

CHAPTER-II
FINANCIAL MANAGEMENT AND
BUDGETARY CONTROL

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2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure *vis-à-vis* budgetary provisions during 2016-17 for the total 32 grants/appropriations is given in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-à-vis original/supplementary provisions for the year 2016-17
(₹ in crore)

	Nature of expenditure	Original grant/Appropriation	Supplementary grant/Appropriation	Total	Actual expenditure	Saving ⁹ (-)/ Excess (+)	Amount Surrendered	Percentage of savings surrendered by 31 March (Col.7/Col.6)
	1	2	3	4	5	6	7	8
Voted	I Revenue	25,385.73	1,502.78	26,888.51	24,512.27	(-) 2,376.24	3,047.89	128
	II Capital	3,240.85	580.78	3,821.63	3,509.95	(-) 311.68	418.14	135
	III Loans and Advances	428.19	114.25	542.44	3,289.69*	2,747.25	142.63	NA
	Total Voted	29,054.77	2,197.81	31,252.58	31,311.91	59.33	3,608.66	
Charged	IV Revenue	3,455.44	4.49	3,459.93	3,410.75	(-) 49.18	84.30	171
	V Capital	-	73.85	73.85	42.06	(-) 31.79	Nil	NA
	VI Public Debt Repayment	2,228.52	1,660.39	3,888.91	3,942.84	53.93	2.00	NA
	Total Charged	5,683.96	1,738.73	7,422.69	7,395.65	(-) 27.04	86.30	NA
	Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Grand Total	34,738.73	3,936.54	38,675.27	38,707.56	32.29	3,694.96	NA

Source: Appropriation Accounts NA: Not applicable

* Includes ₹2,890.50 crore on account of UDAY scheme

⁹ Shortfall in utilisation of funds

Original budget provision was ₹ 34,738.73 crore. This was augmented by supplementary grant of ₹ 3,936.54 crore bringing budget provision to ₹ 38,675.27 crore. Out of total provision, ₹ 38,707.56 crore were utilised during the year 2016-17 resulting in excess of ₹ 32.29 crore.

The overall excess expenditure of ₹ 32.29 crore registered under Grants/Appropriations during 2016-17 was the result of excess of ₹ 3,037.61 crore (includes ₹ 2,890.50 crore relating to UDAY scheme) (Reference: Summary of Appropriation Accounts) in two Grants and two Appropriations under Revenue Section and three Grants and one Appropriation under Capital Section, offset by savings of ₹ 3,005.32 crore (Reference: Summary of Appropriation Accounts) in 30 Grants and six Appropriations under Revenue Section and 22 Grants and one Appropriation under Capital Section. Savings of ₹ 3,694.96 crore was surrendered during this period.

Grants against which significant savings of more than ₹ 25 crore were noticed during the year were Land Revenue and District Administration, Police and Allied Organisations, Education, Health and Family Welfare, Public Works-Roads, Bridges and Buildings, Agriculture, Animal Husbandry, Planning and Backward Area Sub-plan, Forest and Wildlife, Rural Development, Food and Civil Supplies, Power Development, Labour Employment and Training, Urban Development, Finance, Tribal Development and Scheduled Caste Sub-plan (Revenue-Voted), Irrigation, Water Supply and Sanitation, Tribal Development and Scheduled Caste Sub-plan (Capital-Voted). Similarly, grants/appropriation against which significant excess expenditure over the allotments noticed during the year 2016-17 were Irrigation, Water Supply and Sanitation (Revenue-Voted), Power Development and Public Works-Roads, Bridges and Buildings (Capital-Voted) and Finance (Capital-Charged).

The savings and excesses were intimated by the Office of the Accountant General (A&E), Himachal Pradesh regularly to the Controlling Offices through Monthly Reports on expenditure. They also took up the matter either for closure of the preliminary and final accounts in May and June or requesting the Controlling Offices to explain the reasons for the variations, but no explanation was received (September 2017).

2.3 Financial Accountability and Budget Management

2.3.1 Excess Expenditure

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

Notwithstanding the above, excess expenditure over budget provision increased by ₹ 189.18 crore (6.64 *per cent*) from ₹ 2,848.43 crore in 2015-16 to ₹ 3,037.61 crore (includes ₹ 2,890.50 crore relating to UDAY scheme) in 2016-17 indicating that budgetary estimates were not reviewed properly. Details of various grants/appropriations where aggregate expenditure (₹ 10,803.41 crore) exceeded by ₹ 3,037.22 crore from the approved provisions in four cases (₹ one crore or more in each case) are given in **Appendix 2.1**.

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

2.3.1.1 Excess over provisions requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussions on the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 6,364.57 crore (**Appendix 2.2**) for the years 2011-12 to 2015-16 was yet to be regularized as of September 2017. The excess expenditure of ₹ 3,037.61 crore (**Appendix 2.3**) incurred in five grants and three appropriations during the year 2016-17 also requires regularisation.

2.3.1.2 Persistent Excess

Scrutiny of the appropriation accounts for the period 2010-11 to 2016-17 revealed that there were instances of persistent excess expenditure in Grant No. 13-Irrigation, Water Supply and Sanitation under Revenue-Voted during 2010-11 (₹ 586.72 crore), 2011-12 (₹ 350.71 crore), 2012-13 (₹ 285.21 crore), 2013-14 (₹ 255.33 crore), 2014-15 (₹ 474.07 crore), 2015-16 (₹ 184.97 crore) and 2016-17 (₹ 188.29 crore).

The persistent excess expenditure indicated that the budgetary control in Irrigation and Public Health Department is not effective as previous year trends were not taken into account while allocating the funds for the year.

2.3.1.3 Expenditure without Provision

As per the Himachal Pradesh Budget Manual (HPBM), expenditure should not be incurred on a scheme/service without provision of funds.

It was, however, noticed that an expenditure of ₹ 37.16 crore was incurred in 10 cases detailed in **Appendix 2.4**, without making any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Out of total 10 cases, there were four cases (₹ one crore or more in each case) where expenditure incurred without provision exceeded by ₹ 35.39 crore. Thus, expenditure in excess of appropriation or without appropriations/approval of the State Legislature is irregular and indicative of lapses in budgetary control mechanism.

2.3.1.4 Unnecessary / Inadequate supplementary provisions resulting in saving/excess expenditure

A supplementary grant or appropriation is an addition to the original authorized grant or appropriation. Para 170 of the Budget Manual specifies that great care should be taken in submitting proposals for supplementary appropriations, as the procedure for obtaining them involves considerable labour.

- In 10 cases (₹ one crore or more in each case) supplementary provision of ₹ 119.70 crore proved unnecessary, as the expenditure did not come up to the level of original provision (**Appendix 2.5**).
- In four cases (₹ one crore or more in each case) supplementary provision of ₹ 1,993.39 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 3,037.22 crore (**Appendix 2.6**). Of this uncovered excess, ₹ 2,687.01 crore (88 per cent) was incurred under grant number 23-Power Development (Capital- Voted) by the Power Department on account of UDAY scheme.

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

2.3.2 Excessive/unnecessary/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess (₹ one crore or more in each case) in 27 sub-heads (**Appendix 2.7**). Of these, excess/savings (₹ 10 crore or more in each case) occurred in nine sub-heads.

2.3.3 Rush of expenditure

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

Contrary to this, in respect of 39 sub-heads (**Appendix 2.8**), expenditure amounting to ₹ 1,096.09 crore exceeding ₹ 10 crore in each case and constituting 50 per cent or more of the total expenditure for the year was incurred in the month of March 2017. The details of major heads where more than ₹ 10 crore or 50 per cent of total expenditure was incurred either during the last quarter or during the last month of the financial year are given in **Table 2.2**.

Table 2.2: Cases of Rush of Expenditure towards the fag end of the financial year 2016-17
(₹ in crore)

Sr. No.	Major Head (Voted/Charged)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2017	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	4059-Captial outlay on Public Works	52.08	28.22	54	28.05	54
2.	4055-Captial outlay on Police	27.62	15.05	54	14.65	53
3.	4210-Captial outlay on Medical and Public Health	241.38	189.47	78	189.47	78
4.	2216-Housing	15.60	12.49	80	10.26	66
5.	4059-Captial outlay on Public Works	58.08	34.03	59	29.73	51
6.	4216-Captial outlay on Housing	35.23	30.35	86	27.84	79
7.	4705-Command Area Development	27.99	20.00	71	15.35	55
8.	2216-Housing	25.00	22.63	91	12.50	50
9.	4202-Captial outlay on Education, Sports, Art and Culture	13.42	10.91	81	10.37	77
Total		496.40	363.15		338.22	

Source: Appropriation Accounts/VLC

2.3.4 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit showed that in 42 cases, savings exceeded by ₹ one crore or more in each case or by more than 20 per cent of the total provision in 11 cases (**Appendix 2.9**). Out of the total saving of ₹ 3,005.32 crore, substantial saving of ₹ 2,113.53 crore (70 per cent) occurred in seven grants alone involving ₹ 100 crore and more in each case indicated in **Table 2.3**.

Table 2.3: List of grants with savings of more than ₹ 100 crore

(₹ in crore)

Sr. No.	Number and name of the Grant	Total provision	Actual Expenditure	Savings	Schemes with substantial savings
Revenue-Voted					
1.	08-Education	5,262.91	4,397.95	864.96(16)	Grants-in-Aid under Sarva Shiksha Abhiyan: 151.19; Middle School: 471.80
2.	09-Health and Family Welfare	1,618.40	1,322.50	295.90(18)	Hospital and Dispensary (Rural): 69.33; Hospital and Dispensary (Urban): 58.91; District Establishment: 24.92; Ayurvedic Hospitals/Dispensaries: 27.97
3.	20-Rural Development	1,218.40	1,096.79	121.61(10)	MNREGA: 70.88; Integrated Watershed Management Programme: 40.56
4.	23-Power Development	967.00	820.65	146.35(15)	Subsidy on account of Tariff Roll: 145.00
5.	31-Tribal Development	1,033.37	855.52	177.85(17)	National Rural Employment Guarantee Scheme: 48.60; Sarva Shiksha Abhiyan: 25.28; National Rural Health Mission (NRHM): 10.79; Integrated Child Development Scheme (ICDS): 13.05; Integrated Watershed Management Programme: 8.33
6.	32-Scheduled Caste Sub-plan	1,126.06	804.92	321.14(29)	Middle School: 12.30; Sarva Shiksha Abhiyan: 61.42; Rastriya Ucchar Shiksha Abhiyan (RUSA):15.11; National Health Mission: 26.76; Integrated Watershed Management Programme: 18.00; NREGA: 139.32; Total Sanitation Programme: 22.67
Capital-Voted					
7.	13-Irrigation, Water Supply and Sanitation	583.45	397.73	185.72(32)	Maintenance and Repair of Rural Water Supply Scheme: 121.42; National Rural Drinking Water Programme: 16.79
Total		11,809.59	9,696.06	2,113.53	

Source: Appropriation Accounts

(Figures in parenthesis indicate percentage)

Such large savings in these grants implied that Government had made excess budget provisions without realistic estimation of receipts/revenues. Reasons for substantial savings (shortfall in utilization) were not furnished (September 2017) by the State Government.

2.3.4.1 Persistent savings

In seven cases, during the last five years there were persistent savings (₹ one crore or more in each case) as per the details given in **Table 2.4**

Table 2.4: List of grants with persistent savings during 2012-17

(₹ in crore)

Sr. No.	Grant number and name	Amount of Savings				
		2012-13	2013-14	2014-15	2015-16	2016-17
Revenue-Voted						
1.	03-Administration of Justice	14.78	16.71	4.52	12.53	9.82
2.	08-Education	119.99	342.46	385.37	1,076.22	864.96
3.	15-Planning and Backward Area Sub-Plan	6.89	13.44	11.61	31.40	28.40
4.	20-Rural Development	72.69	60.04	109.86	208.74	121.61
Capital-Voted						
5.	29-Finance	5.07	4.52	5.49	5.20	1.51
6.	31-Tribal Development	8.54	45.42	7.17	17.38	177.85
7.	32-Scheduled Caste Sub-Plan	61.22	83.63	9.27	108.71	321.14

Source: Appropriation Accounts

The persistent savings indicated that the budgetary controls in the departments were not effective and previous years' trends were not taken into account while allocating the funds for the year.

2.3.4.2 Substantial surrenders

Substantial surrenders (the cases where 50 per cent or more of the total provision was surrendered) were made in respect of 138 sub-heads (**Appendices 2.10**) on account of either non-implementation or slow implementation of schemes/programmes due to non-completion of codal formalities, non-release of funds from GoI matching State share, less expenditure on construction of buildings, non-filling up of vacant posts, etc. Out of the total provision of ₹ 1,443.50 crore, amount of ₹ 1,124.30 crore (78 per cent) were surrendered, which included 100 per cent surrender in 62 schemes (₹ 379.63 crore) (**Appendix 2.11**). Of the 62 schemes, substantial surrenders were made mainly under 'National Aids Control Programme (Centrally Sponsored Scheme) (₹ 14.99 crore) under Grant No. 09-Health and Family Welfare', National Rural Employment Guarantee Scheme (Centrally Sponsored Scheme) (₹ 48.60 crore) under Grant No. 31-Tribal Development', 'MLA Local Area Development Fund Scheme (₹ 18.07 crore) under Grant No. 15-Planning and Backward Area Sub-plan', 'Equity Contribution to Himachal Pradesh Transmission Corporation Limited (₹ 20.49 crore) under Grant No. 23-Power Development', 'LISs in various Districts under AIBP (₹ 17 crore) and diversion of FIS in various Districts (₹ 12.60 crore) under Grant No. 32-Scheduled Caste Sub-Plan', 'Lift Irrigation Scheme in various districts under AIBP (₹ 44.42 crore) and (₹ 29.62 crore), Channelization of Pabbar River in District Shimla (₹ 15.19 crore) under Grant No. 13-Irrigation, Water Supply and Sanitation.

Further, in 58 cases, there was surrender (₹ 10 crore or more in each case) involving ₹ 2,863 crore on 31 March 2017 (**Appendix 2.12**). Surrender of funds on the last working day of March 2017 indicated inadequate financial control leading to non-utilisation of funds for other developmental purposes in the needy areas.

2.3.4.3 Anticipated savings not surrendered

According to Himachal Pradesh Budget Manual (Paragraph 11.2 of Chapter 11), all the savings as and when anticipated, must be surrendered to the Finance Department latest by 15 January by the spending Department. It was, however, noticed that in the following grants, out of total savings of ₹ 476.65 crore, ₹ 45.32 crore was not surrendered as detailed in **Table 2.5**.

Table 2.5: Cases of saving of ₹ one crore and above not surrendered

(₹ in crore)				
Sr. No.	Number and name of Grant	Saving	Surrender	Saving which were not surrendered
Revenue-Voted				
1.	20-Rural Development	121.61	121.38	0.23
2.	30-Miscellaneous General Services	13.00	8.00	5.00
Capital-Voted				
3.	05-Land Revenue and District Administration	2.84	0	2.84
4.	13-Irrigation, Water Supply and Sanitation	185.72	185.58	0.14
5.	29-Finance	1.51	0.01	1.50
6.	31-Tribal Development	20.88	20.64	0.24
7.	32-Scheduled Caste Sub-plan	99.31	73.13	26.18
Capital-Charged				
8.	10-Public Works-Roads, Bridges and Building	31.78	0	31.78
Total		476.65	408.74	67.91

As evident from **Table 2.5**, despite large amount of savings, sufficient surrenders were not made mainly under grant number 32-Scheduled Caste Sub-Plan: ₹ 26.18 crore (Capital-Voted). Further, no surrenders were made against sufficient savings under grant numbers 10-Public Works-Roads, Bridges and Buildings (Capital-Charged) and 05-Land Revenue and District Administration (Capital-Voted).

2.4 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. Information obtained from the office of the Accountant General (A&E), Himachal Pradesh showed that there were 113 PDAs in operation in 15 District Treasuries. However, no PDA was closed and opened during 2016-17. The position of balances of ₹ 325.28 crore lying in these 113 accounts as on 31 March 2017 (**Appendix 2.13**) is given as under:

- 76 PDAs having balance of ₹ 325.18 crore were in operation during the year.
- One PDA involving an amount of ₹ 0.10 crore remained inoperative since 2010-11.
- 36 PDAs have nil balances.

The practice of retaining funds in the PD Account after the close of the financial year is fraught with the risk of misuse of funds, needs to be avoided and unspent balances lying in PDAs after investigation transferred back to the Consolidated Fund.

2.5 Outcome of Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of two test-checked grants i.e. Grant No. 10¹⁰- "Public Works, Bridges and Building" and Grant No. -13¹¹ "Irrigation, Water Supply and Sanitation" was conducted (July and August 2017) and the points noticed during the review are detailed below:

2.5.1 Grant No. 10- "Public Works, Bridges and Building"

2.5.1.1 Budget and expenditure

The overall position of funds allotted and expenditure incurred under the grant during 2016-17 is given in **Table 2.6**:

¹⁰ Including major heads 2059- Public Works, 2216-Housing, 3054-Road and Bridges under Revenue Section and 4059- Capital Outlay on Public Works, 4216- Capital Outlay on Housing and 5054- Capital Outlay on Roads and Bridges in Capital Section.

¹¹ 2059 Public Works, 2215-Water Supply and Sanitation, 2216-Housing, 2700-Major Irrigation, 2701-Medium Irrigation, 2702- Minor Irrigation and 2711- Flood Control & Drainage, 4215- Capital outlay on Water Supply and Sanitation, 4701- Capital Outlay on Medium Irrigation, 4702-Capital Outlay on Minor Irrigation, 4705- Capital outlay on Command Area Development and 4711-Capital Outlay on Flood Control Project.

Table 2.6: Provision of funds allocated and expenditure incurred during 2016-17
(₹ in crore)

Section	Total grant	Expenditure incurred	Excess (+)/ Savings (-)
Revenue section	2,376.83	2,790.90	414.07
Capital section	1,042.35	1,141.46	99.11
Total	3,419.18	3,932.36	513.18

Source: Appropriation Accounts

From the above table it is seen that against the budget provision of ₹ 3,419.18 crore under six major heads as given in **Table 2.7** below, an expenditure of ₹ 3,932.36 crore was incurred during 2016-17 resulting in excess expenditure of ₹ 513.18 crore. The Deputy Controller (F&A) stated (August 2017) that the main reasons of excess expenditure was booking of material under suspense head and will be regularised from the State Legislature. The reply was not acceptable as the expenditure should not have been incurred without the budget provision.

Table 2.7: Excess over the budget provisions

(₹ in crore)

Sr. No.	Major Head	Total budget provisions				Expenditure	Excess (+)/ Savings (-)
		Original	Supplementary	Re-appropriation	Total		
Revenue (Voted)							
1.	2059-Public Works	548.58	--	(-) 50.91	497.67	1,048.05	550.38
2.	2216-Housing	16.76	--	(-) 0.44	16.32	15.65	(-) 0.67
3.	3054- Road and Bridges	2,228.96	10.48	(-) 376.60	1,862.84	1,727.20	(-) 135.64
Total		2,794.30	10.48	(-) 427.95	2,376.83	2,790.90	414.07
Capital (Voted)							
4.	4059-Capital outlay on Public Works	22.99	43.17	--	66.16	66.13	(-) 0.03
5.	4216-Capital outlay on Housing	35.00	0.25	--	35.25	35.23	(-) 0.02
6.	5054-Capital outlay on Road and Bridges	817.88	75.97	(-) 22.90	870.95	1,001.89	130.94
Total		875.87	119.39	(-) 22.90	972.36	1,103.25	130.89
Capital (Charged)							
7.	5054-Capital outlay on Road and Bridges	--	69.99	--	69.99	38.21	(-) 31.78
Total		--	69.99	--	69.99	38.21	(-) 31.78
Grand Total		3,670.17	199.86	(-) 450.85	3,419.18	3,932.36	513.18

2.5.1.2 Excess over budget provisions due to unrealistic estimation requiring regularisation

- Under Revenue Head "2059-Public Works", against the provision of ₹ 548.58 crore and further reduced by ₹ 50.91 crore on account of re-appropriation, department incurred expenditure of ₹ 1,048.05 crore. This resulted in excess expenditure of ₹ 550.38 crore (more than hundred *per cent* of funds allotment) which was attributed to booking of material under Suspense head.

- Similarly, under Capital Head (Voted) "5054-Capital Outlay on road and bridges", the department incurred excess expenditure of ₹ 130.94 crore on booking of material under Suspense.

Thus, excess expenditure over the budget provision without actual execution of works and irregular booking of material even without regularisation defies principles of financial propriety and budgeting process.

- On the other hand, under another Revenue Head "3054-Road and Bridges", the department failed to utilise the allotted funds even after re-appropriation/surrender of ₹ 376.60 crore resulting in unspent/unutilised funds of ₹ 135.64 crore at the close of year. This is indicative of inefficient planning and unrealistic estimation.
- Under Capital Head- Charged "5054- Capital Outlay on road and bridges", against the budget provision of ₹ 69.99 crore made in supplementary grant, department incurred only ₹ 38.21 crore leaving an amount of ₹ 31.78 crore unspent/unutilized indicating unnecessary/incorrect demand for supplementary grant.

2.5.1.3 Delay in submission of budgetary return

As per Himachal Pradesh Budget Manual, the Head of Department is required to submit budget estimates and the statements of excesses and surrenders in such manner and forms as may be prescribed to the Finance Department by 1st October 2015 and 1st December 2016, respectively. It was, however, noticed that the Engineer-in-chief, Public Works Department had submitted the budget estimates and statement of excesses and surrenders during 2016-17 on 15th December 2015 and 23rd February 2017 causing thereby a delay of 84 days and 76 days, respectively. This showed that the prescribed time schedule of submission of budget estimates and statements of excesses and surrenders was not followed by the department.

2.5.2 Grant No. 13- "Irrigation, Water Supply and Sanitation"

The overall position of funds allotted and expenditure incurred under the grant during 2016-17 is given in **Table 2.8** below indicates an excess of ₹ 188.29 crore which requires regularisation.

Table 2.8: Provision of funds allocated and expenditure incurred during 2016-17

(₹ in crore)

Section	Total grant	Expenditure incurred	Excess (+)/Savings (-)
Revenue section	2,411.00	2,599.29	188.29
Capital section	583.45	397.74	(-) 185.71
Total	2,994.45	2,997.03	2.58

Source: Appropriation of Accounts

From the above table it is seen that against the budget provision of ₹ 2,994.45 crore under the grant, an expenditure of ₹ 2,997.03 crore was incurred resulting in overall excess expenditure of ₹ 2.58 crore (excess of ₹ 188.29 crore under Revenue section offset by savings of ₹ 185.71 crore under Capital section). The Engineer-in-Chief stated (August 2017) that the excess expenditure is due to booking of material under

Suspense heads and the excess is submitted to Government for regularization from the State Legislature and savings under the capital heads is due to non-receipt of Central grant under Centrally Sponsored Schemes e.g. Accelerated Irrigation benefit Programme (AIBP), Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) and Flood Management Programme (FMP) from GOI. The reply was not acceptable as the expenditure should not have been incurred without the budget provision.

During 2016-17 there was a total provision of ₹ 2,994.45 crore under twelve major heads as given in **Table 2.9** below:

Table 2.9: Excess (+)/Saving (-) over the budget provisions

Sr. No.	Major Head	Total budget provisions				Expenditure	Excess (+)/ Saving (-) over total provision
		Original	Supple- mentary	Re- appropriation	Total		
Revenue Section							
1.	2059-Public Works	0.68	--	--	0.68	0.68	--
2.	2215-Water Supply and Sanitation(Voted)	1,673.91	95.50	(-) 49.93	1,719.48	1,911.20	191.72
	2215-Water Supply and Sanitation (Charged)	--	0.64	--	0.64	0.64	--
3.	2216-Housing	0.04	--	--	0.04	0.04	--
4.	2700-Major Irrigation	24.24	--	(-) 5.40	18.84	12.62	(-) 6.22
5.	2701-Medium Irrigation	16.89	--	23.40	40.29	44.01	3.72
6.	2702-Minor Irrigation	535.59	53.53	(-) 24.33	564.80	563.85	(-) 0.95
7.	2711-Flood Control and Drainage	9.96	--	56.26	66.23	66.25	0.02
	Total	2,261.31	149.67	--	2,411.00	2,599.29	188.29
Capital Section							
1.	4215-Capital outlay on Water Supply and Sanitation	239.16	44.15	(-) 39.02	244.29	244.11	(-) 0.18
2.	4701-Capital outlay on Medium Irrigation	40.03	--	(-) 14.76	25.27	25.27	--
3.	4702-Capital outlay on Minor Irrigation	139.38	--	(-) 86.89	52.49	52.48	(-) 0.01
4.	4705-Capital outlay on Command Area Development	47.18	--	(-) 19.21	27.97	27.99	0.02
5.	4711-Capital outlay on Flood Control Project	73.56	--	(-) 25.70	47.85	47.89	0.04
	Total	539.31	44.15	(-) 185.58	397.87	397.74	(-) 0.13
	Grand Total	2,800.63	193.82	(-) 185.58	2,808.87	2,997.03	(-) 185.71

Source: Accountant General (Account and Entitlement) Office

- Against the original appropriation of ₹ 1,673.91 crore under Major head 2215-Water Supply and sanitation, expenditure of ₹ 1,911.20 crore was incurred after adjusting supplementary grants and re-appropriation resulting in

extra expenditure of ₹ 191.72 crore. During the year supplementary provision of ₹ 95.50 crore was obtained but at the same time re-appropriation of ₹ 49.93 crore was made. This indicated incorrect assessment of supplementary provision as well as unnecessary/injudicious re-appropriation of ₹ 49.93 crore as the actual expenditure was in excess of ₹ 191.72 crore.

- Re-appropriation were made for excess purchase of material (₹ 115.69 crore) under Major Head 2215-01-799, payment of energy charges of water supply scheme/irrigation (₹ 100.58 crore), rural water supply schemes (₹ 41.29 crore), major/medium irrigation (₹ 30.27 crore) and operation and maintenance of water supply schemes (₹ 77.65 crore) without specifying reasons which indicated incorrect estimates of budget provision for the year. Besides re-appropriation made for excess purchase of material (₹ 115.69 crore) also lacks justification.

2.5.2.1 Delay in submission of budgetary return

As per Himachal Pradesh Budget Manual, the Head of Department is required to submit budget estimates in such manner and forms as may be prescribed. The budget estimates for the year 2016-17 were to be submitted to the Finance Department by 1st October 2015 but the same were submitted on 6th January 2016 resulting in delay of 98 days. Further, the statement of excesses and surrenders required to be submitted to the Finance Department by 1st December 2016, was actually submitted on 28th January 2017 with a delay of 59 days. Thus prescribed time schedule of submission of budget estimates and statements of excesses and surrenders was not followed by the department.

The above points are indicative of inefficient planning and unrealistic estimation of requirement of funds by the Irrigation and Public Health Department.

2.6 Outcome of Inspection of Treasuries

2.6.1 Excess payment of Pensionary benefits

During inspection (during 2016-17) of District Treasuries/Treasuries/Sub-treasuries by the office of the Accountant General (A&E) for the year 2015-16, the test-check of pension payment records showed that nine District Treasury Officers had made overpayment to the extent of ₹ 26.18 lakh to 32 pensioners and family pensioners as per detail given in **Table 2.10**. The excess payment had occurred due to non-reduction/early restoration of commuted portion of pension of the concerned pensioners and payment of enhanced family pension after prescribed period.

Table 2.10: Excess payment of pensionary benefits (on account of Commutation/Family Pension) during 2015-16 (Inspection Reports issued in 2016-17)

(₹ in lakh)

Sr. No.	Name of District Treasury (DT)/ Treasury	Nature of overpayment	Number of cases	Payment		
				Through Bank	Through Treasury (Th T)	Treasury-wise Total
1.	D.T. Bilaspur	Family Pension	02	--	By Try.	3.74
2.	D.T. Chamba	Family Pension	01	-	By Try.	1.60
		Commutation	01	-	--do--	0.13
3.	D.T. Hamirpur	Family Pension	02	--	By Try.	4.34
4.	D.T. Kangra at Dharamshala	Family Pension	04	--	By Try.	2.41
5.	D.T. Kinnaur at Reckongpeo	Family Pension	02	--	By Try.	4.65
6.	D.T. Mandi	Commutation	10	--	By Try.	2.02
7.	D.T. Shimla	Family Pension	05	--	By Try.	2.63
8.	D.T. Sirmour at Nahan	Commutation	01	--	By Try.	0.11
9.	D.T. Solan	Family Pension	04	--	By Try.	4.55
Total			32			26.18

Source: Annual review report on the working of Treasuries in Himachal Pradesh for the year 2015-16 prepared by Accountant General (A&E)

2.7 Conclusion

The overall excess of ₹ 32.29 crore under grants/appropriations during the year 2016-17 was the net result of excess of ₹ 3,037.61 crore (includes ₹ 2,890.50 crore relating to UDAY scheme) and saving of ₹ 3,005.32 crore. An excess expenditure of ₹ 9,402.18 crore relating to the period 2011-12 to 2016-17 required regularisation under Article 205 of the State Legislature.

Supplementary provision of ₹ 2,113.09 crore in 14 sub-heads proved unnecessary/inadequate as either expenditure did not come up to the level of original provision or leaving an aggregate uncovered excess expenditure and re-appropriation of funds in 27 sub-heads (₹ one crore or more in each case) was made injudiciously which resulted in excess/savings. In 58 cases (₹ 10 crore or more in each case) ₹ 2,862.82 crore were surrendered at the end of the financial year. In 62 cases/sub-heads, 100 per cent grant amounting to ₹ 379.63 crore was surrendered.

In nine cases, the expenditure incurred during the last quarter of the year ranged between 54 and 91 per cent and the expenditure incurred during the month of March 2017 alone under these heads of accounts constituted 51 to 79 per cent of the total expenditure.

2.8 Recommendations

- (i) Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to ensure utilisation of allotted funds as per requirement. They may also specifically strengthen monthly expenditure control and monitoring mechanism.
- (ii) Efforts should be made by all departments to submit realistic budget estimates keeping in view the trends of expenditure in order to avoid large scale savings/excesses, re-appropriations and surrenders at the end of the year so that they can be effectively utilised in other areas/schemes.
- (iii) The State Government should devise suitable mechanism to avoid rush of expenditure in last quarter/month of the financial year.