37–Urban Development Department, 83- Social Welfare Department (Special Component Plan for Scheduled Castes) and 94-Irrigation Department (Works) pertaining to Capital voted where the savings ranged between 11 and 27 *per cent* of the total grant.

Savings exceeding ₹ 500 crore also occurred under Grant number 61- Finance Department (Debt services and other Expenditure) pertaining to Revenue charged as well as Capital charged expenditure where the savings ranged between six and 55 *per cent* respectively of the total amount of grants/appropriations.

When compared with the savings occurring in the previous year, we noticed that the savings (exceeding ₹ 500 crore) occurred in seven out of 13 grants<sup>1</sup> as detailed in **Table 2.3**.

**Table 2.3: Grants indicating Savings**

(₹ in crore)

Sl No.	Number and Name of the Grant	Savings Occurred During	
		2011-12	2012-13
1	11 (Agriculture & Other Allied Departments – Agriculture) – Revenue voted	766.36	644.92
2	21 (Food and Civil Supplies Department) – Capital Voted	1,811.79	1,039.49
3	61 (Finance Department – Debt Services and Other Expenditure) Capital Charged	9,999.25	9,934.16
4	71 (Education Department – Primary Education) – Revenue voted	888.00	1,865.81
5	72 (Education Department – Secondary Education) – Revenue voted	582.87	1,276.78
6	73 (Education Department – Higher education) Revenue voted	745.76	816.09
7	83 (Social Welfare Department – Special Component plan for Scheduled Castes) – Revenue voted	792.46	1,762.10

(Source: Appropriation Accounts 2011-12 &amp; 2012-13)

### 2.3.2 Persistent Savings

In 19 cases involving 15 grants, there were persistent savings during the preceding five years. The details are given in **Table 2.4**. During 2012-13, the savings ranged between ₹ 164.73 crore and ₹ 9,934.16 crore.

**Table 2.4: Grants indicating Persistent Savings**

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
<b>Revenue - Voted</b>						
1	11-Agriculture and Other Allied Departments (Agriculture)	460.99	720.33	217.67	766.36	644.92
2	14- Agriculture and Other Allied Departments (Panchayati Raj)	379.24	334.35	226.92	211.62	907.53
3	26-Home Department (Police)	64.74	101.09	149.67	54.74	793.40
4	32-Medical Department (Allopathy)	369.50	414.68	203.62	145.70	403.79

<sup>1</sup> Grant no. 11 (Agriculture & Other Allied Departments - Agriculture), 14 (Agriculture & Other Allied Departments – Panchayati Raj), 21 (Food and Civil Supplies Department), 26 (Home Department – Police), 37 (Urban Development Department), 54 (Public Works Department – Establishment), 61 (Finance Department – Debt Services and Other Expenditure), 62 (Finance Department- Superannuation Allowances and Pensions), 71 (Education Department – Primary Education), 72 (Education Department – Secondary Education), 73 (Education Department – Higher Education), 76 (Labour Department – Labour Welfare) and 83 (Social Welfare Department – Special Component plan for Scheduled Castes)

5	37-Urban Development Department	300.97	54.47	711.79	625.51	238.51
6	42-Judicial Department	157.09	191.88	230.59	172.36	178.52
7	49-Women and Child Welfare Department	138.16	218.28	180.62	636.10	372.97
8	52-Revenue Department (Board of Revenue and Other Expenditure)	64.99	64.65	104.39	69.90	353.02
9	54-Public Works Department (Establishment)	496.58	442.11	396.56	238.54	681.45
10	72-Education Department (Secondary Education)	202.21	258.35	785.84	582.87	1,276.77
11	73-Education Department (Higher Education)	164.51	93.50	571.89	745.76	816.09
12	83-Social Welfare Department (Special Component Plan for Scheduled Castes)	470.38	291.56	110.33	792.46	1,762.10
13	95-Irrigation Department (Establishment)	78.65	16.76	14.71	18.03	483.40
<b>Total</b>		<b>3,348.01</b>	<b>3,202.01</b>	<b>3,904.60</b>	<b>5,059.95</b>	<b>8,912.47</b>
<b>Capital - Voted</b>						
14	26-Home Department (Police)	69.62	145.34	356.13	488.36	363.24
15	37-Urban Development Department	11.20	374.16	687.12	261.76	737.99
16	48-Minorities Welfare Department	167.86	134.62	165.56	373.36	164.73
17	61-Finance Department (Debt Services and Other Expenditure)	21.69	274.13	153.04	401.78	222.64
18	83- Social Welfare Department (Special Component Plan for Scheduled Castes)	399.73	724.30	103.62	415.46	588.84
<b>Total</b>		<b>670.10</b>	<b>1,652.55</b>	<b>1,465.47</b>	<b>1,940.72</b>	<b>2,077.44</b>
<b>Capital - Charged</b>						
19	61- Finance Department (Debt Services and Other Expenditure)	10,001.56	9,219.96	9,288.06	9,999.25	9,934.16
<b>Total</b>		<b>10,001.56</b>	<b>9,219.96</b>	<b>9,288.06</b>	<b>9,999.25</b>	<b>9,934.16</b>

(Source: Appropriation Accounts of respective years)

Persistent savings in substantial number of grants over the years is indicative of improper assessment of the requirement of fund by the State Government repeatedly without proper scrutiny of the need and the flow of expenditure.

### 2.3.3 Excess Expenditure

Expenditure amounting to ₹ 10,146.51 crore exceeded the provision by ₹ 3,002.68 crore where expenditure was more than ₹ 10 crore or more in eight cases involving six grants in each case or more than 20 per cent of the total provision. Details are given in *Appendix 2.3*.

Substantial excess expenditure was noticed in the following grants consistently for the preceding five years ending 2012-13 as detailed in **Table 2.5**.

**Table 2.5: Grants indicating Persistent Excess Expenditure**

(₹ in crore)

Sl. No.	Number and Name of the Grant	Excess Expenditure				
		2008-09	2009-10	2010-11	2011-12	2012-13
<b>Revenue-Voted</b>						
1	58-Public Works Department (Communications -Roads)	58.62	132.39	121.37	106.77	166.12
<b>Capital-Voted</b>						
2	55- Public Works Department (Buildings)	769.50	362.12	144.20	54.55	71.97
3	58- Public Works Department (Communications -Roads)	1,697.88	1,140.84	1,152.14	1,068.66	2,152.37

(Source: Appropriation Accounts of respective years)

Persistent excess expenditure in Public Works Department during 2008-13 under Grant number 58 of Revenue section and 55 and 58 of Capital section indicated underestimation of the demands at the time of preparation of budget.

### 2.3.4 Excess of expenditure over grants/appropriations relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/appropriation regularised by the State Legislature. It was noticed that the State Government has regularised the excess expenditure pertaining to period upto 2004-05. However, the excess expenditure, amounting to ₹ 15,363.76 crore pertaining to the years 2005-12, was yet to be regularised. The year-wise break-up of the amount of excess expenditure awaiting regularisation under 78 grants and 29 appropriations is given in **Table 2.6**.

**Table 2.6: Excess of Expenditure over grants/appropriations relating to previous years requiring regularisation**

Year	Number of Grants/Appropriations	Details of Grant/Appropriations	Amounts of Excess (₹ in crore)
2005-06	25- Grants 4-Appropriations	Revenue Voted- 8,12,19,53,55,57,58,72; Capital Voted- 15,16,18,23, 24, 33, 34,37,38,40, 55,56, 57,58,73,75,96; Revenue Charged-1,52; Capital Charged-52,55	1,026.78



2006-07	18-Grants 6-Appropriations	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	2,484.47
2007-08	12-Grants 2-Appropriations	Revenue Voted-51,55,57,58,62; Capital Voted-13,16,55,58,63,83,96 Revenue Charged-51,66	3,610.65
2008-09	5-Grants 1-Appropriation	Revenue Voted-62,96; Capital Voted- 55,58,96; Revenue Charged-52	3,399.42
2009-10	6-Grants 6-Appropriations	Revenue Voted-58; Capital Voted- 1,16,55,58,59; Revenue Charged- 3,10,16,48,52,66	1,250.16
2010-11	6-Grants 4-Appropriations	Revenue Voted-30,51,91; Capital Voted- 10,55,58; Revenue Charged-10,23,61,82	1,702.62
2011-12	6-Grants 6-Appropriations	Revenue Voted-21,62,91; Capital Voted- 1,55,58; Revenue Charged-13,18,23,61,62,82	1,889.66
<b>Total</b>			<b>15,363.76</b>

(Source: Appropriation Accounts of respective years)

### 2.3.5 Excess of expenditure over grants/appropriations during 2012-13 requiring regularisation

**Table 2.7** presents the summary of excesses in seven cases of grants/appropriations amounting to ₹ 2,380.23 crore, over and above the authorisation from the Consolidated Fund of the State during 2012-13.

**Table 2.7: Excess over provision requiring regularisation during 2012-13**

(₹ in crore)						
Sl. No.	Number and Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess Expenditure	Adjustment of amounts during the year	Excess expenditure requiring regularisation
1.	2.	3.	4.	5.	6.	7.
<b>Revenue Voted</b>						
1	51- Revenue Department (Relief on Account of Natural Calamities)	638.93	1,107.85	468.92	2.30	466.62
2	57-Public Works Department (Communication-Bridges)	16.00	20.02	4.02	1.82	2.20
<b>Total</b>		<b>654.93</b>	<b>1,127.87</b>	<b>472.94</b>	<b>4.12</b>	<b>468.82</b>
<b>Capital Voted</b>						
3	55- Public Works Department (Buildings)	40.92	112.89	71.97	3.44	68.53
4	58- Public Works Department (Communication-Roads)	3,444.10	5,596.47	2,152.37	338.19	1,814.18
<b>Total</b>		<b>3,485.02</b>	<b>5,709.36</b>	<b>2,224.34</b>	<b>341.63</b>	<b>1,882.71</b>

Revenue Charged						
5	55- Public Works Department (Buildings)	2.65	2.75	0.10	0.01	0.09
6	62- Finance Department (Superannuation Allowances and Pensions)	16.51	54.77	38.26	9.67	28.59
7	89- Institutional Finance Department (Commercial Tax)	65.45	65.47	0.02	Nil	0.02
<b>Total</b>		<b>84.61</b>	<b>122.99</b>	<b>38.38</b>	<b>9.68</b>	<b>28.70</b>
<b>Grand Total</b>		<b>4,224.56</b>	<b>6,960.22</b>	<b>2,735.66</b>	<b>355.43</b>	<b>2,380.23</b>

(Source: Appropriation Accounts 2012-13)

It would be seen from the table that ₹ 2,380.23 crore was awaiting regularisation under Article 205 of the Constitution.

### 2.3.6 Unnecessary/Inadequate Supplementary Provision

During 2012-13, supplementary provision amounting to ₹ 3,135.64 crore obtained in 30 cases, (₹ one crore or more in each case) proved unnecessary as the expenditure was not even up to the level of the original provision as detailed in *Appendix 2.4*. However, Supplementary provision of ₹ 310 crore in Grant number 58- Public Works Department (Communication Roads) proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 2,152.37 crore (*Appendix 2.5*). Unnecessary and inadequate supplementary provisions indicated that the provision made in the supplementary budget was not based on actual estimated requirement.

### 2.3.7 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<sup>2</sup>.

Injudicious re-appropriations proved excessive or insufficient and resulted in savings of ₹ 1,897.62 crore in 141 sub-heads involving 46 grants and excess of ₹ 491.61 crore occurred in 45 sub-heads involving 24 grants as detailed in *Appendix 2.6*.

### 2.3.8 Substantial Surrenders

Substantial surrenders (50 per cent or more of the total provision) amounting to ₹ 3,358.92 crore were made in respect of 190 sub-heads due to various reasons. Out of total provision amounting to ₹ 4,062.83 crore in 190 schemes/ programmes, ₹ 3,358.92 crore (83 per cent) was surrendered during 2012-13, which included cent per cent surrenders in 76 schemes/ programmes (₹ 1,168.23 crore). The details viz. names of the grants, heads of accounts,

<sup>2</sup> Budget Manual, Section II.

amounts surrendered together with the reasons for surrender are given in *Appendix 2.7*. Substantial surrender of amounts indicated that the budgeting was not done with due prudence.

### **2.3.9 Surrender in Excess of Actual Savings**

As against savings of ₹ 3,333.93 crore, the amount surrendered was ₹ 3,876.76 crore resulting in excess surrender of ₹ 542.83 crore during 2012-13 in 12 grants (₹ 50 lakh or more in each case) as detailed in *Appendix 2.8*. The surrender in excess of actual savings indicated that the departments failed to exercise adequate budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

### **2.3.10 Anticipated Savings not surrendered**

As per para 139 of the Budget Manual, spending Departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the end of 2012-13, it was noticed that under 35 cases of grants/appropriations in which savings occurred but no part of it was surrendered by the spending departments. The amount involved was ₹ 20,272.07 crore (*Appendix 2.9*).

Similarly, out of total savings of ₹ 26,115.54 crore under 65 cases (savings of ₹ one crore and above), an amount of ₹ 22,057.21 crore (84 per cent) was not surrendered (*Appendix 2.10*), which forms 67 per cent of total savings of ₹ 32,706.99 crore. This is indicative of inadequate financial control and resultant blocking of funds thereby resulting in non-availability of funds for alternative purposes of development.

### **2.3.11 Misclassifications of expenditure between revenue and capital accounts**

As per Government Accounting Rules, expenditures on Grants-in-aid cannot be considered as Capital Expenditure and should not be debited to Capital heads.

However, the State Government provided and booked ₹ 4,887.43 crore as 'Grants in aid for Creation of Assets' during the current year under various Capital heads, thereby overstating the Revenue surplus by this amount. Further, the State Government also provided and booked an amount of ₹ seven crore towards Major works under the Revenue section, thereby understating the Revenue surplus to that extent.

### **2.3.12 Advances from the Contingency Fund**

The State Government maintains Contingency Fund under the Contingency Fund Act, 1962 with a corpus amount of ₹ 600 crore for meeting unforeseen expenditure pending authorization of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head in the Consolidated Fund.

The transaction relating to the Contingency Fund is depicted under the Major Head 8000—Contingency Fund in **Statement number 18** of the Finance Accounts. It revealed that ₹ 262.45 crore, drawn from the Contingency Fund during 2012-13 was not recouped to the Fund during the same year and was lying unrecouped at the close of March 2013.

### 2.3.13 Draws of funds to avoid lapse of budgetary provision

The Thirteenth Finance Commission recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund of the State and the Government expenditure should be directly incurred from the Consolidated Fund, avoiding transfer from Consolidated Fund to the Public Accounts. Further, Rule 162 of FHB Volume V, Part I forbids draws of money from the treasury unless it is required for immediate disbursement. However, we in test check noticed that funds amounting to ₹ 633.11 crore were drawn from the treasury to avoid lapse of funds as per details given in **Table 2.8**.

**Table 2.8: Draws of funds to avoid lapse of budgetary provision**

(₹ in crore)

Sl. No.	Number, name of Grant and Department and Major Head	Budget Provision	Audit Observations involving financial repercussions
1	Grant No. 22-Sports Department MH 4202	36.56	₹ 15.17 crore for construction of a stadium at Saifai in Etawah was sanctioned (30 and 31 March 2013) and transferred (31 March 2013) to the Deposit Accounts of the Uttar Pradesh <i>Rajkiya Nirman Nigam</i> Limited (UPRNN).
2	Grant No. 26-Home Department (Police) MH 4055	701.96	₹ 41.64 crore was transferred (31 March 2013) to the works executing agencies during 2012-13 for construction of major works.
3	Grant No. 31-Medical Department (Medical Education and Training) MH 4210	73.09	₹ 23.09 crore for construction of a Allopathy Medical College in Saharanpur was sanctioned (31 March 2013) and was transferred (31 March 2013) to the Deposit Account of UPRNN.
4	Grant No. 37-Urban Development MH 2217 and MH 4217	2,359.25	Grants-in-aid of ₹ 230.88 crore to the local bodies under recommendation of the Thirteenth Finance Commission was withdrawn from the treasury by the Director, Local Bodies on 31 March 2013 and deposited in the Bank Account before transferring it to the Local Bodies. Similarly, ₹ 209.99 crore relating to Urban Infrastructure Grant was drawn from the treasury by Director, Local bodies on 29 and 31 March 2013 and transferred to the local bodies after 2012-13. Further, ₹ 3.07 crore relating to the Solid Waste Management was drawn from the treasury on 31 March 2013 and transferred (July 2013) to Nagar Nigam, Ballia after retaining the amount in Bank.
5	Grant No. 48-Minority Welfare MH 4235	304.62	₹ 84.27 crore relating to multi sectoral development in minority populated districts was withdrawn from the treasury by the Director, Minority Welfare on 31 March 2013 and paid to the executing agencies after close of 2012-13.
6	Grant No. 49-Women and Child Welfare MH 4235	25.00	₹ 25 crore relating to the construction of Aganbadi Centers was sanctioned on 30 March 2013 and drawn from the treasury on 31 March 2013 and deposited in the Personal Ledger Account of Uttar Pradesh Social Welfare Construction Corporation.

(Source: Concerned Departments)

It would be seen from **Table 2.8** that moneys were drawn from the treasury during 2012-13 in disregard to the recommendations made by the Thirteenth Finance Commission and in violation of the Rule of FHB Volume V, Part I by the Departments to avoid lapse of budgetary provisions.

#### **2.3.14 Rush of Expenditure**

In terms of Paragraph 211 (e) of the Budget Manual, the rush of expenditure in the closing month of the financial year should be avoided.

During 2012-13, 24 *per cent* of the total Revenue expenditure and 33.52 *per cent* of the total Capital expenditure was incurred during the month of March alone. Such expenditure constituted a significant portion of the entire budget for the year of the departments. Details are given in **Appendix 2.11**.

#### **2.4 Outcome of the Review of Selected Grants**

After voting of all Demands for Grants is completed in Legislative Assembly, an Appropriation Bill is introduced for appropriation of the Consolidated Fund of the State all moneys required to meet (a) Grants made by the Assembly and (b) expenditure charged on the Consolidated Fund. The Governor's assent to the Bill is obtained; and when that has been given, the amounts shown in the Act assented to by the Governor and the Schedule thereto become sanctioned Grants for expenditure under various demands.

Out of 92 Grants as per the Appropriation Act, 2012, two Grants namely Grant No. 11- Agriculture and Other Allied Departments (Agriculture) and Grant No. 32- Medical Department (Allopathy) were reviewed in audit in August 2013. The details of amount budgeted for, expenditure and savings etc. for 2012-13 are summarised in **Appendix 2.12**. The results of review are discussed below:

##### **Grant Number-11**

Under Grant Number-11 Agriculture and Other Allied Departments (Agriculture), ₹ 3,407.22 crore, including Supplementary provision of ₹ 2.50 crore was provided for 2012-13. Of this, ₹ 2,584.50 crore was spent leaving savings of ₹ 822.72 crore at the end of March 2013.

##### **Grant Number-32**

Under Grant Number-32 Medical Department (Allopathy), ₹ 3,796.08 crore, including Supplementary provision of ₹ 5.05 crore was provided for 2012-13. Of this, ₹ 3,161.41 crore was spent leaving savings of ₹ 634.67 crore at the end of March 2013. It indicated that Supplementary provision of ₹ 5.05 crore was in excess of requirement and proved unnecessary.

Scrutiny of the records relating to Grant Numbers 11 and 32 revealed ₹ 74.44 crore, provided for executions/ implementations of nine various programmes/ developmental schemes under various major heads/ sub heads during 2012-13 was not utilized as detailed in **Appendix 2.13**. It revealed cent *per cent* non-utilisation of budget provision of ₹ 74.44 crore leading to their eventual surrenders at the end of 2012-13. This indicated lack of planning in

budgetary process. The provision of ₹ 74.44 crore could have been otherwise utilised in other deficient sectors. The followings points were further noticed:

- A budget provision of ₹ 17.48 crore was made under Grant No. 11 for distribution of gypsum to the farmers to cure the deficiency of micro elements in soil and land development. Against it, the Government sanctioned ₹ 15.12 crore during 2012-13. Of this, only ₹ 5.40 crore was spent and savings of ₹ 9.72 crore occurred due to short supply of gypsum by Uttar Pradesh Agro. It resulted in short distribution of gypsum (64 per cent) to the farmers. Likewise, a provision of ₹ 63.61 crore was made under the same Grant under Central Plan/ Centrally Sponsored Schemes for 2012-13 for three schemes<sup>3</sup>. However, ₹ 18.64 crore was not utilised due to delay in sanction of work plan of the three schemes and was surrendered to the Finance Department on the last day of 2012-13.
- As per Medicine Purchase Policy 2004 of the Government, 20 per cent of the budget was to be spent by the Director Central Medical Store Department (CMSD), Lucknow and 80 per cent by the field offices. A provision of ₹ 360 crore was made in the budget under Grant No. 32 for purchase of medicine/ chemical. Of this, a sum of ₹ 72 crore (20 per cent) was allotted (2012-13) to the Director, CMSD for purchase and distribution of medicines/ chemicals (life-saving drugs) to the Urban and Rural Hospitals. The Director, CMSD, paid ₹ 9.62 crore to the Uttar Pradesh Drug & Pharmaceuticals Limited (UPDPL) during 2012-13 and the balance of ₹ 62.38 crore was surrendered (March 2013) to the Finance Department due to non-manufacturing/supply of medicines by UPDPL.
- There were persistent savings in Grant numbers 11 and 32 under revenue voted section as commented upon in Para number 2.3.2.

## 2.5 Outcome of Treasury Inspection

There are 77 treasuries and 210 sub treasuries in the State. During 2012-13, inspection of all the treasuries and sub treasuries was carried out by the Office of the Accountant General (Accounts & Entitlement), Uttar Pradesh, Allahabad. Outcomes of the Treasury Inspections are discussed below.

### 2.5.1 Non-recovery of undisbursed pension of deceased pensioner

In case of death of pensioners, undisbursed amount of pension with interest accrued thereon should be recovered from the concerned banks and be deposited under the receipt head of the Government Account through challan.

However, scrutiny of pension records available in treasuries revealed that in 41 treasuries, undisbursed amount of ₹ 1.08 crore pertaining to 685 cases was not recovered from the banks and was lying with the concerned banks as of 2012-13. Treasury wise non-recovery of undisbursed amount is detailed in *Appendix 2.14*.

Particulars	Budget Provision	Savings
Scheme for increase of Hybrid seed production	₹ 30 crore	₹ 8.89 crore
Incentive scheme for production of Summer Ground Nut	₹ 2.50 crore	₹ 1.50 crore
Insect disease control through different Environmental Resources	₹ 31.11 crore	₹ 8.25 crore
<b>Total</b>	<b>₹ 63.61 crore</b>	<b>₹ 18.64 crore</b>

### 2.5.2 Excess/under payment of pension/gratuity

Scrutiny of the records of 77 treasuries and 210 sub treasuries revealed that during 2012-13, in seven<sup>4</sup> treasuries, ₹ 14.74 lakh was paid in excess and in five<sup>5</sup> treasuries less payment of ₹ 1.35 lakh was made against pension/ family pension. Similarly, in one<sup>6</sup> treasury ₹ 0.30 lakh was paid in excess and in four<sup>7</sup> treasuries less payment of ₹ 0.70 lakh was made against retirement gratuity.

### 2.5.3 e-payment

As per the Government order (June 2012) the e-payment system was to be established by 1 October 2012. Scrutiny of the records of treasuries revealed that in 16 treasuries<sup>8</sup> out of 77 in the State the e-payment system was not in operation. The Government also ordered in October 2003 to prepare the database of all Government employees in all the districts. However, scrutiny of the records of treasury revealed that in 14 districts,<sup>9</sup> the database of Government employees was incomplete (2012-13).

## 2.6 Conclusion

Overall savings of ₹ 29,701.70 crore was the result of savings of ₹ 32,706.99 crore offset by excess of ₹ 3,005.29 crore. Additionally, there were also cases of unnecessary, inadequate, excess savings etc. Excess expenditure of ₹ 15,363.76 crore for 2005-12 and ₹ 2,380.23 crore for 2012-13 require regularisation under Article 205 of the Constitution of India. Besides, there were cases of non-observance of provisions of Budget Manual, non-recovery of undisbursed pensions from the banks and cases of excess/ under payment of pension/ gratuity.

## 2.7 Recommendations

The Government should ensure that:

- Budgetary control is strengthened in all Departments to avoid cases of provision remaining unutilised.
- Excessive unnecessary supplementary provision and re-appropriation of funds injudiciously is avoided.
- The departmental budget is made more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided.
- Excess expenditure pending regularization is regularised under Article 205 of the Constitution of India.

<sup>4</sup> Mau, Bulandshahar, Rampur, Firozabad, Auraiya, Chatrapati Shahuji Maharaj Nagar and Muzaffarnagar.

<sup>5</sup> Saharanpur, Chatrapati Shahuji Maharaj Nagar, Jaunpur, Ballia and Mau.

<sup>6</sup> Ramabai Nagar.

<sup>7</sup> Unnao, Etah, Agra and Kashiram Nagar.

<sup>8</sup> Kanpur Nagar, Banda, Chitrakoot, Muzaffarnagar, Saharanpur, Sultanpur, Hamirpur, Lalitpur, Jyotiba Phole Nagar, Bagpat, Barabanki, Lucknow (Collectorate), Hardoi, Siddharthnagar, Chatrapati Shahuji Maharaj Nagar and Fatehpur.

<sup>9</sup> Kanpur Nagar, Banda, Chitrakoot, Saharanpur, Mirzapur, Chandauli, Jaunpur, Sant Kabir Nagar, Gautam Buddha Nagar, Ghaziabad, Sant Ravidas Nagar, Gorakhpur, Chatrapati Shahuji Maharaj Nagar and Siddharthnagar.