

CHAPTER-III

BUDGETARY MANAGEMENT

Chapter - III

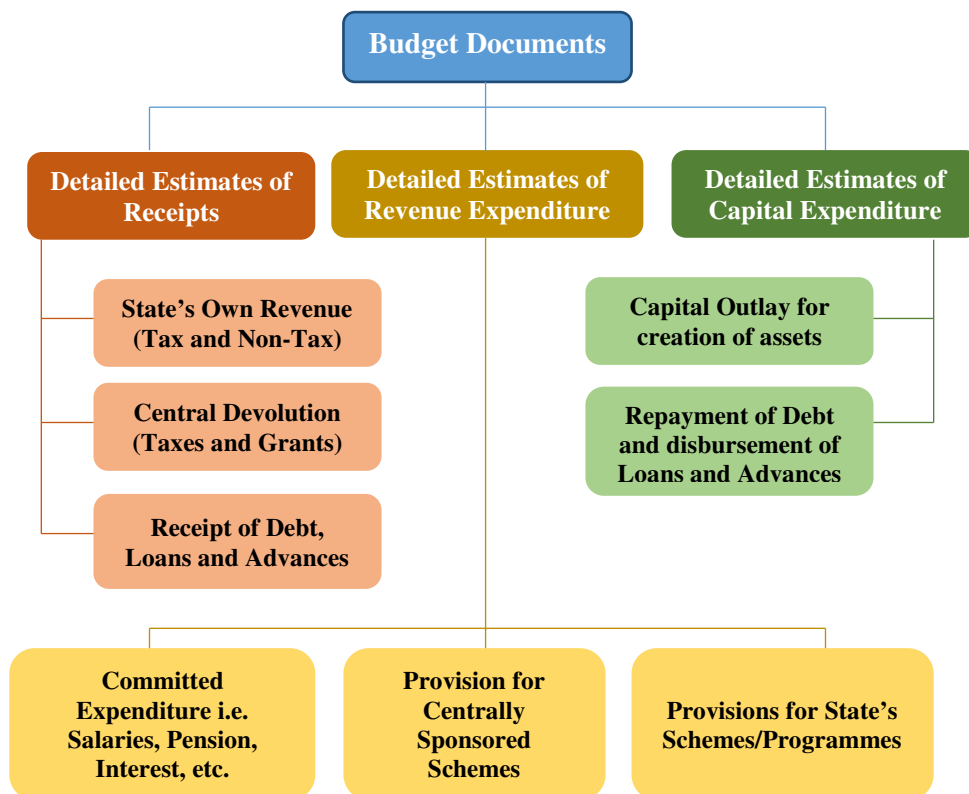
Budgetary Management

3.1 Budget Process

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

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

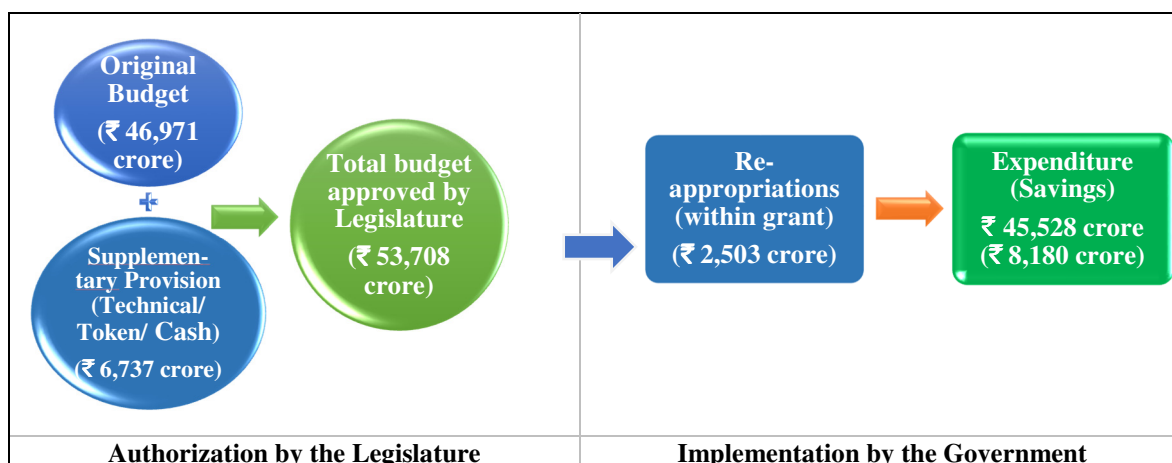
Chart-3.1: Details of State Budget Documents



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

The various components of budget are depicted in the **Chart-3.2** below:

Chart-3.2: Summary of budget implementation for the year 2019-20



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

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

The total budget provision for expenditure in 2019-20 was ₹ 53,708 crore. The actual expenditure during the year was ₹ 45,528 crore (84.77 per cent). This resulted in savings of ₹ 8,180 crore (15.23 per cent). The summarized position of actual expenditure vis-à-vis budgetary provisions during 2019-20 for the total 32 grants/appropriations is given in **Table 3.1**.

Table-3.1: Budget provision, actual disbursement and savings/excess during financial year 2019-20
(₹ in crore)

Total Budget provision		Disbursements		Saving(-)/ Excess(+)	
Voted	Charged	Voted	Charged	Voted	Charged
42,255	11,453	34,507	11,021	-7,748	-432

Source: Appropriation Accounts

3.1.2 Charged and voted disbursements

Break-up of total disbursement into charged and voted during the last five years (2015-20) is given in **Table 3.2**.

Table-3.2: Disbursement and savings/excess during 2015-16 to 2019-20

(₹ in crore)

Year	Total Budget Provision		Disbursements		Saving(-)/ Excess(+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	27,459	4,829	24,908	7,188	-2,551	2359
2016-17	31,253	7,423	31,312	7,396	59	-27
2017-18	33,869	7,399	30,440	7,371	-3,428	-28
2018-19	37,936	9,048	33,620	8,849	-4,316	-199
2019-20	42,255	11,453	34,507	11,021	-7,748	-432

Source: Appropriation Accounts

As it can be seen from **Table-3.2**, there are savings in both the segments (Voted and Charged). The savings have occurred during 2015-16 and 2017-18 to 2019-20 under Voted segment and during last four years i.e. 2016-17 to 2019-20 under Charged segment.

3.2 Appropriation Accounts

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

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

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution. Expenditure on new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Table 3.3 shows the summary of expenditure without budget provision. This is breach of constitutional provisions. State government must avoid these expenditures. If under any circumstances the expenditure is inevitable, the Finance Department must follow the provisions under Article 205 & 206.

Table- 3.3: Summary of expenditure without Budget Provision

(₹ in lakh)

Grant/ Appropriation	Head of Accounts	Expenditure	Name of Schemes/Sub Heads
Charged			
5	2053-00-093-01-S00N	1.20	General Establishment
Voted			
11	2401-00-109-32-C90N	207.30	National Bamboo Mission
	2401-00-109-32-S10N	23.03	National Bamboo Mission
	2401-00-800-14-S00N	295.61	Crop Diversification Project Japan International Co-operation Agency (JICA)
	4402-00-102-02-S00N	0.82	Small Farmers Development Agency (R.I.D.F.)
22	2408-01-102-13-S25N	817.00	Subsidy On Wheat and Rice to BPL Families
32	2059-01-789-04-S10N	4.88	Maintenance of Government Owned Aanganwadi Centre
Total		1,349.84	

Source: Appropriation Accounts

3.3.2 Transfers not mandated by the Appropriation Act/ Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorizes incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorized through the Appropriation Act.

No such cases were noticed during current year (2019-20).

3.3.3 Misclassification of capital expenditure as revenue expenditure and charged expenditure & voted expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. State financial rules categorize the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

No such cases were noticed during current year (2019-20).

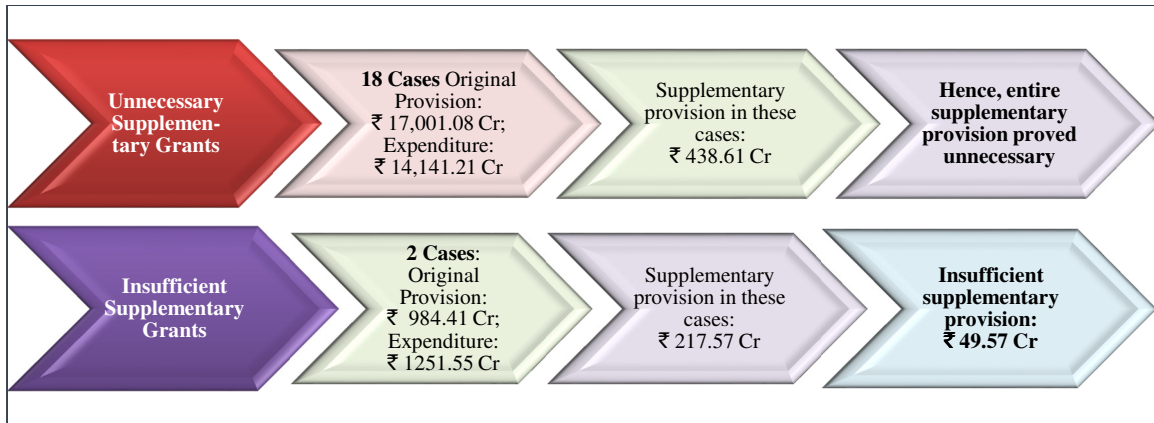
3.3.4 Unnecessary or insufficient supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

There are 18 cases (₹ one crore or more in each case) under 16 grants (Revenue/Capital-Voted and Charged-Voted) where supplementary provision of ₹ 438.61 crore proved unnecessary as the expenditure did not come to the level of original provision (**Table 3.4**). And in two cases (**Table 3.5**) supplementary provision of ₹ 217.57 crore proved insufficient as they are not adequate to meet the requirement (**Chart 3.3**).

Chart-3.3: Unnecessary and insufficient supplementary provisions



Source: Appropriation Accounts

Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary are detailed in Table-3.4 below:

Table-3.4: Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary

(₹ in crore)

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of Original Provisions
Revenue- Voted					
1	04-General Administration	219.78	19.31	185.02	34.76
2	07-Police and Allied Organisations	1,429.08	3.98	1,220.59	208.48
3	09-Health and Family Welfare	2,172.35	33.59	1,828.22	344.13
4	10-Public Works - Roads, Bridges and Buildings	3,540.28	29.66	2,833.11	707.16
5	12-Horticulture	350.92	24.07	296.35	54.57
6	21-Co-operation	33.52	1.21	29.95	3.58
7	23-Power Development	505.71	39.98	416.93	88.78
8	24-Printing and Stationery	29.13	1.20	28.18	0.95
9	26-Tourism and Civil Aviation	69.20	19.96	32.97	36.23
10	29-Finance	6,774.49	6.76	5,568.29	1,206.20
11	30-Miscellaneous General Services	91.09	6.18	85.96	5.13
Revenue- Charged					
12	03- Administration of Justice	50.47	2.97	42.08	8.39
Capital- Voted					
13	07-Police and Allied Organisations	68.33	13.89	61.24	7.09
14	08-Education	96.85	10.40	77.02	19.83
15	14-Animal Husbandry, Dairy Development and Fisheries	18.46	1.89	14.93	3.53
16	26-Tourism and Civil Aviation	57.79	8.50	37.34	20.45
17	31-Tribal Development	375.38	64.14	345.48	29.89
18	32-Scheduled Caste Sub Plan	1,118.25	150.92	1,037.55	80.70
Total		17,001.08	438.61	14,141.21	2,859.85

Source: - Appropriation Accounts

Table-3.5: Details of cases where supplementary provision (₹ one crore or more in each case) proved insufficient

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Excess
Revenue- Voted					
1	22- Food and Civil Supplies	275.36	39.90	316.76	1.49
Capital- Voted					
2	13-Irrigation, Water Supply and Sanitation	709.05	177.66	934.79	48.08
Total		984.41	217.57	1251.55	49.57

Although the demand for supplementary grants was made by the State Government on the reasoning that additional expenditure was to be incurred in various schemes under the respective grants, yet the final expenditure was less than even the original provisions. This indicates that the Administrative Department 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.

3.3.5 Re-appropriations undertaken require prior Legislative authorization

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

Under three grants, there are four substantial cases, where Re-appropriation of ₹ 6.82 crore (71 per cent) was made from Supplementary Grants/provisions (₹ 9.63 crore) during current year without prior approval of the Legislature, as shown in **Table -3.6**.

Table-3.6: Details of Re-appropriations made from Supplementary Grants*(in ₹)*

Sr. No.	Grant No.	Head of Account	Original Provision	Supplementary provision	Actual Expenditure	Re-appropriation from
1	9	2210-05-105-17	0	4,88,44,000	0	4,88,44,000
2	10	4059-01-051-38	0	10,80,000	34,970	10,45,000
3		5054-04-337-06	0	3,66,51,000	1,91,80,000	1,74,71,314
4	27	2230-02-101-04	0	97,63,500	89,40,383	8,23,117
Total			0	9,63,38,500	2,81,55,353	6,81,83,431

Source: - Appropriation Accounts

All these re-appropriations were carried out on 31 March 2020, and the reasons stated were non-completion of codal formalities (Grant no. 9), enforcement of lockdown (Grant no. 10) and lower electricity bills (Grant no. 27). Considering the fact that the lockdown was imposed in the third week of March 2020, it is clear from the reasons provided and the date

of re-appropriations that the respective departments had failed to assess the estimated periodic expenditures on a regular basis.

3.3.6 Unnecessary or excessive re-appropriation

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. The details of re-appropriations which proved unnecessary or excessive, are shown in Table-3.7.

Table-3.7: Excess /unnecessary/insufficient re-appropriation

(₹ in crore)

Sr. No.	Grant No.	Head of account	Provision				Actual expenditure	Final excess (+)/savings (-)
			Original	Supplementary	Re-appropriation	Total		
1	5- Land Revenue and District Administration	2245-80-102-05	5.50	0.00	8.85	14.35	0.00	-14.35
2	8-Education	2202-02-109-15	11.85	0.00	4.99	16.84	0.00	-16.84
		2202-80-107-08	5.00	0.00	7.00	12.00	0.00	-12.00
3	13-Irrigation, Water Supply and Sanitation	4215-01-102-23	72.13	0.00	36.52	108.65	165.24	56.59
4	15-Planning and Backward Area Sub Plan	5054-04-800-06	33.13	0.00	7.40	40.53	24.65	-15.88
		5475-00-800-01	79.52	0.00	4.25	83.77	56.45	-27.32
5	20-Rural Development	2216-03-102-04	8.22	0.00	2.49	10.71	0.10	-10.61
6	29-Finance	2049-03-104-01	1,265.95	0.00	182.42	1,448.37	1,143.72	-304.65
7	31-Tribal Development	2202-03-796-02	21.81	0.00	8.85	30.66	5.58	-25.08
8	32-Scheduled Caste Sub Plan	2225-01-789-08	0.00	0.00	18.86	18.86	0.28	-18.58
		2236-02-789-01	20.56	0.00	0.46	21.02	8.49	-12.53
		2501-06-789-06	6.30	0.00	12.40	18.70	0.00	-18.70

Source: - Appropriation Accounts

The re-appropriation orders in all these cases were dated as 31 March 2020 and specified the need for additional expenditure under the respective schemes. The Re-appropriation in seven cases out of eight cases proved unnecessary, as the savings under these cases was more than re-appropriated amount. In one case Re-appropriation proved insufficient as the expenditure resulted in excess under the Grant. However, no case of re-appropriation from Capital to Revenue and vice-versa and from Voted to Charged and vice-versa was noticed during 2019-20.

3.3.7 Savings

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the

estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

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

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

(i) Savings vis-à-vis allocations

There were overall savings of ₹ 8,180 crore. An analysis of appropriations showed that in 57 cases, savings exceeded ₹ one crore or more than 20 per cent of the total provision, as detailed in **Appendix-3.2**. Against the total provision of ₹ 45,451.32 crore, ₹ 8,225.53 crore remained utilised/savings in various grants. In 14 grants (voted), out of total savings/utilised of ₹ 8,225.53 crore, substantial savings (₹ 100 crore and more in each case) in 17 cases amounting to ₹ 6,828.96 crore (83 per cent) are given in **Table-3.8** below.

Table-3.8: List of grants having large savings (above ₹ 100 crore) during the year
(₹ in crore)

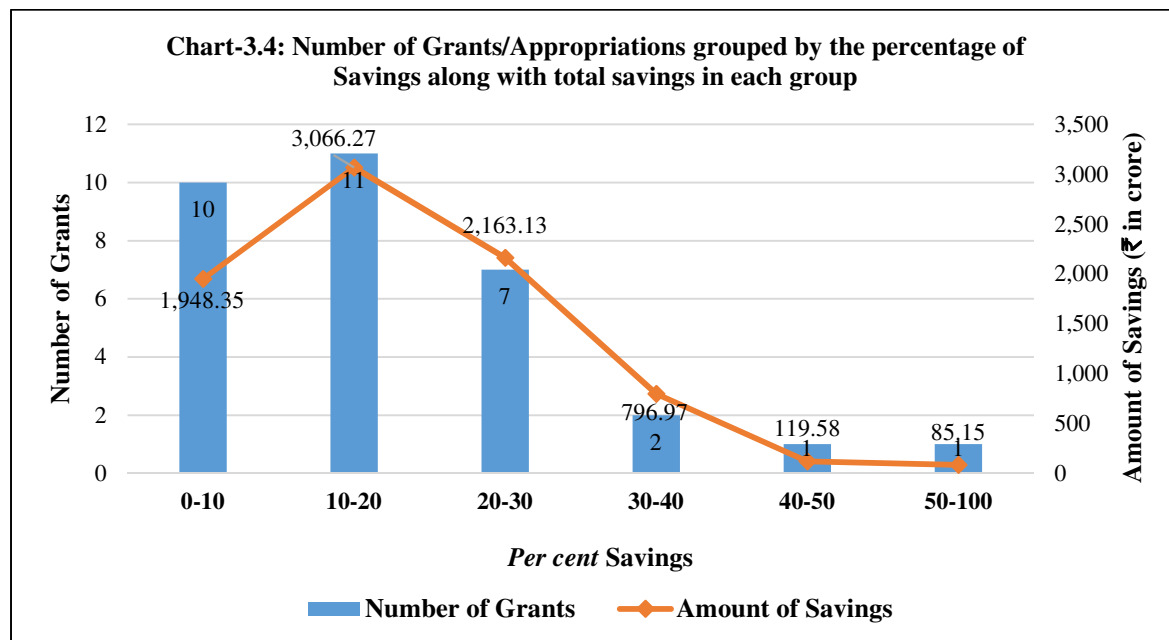
Sr. No.	Grant Number	Original	Supplementary	Total provisions	Actual expenditure	Savings	Surrender	Saving excluding surrender
Revenue- (Voted)								
1	05	724.59	1,023.96	1,748.55	1,096.92	651.63	104.30	547.33
2	07	1,429.08	3.98	1,433.06	1,220.59	212.47	211.91	0.56
3	08	6,641.11	0.00	6,641.11	5,530.51	1,110.61	1,070.29	40.32
4	09	2,172.35	33.59	2,205.94	1,828.22	377.72	372.54	5.18
5	10	3,540.28	29.66	3,569.94	2,833.11	736.83	736.45	0.38
6	13	2,586.54	0.00	2,586.54	2,358.63	227.91	228.34	0.43
7	16	592.47	0.00	592.47	447.22	145.25	145.20	0.05
8	18	234.06	0.00	234.06	133.54	100.52	84.70	15.81
9	20	1,463.63	0.00	1,463.63	1,112.46	351.17	310.09	41.08
10	23	505.71	39.98	545.69	416.93	128.76	14.87	113.89
11	29	6,774.49	6.76	6,781.25	5,568.29	1,212.96	1,304.08	-91.12
12	31	1,360.02	0.00	1,360.02	988.64	371.39	329.19	42.20
13	32	1,424.41	0.00	1,424.41	911.05	513.37	395.09	118.27
Capital- (Voted)								
14	10	1,292.53	515.61	1,808.14	1,624.21	183.94	247.47	-63.54
15	15	303.99	0.00	303.99	188.65	115.34	30.40	84.94
16	23	429.39	250.00	679.39	521.92	157.47	202.13	-44.66
17	32	1,118.25	150.92	1,269.17	1,037.55	231.62	222.55	9.08
Total		32,592.90	2,054.46	34,647.36	27,818.44	6,828.96	6,009.60	820.20

Source: Appropriation Accounts

As is evident from table above, Government sought supplementary budget of ₹ 2,054.46 crore in 17 cases under 14 grants which proved unnecessary as there was a saving of ₹ 6,828.96 crore (21 per cent) against the Original Budget. The specific reasons

for savings were neither given in the Appropriation Accounts (except routine nature and repetitive reasons) nor provided by the State Government (December 2020). Large savings under these grants implied that the State government had made budget provisions without realistic estimation of fund requirement.

Chart 3.4 categorises the grants/appropriations according to percentage of savings against budget allocations.



(ii) Persistent Savings

During the last five years in 22 grants, there were 28 cases (₹ one crore or more in each case) where persistent savings occurred (details given in **Appendix 3.3**), out of which four cases (₹ 100 crore or more in each case) are depicted below in the **Table-3.9**.

Table-3.9: Details of persistent savings cases (₹ 100 crore or more in each case)

(₹ in crore)

Sr. No.	Grant Number	Name of Grant/ Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue- Voted							
1	08	Education	1076.22	864.96	665.02	955.16	1110.61
2	09	Health and Family Welfare	366.81	295.90	211.66	330.83	377.72
3	20	Rural Development	208.74	121.61	402.93	383.93	351.17
4	31	Tribal Development	123.39	177.85	242.34	325.72	371.39

Source: Appropriation Accounts

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

funds for the year. This had been pointed out in earlier State Finance Audit Reports, but the State Government had not taken cognizance of these reports.

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

Instances of surrender of funds in excess of ₹ 10 crore at the end of March are given in **Table-3.10**.

Table-3.10: Details of surrender of funds in excess of ₹ 10 crore at the end of March

(₹ in crore)

Sr. No.	Grant Number	Original	Supplementary	Total Provisions	Actual expenditure	Savings	Amount Surrendered
1	3	257.64	12.18	269.82	215.98	-53.84	-50.84
2	4	229.81	46.78	276.59	198.66	-77.93	-61.45
3	5	735.49	1023.96	1759.45	1100.51	-658.94	-104.69
4	6	88.05	32.03	120.08	105.61	-14.47	-14.31
5	7	1497.41	18.05	1515.46	1282.01	-233.45	-224.08
6	8	6737.96	10.70	6748.66	5607.82	-1140.84	-1100.52
7	9	2325.54	78.94	2404.48	2001.40	-403.08	-397.88
8	10	4834.81	648.20	5483.01	4464.64	-1018.37	-983.92
9	11	524.07	37.60	561.67	519.75	-41.92	-41.66
10	12	367.28	24.07	391.35	311.75	-79.60	-33.69
11	13	3295.58	187.14	3482.72	3303.03	-179.69	-228.43
12	14	424.49	1.89	426.38	351.15	-75.23	-60.41
13	15	378.64	0.00	378.64	240.62	-138.02	-53.09
14	16	610.91	0.04	610.95	459.36	-151.59	-151.54
15	18	280.96	0.00	280.96	161.38	-119.58	-103.76
16	19	1067.72	106.64	1174.36	1060.62	-113.74	-101.41
17	20	1483.66	0.06	1483.72	1126.50	-357.22	-310.09
18	23	935.10	289.98	1225.08	938.86	-286.23	-216.99
19	27	381.42	60.76	442.18	402.17	-40.01	-32.25
20	28	568.11	102.93	671.04	577.80	-93.24	-71.65
21	29	14600.02	3445.76	18045.78	16510.49	-1535.29	-1312.24
22	30	132.13	9.44	141.57	123.70	-17.87	-11.29
23	31	1735.40	64.49	1799.89	1334.30	-465.59	-421.91
24	32	2542.66	150.93	2693.59	1948.60	-744.99	-617.64
Total		46,034.85	6,352.57	52,387.43	44,346.71	-8,040.72	-6,705.74

Source: Appropriation Accounts

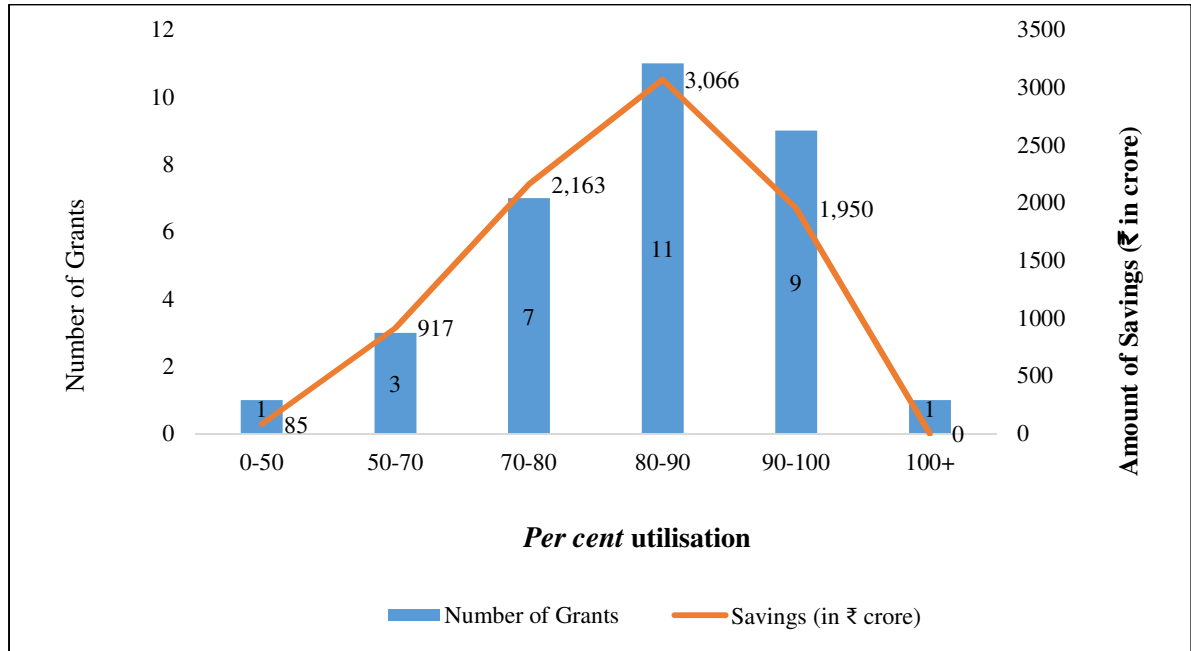
In 24 cases, there was surrender of ₹ 6,705.74 crore (₹ 10 crore or more in each case) (15 per cent or original budget allocation) on 31 March 2020. The main reason for surrender furnished by State Department is enforcement of lockdown due to COVID-19. The reason is not justifiable, because lockdown due to COVID-19 was enforced after 20th March 2020.

Surrender of funds on the last working day (31 March 2020) indicated weak financial controls and resulted in non-utilization of funds for other development purpose.

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

Details of distribution of the number of Grants/Appropriations grouped by the percentage of Utilisation are given in the **Chart 3.5**.

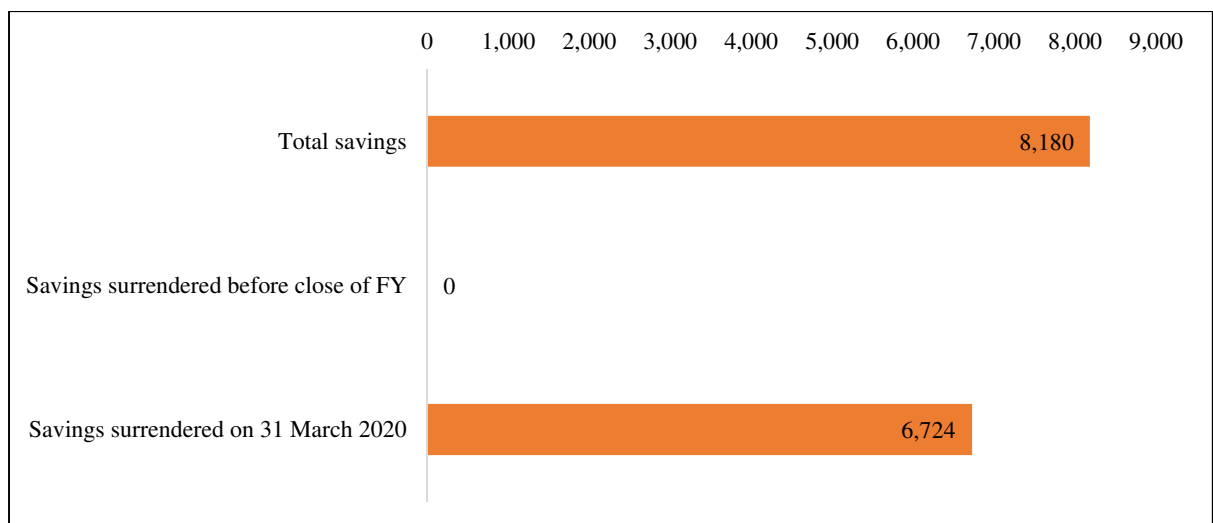
Chart-3.5: Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation



There has been only one Grant (26-Tourism and Civil Aviation) in which the utilisation was less than 50 *per cent* of the funds available. This had resulted in a savings of ₹ 85.15 crore (55 *per cent*) due to less utilisation (45 *per cent*) of the funds available. This savings was mainly due to the less receipt of project proposals.

Chart-3.6: Savings and surrenders before close of financial year 2019-20

(₹ in crore)



As observed from the surrender orders intimated by the State Government, all surrenders were done on 31 March 2020, thereby indicating poor management of funds resulting in ineffective utilisation of financial resources.

3.3.8 Excess expenditure and its regularization

As per Article 204 of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

3.3.8.1 Excess expenditure relating to financial year 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provision of the financial year are given in the **Table-3.11**.

Table-3.11: Summary of excess disbursements over grants/ appropriation during 2019-20

(In ₹)

		Name of Department/Grant					
		5-Land revenue and District Administration	13- Irrigation, Water supply and Sanitation	21-Co-Operation	22- Food and Civil Supplies	28-Urban Development, Town & Country Planning	29-Finance
Voted	Revenue	00	00	00	1,49,32,006	00	00
	Capital	00	48,07,99,467	3,50,000	00	6,06,266	00
Charged	Revenue	1,20,000	00	00	00	00	00
	Capital	00	22,70,296	00	00	00	42,183
Total Excess		49,91,20,218					

Source: - Appropriation Accounts

In seven cases (four grants and three appropriations) excess expenditure of ₹ 49.91 crore over budget provision was incurred in 2019-20. Details of the excess disbursement over the authorisation from the Consolidated Fund of State under the schemes contributing significantly to the above, during the financial year 2019-20 are given **Table-3.12**.

Table-3.12: Head wise disbursement over the authorisation during 2019-20

(in ₹ lakh)

Sr. No	Grant No.	Head of Account	Name of Scheme	Total Provision	Re-appropriation	Total	Expenditure	Excess
Revenue- Voted								
1	22	2408-01-102-13	Subsidy on Wheat and Rice to BPL Families	0.00	667.44	667.44	817.00	149.56
Revenue-Charged								
2	05	2053-00-093-01	General Establishment	0.00	0.00	0.00	1.20	1.20
Capital- Voted								
3	13	4215-01-102-08	Hand Pumps	424.00	0.00	424.00	425.67	1.67
		4215-01-102-23	National Rural Drinking Water Programme	7212.60	3651.82	10864.42	16524.20	5659.78
		4702-00-101-01	Lift Irrigation Schemes in Various District	326.00	37.58	363.58	415.18	51.60
4	21	6425-00-107-02	(Receipts from Loans) to Credit Co-Operatives	1.00	0.00	1.00	4.50	3.50
5	28	4215-02-106-02	Drainage Sanitation Sewerage Schemes in Various Districts	6342.00	0.00	6342.00	6380.03	38.03
Capital- Charged								
6	13	4700-01-800-01	Canals	879.96	0.00	879.96	907.49	27.53
7	29	6003-00-110-03	Shortfall And Over Draft By R.B.I.	92363.73	467.98	92831.71	92832.19	0.48

Source: Appropriation Accounts

In case of Grant no. 22, the final excess of ₹ 1.50 crore was due to the issue of advance two months wheat flour and rice during the Covid-19 pandemic. However, no reasons were intimated with regard to the other excesses.

3.3.8.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

No case of persistent excesses was noticed during 2015-16 to 2019-20.

3.3.8.3 Regularization of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. However, the excess expenditure of ₹ 9,154.73 crore under 21 Grants and 12 Appropriations for the years 2013-14 to 2018-19 was yet to be regularized by the State Legislature as of December 2020. In addition, the above, excess expenditure of ₹ 49.91 crore over authorisation made by the four Grants and three Appropriations during the financial year 2019-20 also requires regularization. The year-wise amount of excess expenditure pending regularisation is summarised in **Table-3.13** below:

Table-3.13: Excess expenditure relating to previous years (2013-19) requiring regularization

Year	Number of Grants/ Appropriations	Grant/Appropriation numbers	Amount of excess required to be regularized as commented in the Appropriation Account (Figures in ₹)	Status of regularization
2013-14	10 Grants 3 Appropriations	2, 3, 4, 5, 10, 13, 16, 17, 21 and 28 2, 7 and 9	4,74,86,14,325	Not yet regularized
2014-15	10 Grants 6 Appropriations	1,2,6,11,12,13,18,19, 23 (Revenue) and 23 (Capital) 1, 10, 19, 29 (Revenue), 29 (Capital) and 31	15,85,69,18,458	
2015-16	7 Grants 4 Appropriations	5, 8, 10, 13, 19, 23, 28 13, 16, 29 (Revenue) and 29 (Capital)	28,48,43,38,113	
2016-17	5 Grants 3 Appropriations	2, 13 (Revenue) and 3,10 and 23 (Capital) 1, 16 (Revenue) and 29 (Capital)	30,37,60,82,471	
2017-18	2 Grants 1 Appropriation	5, 10 (Revenue) 10 (Capital)	3,86,76,41,211	
2018-19	6 Grants 2 Appropriations	05,13, 22,20 (Revenue) 03,10,12,29 (Capital)	8,21,37,16,840	
Total			91,54,73,11,418	

Source: Appropriation Accounts

3.3.9 Grant-in-aid for creation of capital assets

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

During 2019-20, an amount of ₹ 844.13 crore was extended as Grants-in-aid for Capital Asset and the whole amount has been booked under revenue head. This has been classified as revenue expenditure in the accounts.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

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

The summarised position of original and supplementary provision *vis-à-vis* actual expenditure during 2019-20 in respect of 32 grants/appropriations is given in **Table-3.14**.

Table-3.14: Summarised position of Budget (Original/Supplementary) provisions *vis-à-vis* Actual Expenditure during 2019-20

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Net of Savings (-)	Surrender during March	
							Amount	Per cent
Voted	I. Revenue	33,995.63	1,616.41	35,612.04	28,830.50	-6,781.54	5,754.25	16.16
	II. Capital	4,635.89	1,292.51	5,928.41	5,218.72	-709.69	654.38	11.04
	III. Loans and Advances	457.06	257.29	714.34	458.21	-256.14	296.64	41.53
	Total	39,088.58	3,166.21	42,254.80	34,507.43	-7,747.37	6,705.27	15.87
Charged	I. Revenue	4,618.79	18.47	4,637.25	4,303.65	-333.60	17.78	0.38
	II. Capital	2.00	112.89	114.89	16.40	-98.48	1.17	1.02
	III. Public Debt repayments	3,261.75	3,439.00	6,700.75	6,700.75	0.00	0.00	0.00
	Total	7,882.54	3,570.35	11,452.89	11,020.81	-432.08	18.95	1.40
Grand Total	46,971.12	6,736.56	53,707.68	45,528.24	-8,179.45	6,724.21	12.52	

Source: Appropriation Accounts.

As shown in above table, there was an overall saving of ₹ 8,179.45 crore which was result of saving of ₹ 8,229.36 crore in grants and Appropriations, offset by excess of ₹ 49.91 crore.

Details of Original Budget, Revised Estimate and Actual expenditure during 2015-20 are given in **Table-3.15**.

Table-3.15: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

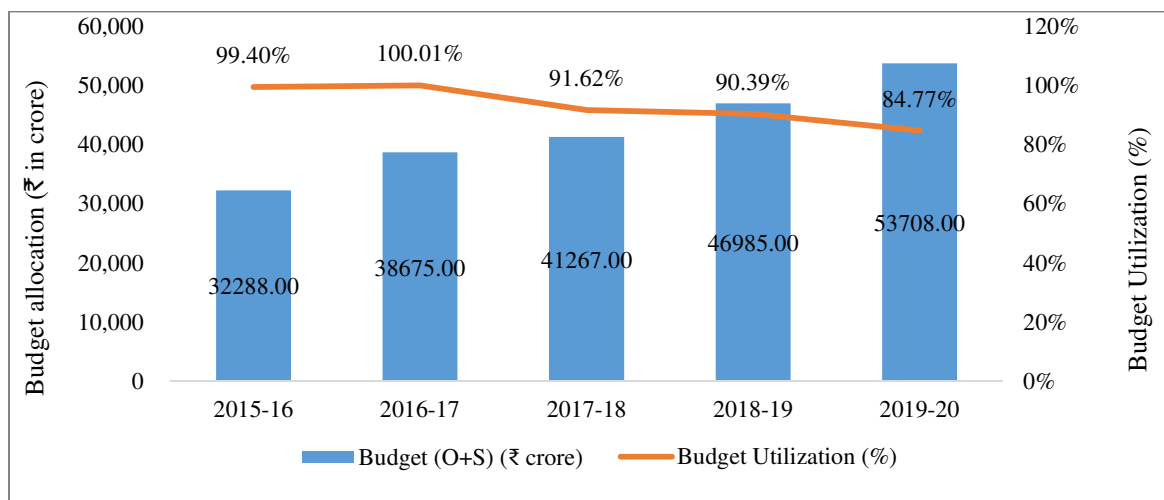
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	30,186	34,739	37,940	43,842	46,971
Supplementary Budget	2,102	3,937	3,327	3,143	6,737
Revised Estimate	28,986	35,439	36,872	41,428	47,061
Actual Expenditure	32,096	38,708	37,811	42,469	45,528
Saving (-)/ Excess (+)	-192	32	-3,456	-4,516	-8,180
Percentage of Saving (-)/ excess (+)	(-) 0.59	0.08	(-) 8.37	(-) 9.61	(-) 15.23

Source: Appropriation Accounts and Budget documents of respective years.

The budget utilization shows declining trend from 2016-17 to 2019-20 against the allocation. Budget allocation (Original and Supplementary) and utilisation there against is given in **Chart-3.7**.

Chart-3.7: Budget Utilization during 2015-16 to 2019-20



Source: Appropriation Accounts

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes is not extended to the public at a large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which are either for that financial year i.e. one-time activity or is of recurring nature. Detail of un-utilised funds under Capital Voted section is given in **Table-3.16** below:

Table-3.16: Detail of un-utilised funds under Capital Voted section

(₹ in crore)

Sr. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital- Voted						
1	07-Police and Allied Organisations	68	14	82	61	21
2	08-Education	97	10	107	77	30
3	14-Animal Husbandry, Dairy Development and Fisheries	18	2	20	15	5
4	26-Tourism and Civil Aviation	58	9	67	37	30
5	32-Scheduled Caste Sub Plan	1,118	151	1,269	1,038	231
	Total:	1,359	186	1,545	1,228	317

Source: Appropriation Accounts

Due to non-availability of data from State Government in respect of schemes/projects which could not be completed for want of funds during the year, it could not be ascertained in audit whether savings of ₹ 317 crore under capital section could have been utilised for the completion of those schemes/projects.

3.4.3 Major policy pronouncements in budget and actual expenditure

Some major policy pronouncements in budget and actual expenditure there against are given in Table 3.17.

Table-3.17: Major policy pronouncements in budget and actual expenditure during 2019-20

(₹ in lakh)					
Sr. No.	Name of the Scheme	Classification	Budget Provisions	Actual expenditure	Savings (+)/ Excess (-)
1	Kaushal Vikas Bhatta Yojna	2230-03-003-09	9,900.00	4,620.14	5,279.86
		2230-03-796-06	103.37	21.61	81.76
		Total	10,003.37	4,641.75	5,361.62
2	Atal Aadarsh Vidya Kendras	4202-01-202-09	1500.00	0.00	1500.00
3	Mukhya Mantri Nutan Poly House	4402-00-102-02	700.00	0.82	699.18
		4402-00-796-01	100.00	0.00	100.00
		4402-00-789-02	200.00	0.00	200.00
		Total	1,000.00	0.82	999.18
4	Mukhya Mantri Khumb Vikas Yojna	2401-00-119-75	500.00	298.84	201.16
5	Ek Buta Beti Ke Naam	2406-01-102-41	29.79	29.79	52.8
6	Integrated Cooperative Development Project	2425-00-109-01	20.07	20.07	0.00
		2425-00-789-01	1.00	0.00	1.00
		6425-00-107-02	1.00	4.50	-3.5
		Total	22.07	24.57	-2.5
7	SAHARA	2210-06-200-09	37.14	37.14	0.00
Total			13,092.37	5,032.91	8,059.46

Source: Budget Speech and information provided by Finance department

As evident from above, against the total budget provision of ₹ 130.93 crore, expenditure of ₹ 50.33 crore (38.44 per cent) only was incurred on these schemes during 2019-20. Out of seven, in two schemes, the expenditure was less than 50 per cent of the budget provision. This deprived the beneficiaries of intended benefits.

3.4.4 Schemes and their actual funding for ensuring implementation

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

There are 96 schemes where provision (say ₹ one crore and above) was made but no expenditure was incurred (details given in **Appendix 3.4**), out of which details of some schemes are depicted in **Table-3.18**.

Table-3.18: Detail of some schemes for which provision was made but no expenditure incurred

(₹ in crore)

Sr. No.	Name of Department	Scheme Name	Approved outlay	Expenditure	Remarks
1	(Jal Shakti Vibhag) Engineer-in Chief Himachal Pradesh (I&PH) Department	Rural Water Supply and Sanitation Scheme Under Externally Aided Projects (Bricks)	100.07	0	No expenditure has been incurred on these schemes during the year. No reasons were intimated for the lack of expenditure under these schemes.
2	Director, Horticulture	Horticulture Development Project	78.97	0	
3	Engineer-in-Chief, HPPWD	World Bank State Roads	75.00	0	
4	Engineer-in-Chief, HPPWD	Expenditure on maintenance of roads	69.29	0	
5	Director Energy	Loans to Himachal Pradesh Power Corporation	62.00	0	
6	Director, Panchayati Raj	Performance grant to Gram Panchayats under Finance Commission	59.72	0	
7	Director, Tourism	Infrastructure Development Investment Programme for Tourism	55.69	0	
8	Director Energy	Equity contribution in HP Power Corporation	45.00	0	
9	Director, Education	Post Matric Scholarship to Scheduled Caste students	44.28	0	
10	Secretary, Finance	Pensioners of Funds Reserve with Finance Department	42.40	0	

Source: Appropriation Accounts

There are 36 schemes, where budget provision was more than ₹ 10 crore, but in the revised outlay the entire provision was removed either by re-appropriation or by surrender. The details of these schemes are given in **Table-3.19**:

Table-3.19: Details of schemes where entire budget provision was reduced to zero

(₹ in crore)

Sl. No	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
1	Construction of State Guest House at New Delhi	20.90	0.00	-20.90	0.00
2	Mukhya Mantri Aadarsh Vidya Kendra	15.00	0.00	-15.00	0.00
3	Upgradation/Maintenance of Existing Information Communication Tech. Lab. and Other Lab. Facilities	32.90	-24.76	-8.14	0.00
4	Construction of Medical College at Chamba	10.38	0.00	-10.38	0.00
5	Expenditure on Maintenance of Roads	69.29	-69.29	0.00	0.00

Sl. No	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
6	World Bank State Roads	75.00	0.00	-75.00	0.00
7	Jal Se Krishi Ko Bal	25.00	-25.00	0.00	0.00
8	Command Area Development Under Minor Irrigation Schemes	26.06	-26.06	0.00	0.00
9	Rural Water Supply and Sanitation Scheme Under Externally Aided Projects (Bricks)	100.07	-100.07	0.00	0.00
10	Construction of Railway Lines	26.19	0.00	-26.19	0.00
11	Creation of State of Art Industrial Areas	15.00	0.00	-15.00	0.00
12	Pensioners of Funds Reserve with Finance Department	42.40	-36.28	-6.12	0.00
13	Deen Dyal Upadhaya Grameen Kaushal Yojna	28.97	0.00	-28.97	0.00
14	Shyama Parshad Mukharji Rubran Mission	29.32	0.00	-29.32	0.00
15	Pradhan Mantri Krishi Sinchayee Yojna	14.80	0.00	-14.80	0.00
16	Performance Grant to Grampanchyats Under Finance Commission	59.72	-8.78	-50.94	0.00
17	Pradhan Mantri Awas Yojna (Gramin)	24.28	0.00	-24.28	0.00
18	S.J.V.N.L.	10.00	0.00	-10.00	0.00
19	Smart City Mission	37.40	-28.54	-8.86	0.00
20	World Bank Aided Greater Shimla Water Supply Scheme	11.61	0.00	-11.61	0.00
21	H.P. State Development Loan (New Loan)	331.20	-331.20	0.00	0.00
22	Loan for HP Power Corporation Projects	47.00	0.00	-47.00	0.00
23	World Bank Assisted Himachal Pradesh Horticulture Development Project	10.80	0.00	-10.80	0.00
24	National Rural Employment Guarantee Scheme	40.50	0.00	-40.50	0.00
25	National Rural Employment Guarantee Scheme	113.35	0.00	-113.35	0.00
26	Deendayal Upadhyay Gramin Kaushal Yojna	11.09	-11.09	0.00	0.00
27	National Rurban Mission	11.22	-6.58	-4.64	0.00
28	Chief Minister Rural Drinking Water Supply Scheme-Externally Aided Project National Development Bank	33.70	0.00	-33.70	0.00
29	World Bank Assisted HP Horticulture Development Project (EAP)	30.23	-2.58	-27.65	0.00
30	Smart City Mission	12.60	-1.07	-11.53	0.00
31	Investment in HRTC	15.62	-15.62	0.00	0.00
32	Rural Road World Bank	25.00	-16.20	-8.80	0.00
33	Loans to H.P. Power Corporation	62.00	0.00	-62.00	0.00
34	Upgradation/Maintenance of Existing Information Communication Technology Laboratories & Other Lab. Facilities	12.60	0.00	-12.60	0.00
35	Post Matric Scholarship to Scheduled Caste Students	34.28	0.00	-34.28	0.00
36	Expenditure on Government Colleges	12.00	-12.00	0.00	0.00
Total		1477.48	-715.12	-762.36	0.00

Non-utilization of the funds on sanctioned scheme shows the casual approach of State Departments in preparation of budget estimates and their utilisation. Weak scheme implementation capacities, the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts and surrender at the end of year also deprives other Departments of the funds, which they could have utilised.

3.4.5 Rush of expenditure

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Instruction regarding this is available in Budget Manual, Finance Department OMs, etc. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

The State Government has prescribed quarter wise percentages² for incurring expenditure during the year, with an aim to regulate the expenditure in a phased manner. Detail of cases, where substantial expenditure (or above particular percentage) was incurred in March 2020 are given in **Appendix 3.5**. Some cases where more than 50 per cent of expenditure incurred in March alone are given in **Table-3.20** below:

Table-3.20: Grants where more than 50 per cent of expenditure was incurred in March alone (Descending order of percentage)

Sr. No.	Name of the Grant	Head of Account	Expenditure during March (in per cent)
1	29- Finance	2049-03-104-01	98.01
2	10- Public Works - Roads, Bridges and Buildings	4216-01-106-01	69.67
3	13- Irrigation, Water Supply and Sanitation	4702-00-101-03	67.14
4	11- Agriculture	2401-00-109-31	66.75
5	13- Irrigation, Water Supply and Sanitation	4701-20-800-02	64.60
6	05- Land Revenue and District Administration	2245-05-101-02	62.61
7	28-Urban Development, Town and Country Planning and Housing	4215-02-106-02	55.86
8	27- Labour Employment and Training	4202-02-105-03	52.15
9	32- Scheduled Caste Sub Plan	5054-04-789-04	53.02
10	32- Scheduled Caste Sub Plan	4215-01-789-04	50.19

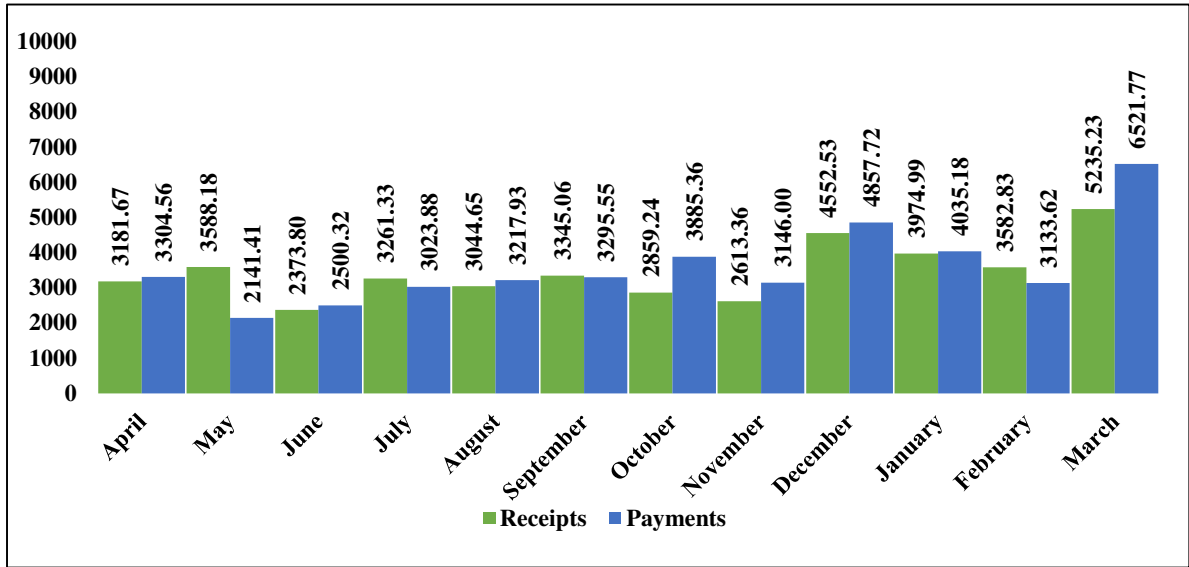
However, further analysis revealed that there were no such cases/sub-heads (schemes), where entire expenditure was incurred in March 2020.

Details of monthly receipts and expenditure incurred against these receipts are given in the **Chart-3.8**.

² 1st Quarter-20 per cent; 2nd Quarter-25 per cent; 3rd Quarter-30 per cent; 4th Quarter-25 per cent

Chart-3.8: Monthly receipts and expenditure during the year 2019-20

(₹ in crore)



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

3.5 Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of two grants (Grant No. 13- 'Irrigation and Public Health' and Grant No. 22- 'Food and Civil Supplies' for the period 2017-18 to 2019-20 revealed the following:

3.5.1 Grant No 13 – Irrigation and Public Health

The overall position of funds allotted, expenditure incurred and savings/excesses under Revenue and Capital sections for the last three years (2017-18 to 2019-20) is given in Table 3.21.

Table-3.21: Details of funds allocated, expenditure incurred and savings/excesses

(₹ in crore)

Year	Section	Original provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
2017-18	Revenue Section	2,260.78	177.80	2,438.58	2,408.25	-30.32
	Capital Section	489.66	77.95	567.61	478.84	-88.76
2018-19	Revenue Section	2,530.56	0	2,530.56	2,636.89	106.33
	Capital Section	579.74	218.08	797.82	626.04	-171.78
2019-20	Revenue Section	2,586.53	0.22	2,586.75	2,358.76	-227.99
	Capital Section	709.05	186.92	895.97	944.27	48.30

From the above table it would be seen that during 2017-18 and 2019-20 under Revenue section, there was a savings of ₹ 30.06 crore and ₹ 227.99 crore respectively against the budget provision. Similarly, under Capital section during 2017-18 and 2018-19, the funds allocated from supplementary provision proved unnecessary and resulted in savings of ₹ 88.76 crore and ₹ 171.78 crore respectively. An expenditure of ₹ 106.33 crore in 2018-19 (Revenue section) and ₹ 48.30 crore in 2019-20 (Capital section) proved excess/unauthorized and requires regularization from the State legislature. The Assistant Controller (F&A) stated (December 2020) that additionality of ₹ 57.11 crore was received on 28.03.2020 under capital section (Jal Jeevan Mission-Central share) from the Government, which was not taken into consideration.

Savings over the budget provision

Rule 31(4) of Himachal Pradesh Financial Rules 2009, provides that the revised estimates of both plan and non-plan expenditure and budget estimates for non-plan expenditure after being scrutinized and approved by the Administrative department concerned shall be forwarded to the Finance Department in such manner and form as may be prescribed. Similarly, Rule 41 also stipulates that the head of the department through their administrative department, all the anticipated savings noticed in the grants of appropriation controlled by them shall surrender to the Finance Department by the date prescribed before the close of financial year.

Scrutiny of the records revealed that during 2019-20, department either made unrealistic budget provisions or did not disburse/surrender the amount as per prescribed procedure/rule deprived the other necessitated heads where these funds were to be used. Detail of 17 cases/sub-heads (₹ 10 lakh or more in each case) which resulted in savings of ₹ 16.79 crore over the budget provision is given in the **Table-3.22** below:

Table-3.22: Details of savings (₹ 10 lakh or more in each case) over the budget provision
(₹ in lakh)

Sr. No.	Head of accounts	Original Grant	Supplementary	Reappropriation	Final grant	Expenditure	Savings
1	2215-01-005-02-State Non-Plan	57.75	0	165.60	223.35	200.66	-22.69
2	2215-01-102-13-SOON -State Non-Plan	4,374.47	0	4,007.87	8,382.34	8,021.34	-361.01
3	2215-01-102- State Plan	0	0.01	24.09	24.10	11.21	-12.90
4	4215-01-102-01-SOON-State Non Plan	0	0.01	24.76	24.77	0	-24.77
5	4215-01-102-01-SOON-State Plan	1,116.00	0	91.69	1,207.69	1,163.34	-44.35
6	4215-08-SOON-State Non-Plan	515.00	0	0	515.00	500.90	-14.10
7	4215-16- SOON-State Plan	9,800.00	0	853.00	10,653.00	10,274.92	-378.08
8	4215-23- SOON-State Plan	350.00	0	0	350.00	254.33	-95.67
9	4700-01-800-01- SOON-State Plan	0	0.02	22.99	23.01	0	-23.01
10	4702-00-101-02- SOON-State Plan	200.00	0	0	200.00	178.10	-21.90

Sr. No.	Head of accounts	Original Grant	Supplementary	Reappropriation	Final grant	Expenditure	Savings
11	4702-00-101-03- SOON-State Plan	4,489.00	0	0	4,489.00	4,202.21	-286.79
12	4702-00-101-06-C90N Share Central Plan	4,436.00	0	3,651.94	8,087.94	8,038.00	-50.00
13	4702-00-101-06-SOON-State Non Plan	450.00	0	0	450.00	400.00	-50.00
14	4702-00-101-06-S10N-State Plan	494.00	0	57.14	551.14	496.74	-54.40
15	4702-00-101-07-S10N-State Plan	329.00	0	-57.14	271.86	250.31	-21.55
16	4702-00-102-03-SOON-State Plan	1,347.00	0	0	1,347.00	1,218.50	-128.50
17	4705-00-313-01- SOON-State Plan	2,303.00	0	0	2,303.00	2,214.22	-88.78
	Total	30,261.22	0.04	8,841.94	39,103.20	37,424.78	-1,678.50

Further, from the above table, the following points were noticed:

- In two cases (Sr. No. 4 and 9), the whole amount of re-appropriated funds of ₹ 47.75 lakh (₹ 24.76 lakh and ₹ 22.99 lakh respectively) proved unnecessary and remained unutilised and resulted in savings under these heads.
- In nine cases, out of re-appropriated funds of ₹ 8,899.08 lakh, ₹ 971.21 lakh (11 per cent) remained unutilised at the end of the year 2019-20.

Thus unrealistic provision of funds in the original grant and by way of re-appropriation had resulted in savings, which indicate not only casual approach in preparation of budget estimates and demand of funds through re-appropriation but also non-utilization of the funds on sanctioned scheme. The Assistant Controller (F&A) stated (December 2020) that the savings were due to less preparation of DPR, non-acceptance of transfer entries and less execution of work.

3.5.2 Grant No 22 – Food and Civil Supplies

The overall position of funds allotted, expenditure incurred and savings/excesses under Revenue and Capital sections for the last three years (2017-18 to 2019-20) is given in Table 3.23:

Table-3.23: Details of funds allocated, expenditure incurred and savings/excesses

(₹ in crore)

Year	Section	Original provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
2017-18	Revenue	239.70	55.15	294.85	240.13	-54.72
	Capital	1.97	0	1.97	1.97	0
2018-19	Revenue	261.52	31.59	293.11	328.40	35.29
	Capital	2.01	0	2.01	2.01	0
2019-20	Revenue	275.36	39.95	315.31	316.80	1.49
	Capital	2.00	0.36	2.36	2.17	-0.19

Source: Appropriation Accounts

Scrutiny of the records of Food and Civil Supplies Department revealed the following points:

Expenditure without provision

Paragraph 1.19 of the Himachal Pradesh Budget Manual (HPBM) stipulates that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204, through an Appropriation Act.

Scrutiny of re-appropriation order in respect of Grant No.22- 'Food and Civil Supplies' for the year 2019-20 revealed that neither there was any original nor supplementary provision under head of account 2408-01-102-13-S25N-Non-Plan but re-appropriation of ₹ 6.67 crore was made. This is indicative of the fact that re-appropriation was made in contravention of provisions of Himachal Pradesh Budget Manual.

Further, scrutiny of records in the office of the Directorate of Food, Civil Supplies and Consumer Affairs revealed that Finance Department on the request of the Department provided additional funds of ₹ 8.17 crore under the aforementioned head of account (27.03.2020) which were released on the same day to Managing Director, HP State Civil Supplies Corporation Ltd. for providing two months' wheat Atta/Rice to NFSA households in view of exigencies emerged due to outbreak of COVID-19 pandemic. Accordingly, the department had submitted (05.05.2020) final excess/surrender statement to Finance Department containing additionally of ₹ 8.17 crore provided on 27.03.2020.

Finance Department (October 2020) had also taken the cognizance of excess grants/appropriation and called for the reasons from the Department for incurring expenditure in excess of the re-appropriated provision of ₹ 6.67 crore. This indicates that additionally of ₹ 8.17 crore was not sufficiently provided through re-appropriation due to which re-appropriation of ₹ 6.67 crore proved injudicious and resulted in excess expenditure of ₹ 1.50 crore.

The Department stated that due to distribution of two months Wheat Atta/Rice to NFSA households on account of spread of COVID-19 epidemic, the provision was made by the Finance Department. However, the reply of the Finance Department is awaited (May 2021).

Booking of expenditure under omnibus Minor Head 800-Other expenditure

Booking under Minor Head '800-Other Expenditure' should be done only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque.

Test check of records of the Directorate of Food, Civil Supplies and Consumer Affairs revealed that an expenditure of ₹ 93.91 crore had been incurred on the State scheme 'Himachal Grihani Suvidha Yojna' and classified under head of account 2408-01-800-Other expenditure-02- Himachal Grihani Suvidha Yojna -State Non Plan during the years 2018-20. The large amount of expenditure incurred on the scheme is of recurring nature

and cannot be treated as temporary which could be classified under omnibus head of account i.e. '800 Other Expenditure' as per the detail given in **Table- 3.24**.

Table-3.24: Booking of expenditure under Minor Head '800-Other Expenditure'

Financial Year	Scheme	Expenditure (₹ in crore)
2018-19	2408-01-800-02- Himachal Grihani Suvidha Yojna	30.34
2019-20	2408-01-800-02- Himachal Grihani Suvidha Yojna	63.57
Total		93.91

Source :<https://himkosh.nic.in/eHPOLTIS/PublicReports/wfrmMinorHeadWiseQueries.aspx>

Thus, the expenditure of ₹ 93.91 crore classified under omnibus minor head '800-Other expenditure instead of depicting in the distinct head of account results in reflecting opaque accounts and adversely affects transparency in financial reporting.

The Department while confirming the facts stated that all the departmental schemes are booked under the Major Head 2408- 'Food Storage and Warehousing' after approval of the Finance Department. The reply is not acceptable as the expenditure booked under omnibus minor head 800- 'Other expenditure' does not reflect fair and transparent presentation of financial reporting.

3.6 Conclusions

- The budgetary system of the State Government was not upto the mark, as overall utilisation of budget was 84.77 *per cent* of total grants and appropriations during 2019-20. Budgetary allocations were based on unrealistic proposals as out of total 32 grants, in 14 grants savings were more than ₹100 crore. In four grants there were persistent savings of more than ₹ 100 crore over the last five years. It was further noted that all surrenders were made on the last day of the financial year.
- Supplementary provisions were also not on realistic basis as in 18 cases the supplementary provisions were either unwarranted or excessive. There was rush of expenditure at fag end of the year. In 10 heads under eight grants/appropriations 50 *per cent* or more of the total expenditure during 2019-20 was incurred in the month of March 2020.
- In four grants and three appropriations the expenditure of ₹ 49.91 crore was excess over the authorisation made by the State Legislature which vitiates the system of budgetary and financial control. The excess expenditure is required to be regularised from the State Legislature along with excess disbursements of ₹ 9,154.73 crore pertaining to 2013-14 to 2018-19.
- In 96 schemes, no expenditure was incurred inspite of budget provisions of more than ₹ one crore being available in each case. Further, in 36 schemes the entire budget provision was removed either by re-appropriation or by surrender. This

indicates weak financial planning by the state departments which has led not only to denial of intended benefits but also blockage of resources.

- Review of Grant No. 13 – Irrigation and Public Health revealed that the unrealistic provision of funds in the original grant and by the way of re-appropriation has resulted in savings. This not only indicates casual approach in preparation of budget estimates and demand of funds through re-appropriation but also non-utilization of the funds on sanctioned scheme.
- Review of Grant No. 22- Food and Civil Supply revealed that expenditure was incurred without budget provisions in contravention of provisions of Himachal Pradesh Budget Manual. Further, the expenditure of ₹ 93.91 crore was classified under omnibus head ‘800-Other Expenditure’ instead of depicting in the distinct head of account which adversely affects transparency in financial reporting.

3.7 Recommendations

- The State Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.
- The State Government should assess the savings/excess and surrender the amount well before the close of the financial year so that they can be effectively utilised in other areas/ schemes.
- Government should adhere to quarterly targets fixed for incurring expenditure through periodic monitoring, to avoid rush of expenditure towards end of the year, and for proper utilization of savings through timely surrender. Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. It, therefore, needs to be viewed seriously and should be regularized at the earliest.
- Government may consider formulating strategies for actual execution of major policy decisions and development schemes in the State at the time of preparing budgetary estimates, to ensure the extension of benefit to the intended beneficiaries.