

CHAPTER 2

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 budget. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

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

2.2 Mechanism for Budget Management

The Budget Estimates of the State are prepared in the forms prescribed by the Finance Department. The estimates under each major head prepared by the Controlling Officers of the different departments are examined by the Finance Department and compiled for presentation of the first edition budget to the Government. Rules regarding control over expenditure are embodied in the Bihar Financial Rules (as adopted by Jharkhand). As per Rule 112 of the Budget Manual of the State, all anticipated savings should be surrendered to the Government immediately when they are foreseen unless they are required to meet excesses over grant under some other units. No savings should be held in reserve for possible future excesses. Further, in order to meet new specific items of expenditure or to cover probable excesses in the voted grant, supplementary grants should be obtained in consultation with the Finance Department. We observed large savings and excesses over the grants during 2011-12, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-12 against 60 grants/appropriations is as given in **Table 2.1**:

Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Provisions during 2011-12

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	21594.22	2384.14	23978.36	18946.42	(-)5031.94
	II Capital	6352.73	327.14	6679.87	3249.84	(-)3430.03
	III Loans and Advances	1328.02	79.61	1407.63	217.10	(-)1190.53
Total Voted		29274.97	2790.89	32065.86	22413.36	(-)9652.50
Charged	IV Revenue	2443.55	16.21	2459.76	2314.36	(-)145.40
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment*	1403.18	16.28	1419.46	1639.02	(+)219.56
	Total Charged	3846.73	32.49	3879.22	3953.38	(+)74.16
Grand Total		33121.70	2823.38	35945.08	26366.74	(-)9578.34

Source: Appropriation Accounts of Government of Jharkhand 2011-12

* The expenditure figures are gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 269.20 crore) and capital voted expenditure (₹ 15.07 crore).

Note: Expenditure was overstated to the extent of ₹1,470 crore drawn on AC bills during 2011-12 against which DC bills were not submitted.

During 2011-12, the overall savings of ₹ 9,578.34 crore was the result of savings of ₹ 9,998.50 crore (₹ 5,377.92 crore in 55 grants and three appropriations under the Revenue Section and ₹ 4,620.58 crore in 27 grants under the Capital Section), offset by excess of ₹ 420.16 crore in two Grants and one Appropriation under Revenue Section. The supplementary provision of ₹ 2,823.38 crore was obtained though the actual expenditure was less (by 29 per cent) than even the original grant.

The head-wise expenditure status was provided by the Accountant General (A&E), Jharkhand monthly to the State Government through Monthly Civil Accounts Statement. In spite of this, appropriate steps were not taken by the Government Departments to avoid large savings and excess expenditure over the grants. Out of 1168 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2011-12, reasons for variations (savings/excesses) were not furnished by the departments in respect of 865 sub-heads.

2.4 Financial Accountability and Budget Management

2.4.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 38 cases (31 grants), savings aggregating ₹ 8,766.05 crore exceeded by ₹ 10 crore or more in each case and also by 20 per cent or more of the total provision as detailed in **Appendix 2.1**. Against the total savings of ₹ 9,998.50 crore, savings of ₹ 8,618.71 crore (86 per cent)¹ occurred in 22 cases relating to 20 Grants as indicated in **Table 2.2**.

¹ Exceeding ₹ 100 crore in each case.

Table 2.2: List of Grants with savings of ₹ 100 crore and above.

(₹ in crore)						
Sl. No.	No. and name of the Grant/Appropriation	Original	Supplementary	Total	Actual expenditure	Savings
Revenue-Voted						
1	1-Agriculture and Sugarcane Development Department	625.61	26.32	651.93	423.11	228.82
2	10- Energy Department	1074.18	2.81	1076.99	876.89	200.10
3	18-Food, Public Distribution and Consumer Affairs Department	785.42	339.70	1125.12	957.11	168.01
4	20- Health, Medical Education and Family Welfare Department	1086.02	8.21	1094.23	816.30	277.93
5	22-Home Department	2206.56	297.67	2504.23	2248.06	256.17
6	23-Industries Department	226.90	126.23	353.13	195.72	157.41
7	26-Labour, Employment and Training Department	821.05	30.65	851.70	658.63	193.07
8	35-Planning and Development Department	230.61	268.71	499.32	207.54	291.78
9	39-Disaster Management Department	362.61	125.00	487.61	220.73	266.88
10	42-Rural Development Department	836.37	0.22	836.59	619.59	217.00
11	47-Transport Department	513.65	310.09	823.74	492.00	331.74
12	51-Welfare Department	750.98	184.21	935.19	626.05	309.14
13	56-Panchayati Raj and National Rural Employment Programme (Special Division) Department	1272.30	140.10	1412.40	1102.16	310.24
14	58-Secondary Education	629.16	46.09	675.25	475.50	199.75
15	59-Primary and Public Education	3841.88	0.03	3841.91	3039.10	802.81
16	60-Social Welfare, Women and Child Development Department	805.57	19.62	825.19	594.72	230.47
Capital-Voted						
17	10- Energy Department	1295.00	0.00	1295.00	164.95	1130.05
18	20- Health, Medical Education and Family Welfare Department	341.25	0.00	341.25	163.53	177.72
19	41- Road Construction Department	1691.60	5.00	1696.60	796.66	899.94
20	48- Urban Development Department	1003.56	0.00	1003.56	187.50	816.06
21	49- Water Resources Department	911.30	0.00	911.30	196.61	714.69
22	50-Minor Irrigation Department	656.70	0.00	656.70	217.77	438.93
Total		21968.28	1930.66	23898.94	15280.23	8618.71

Source: Appropriation Accounts of Government of Jharkhand

Further, in 114 sub-head/schemes under the above Grants savings occurred (exceeding ₹10 crore and above in each case) aggregating ₹ 6,968.32 crore (70 per cent of total savings). Details of savings along with reasons for savings exhibited in the Appropriation Accounts 2011-12 are given in **Appendix 2.2.**

In most of the cases no reason was given for the savings. Large savings may adversely affect implementation of the development programmes in the State.

2.4.2 Persistent Savings

In 10 cases (nine departments), there were persistent savings of 10 per cent or more of the total grants in each case, during the last five years (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2007-12

(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	165.37(44)	499.65(70)	178.10(44)	181.21(39)	228.82(35)
2	2-Animal Husbandry Department	70.40(39)	58.61(29)	54.21(27)	46.11(22)	31.52(23)
3	10- Energy Department	576.18(82)	234.46(53)	397.74(45)	346.05(39)	200.10(19)
4	20-Health, Medical Education & Family Welfare Department	301.92(44)	184.31(23)	480.56(45)	178.41(21)	277.93(25)
5	23- Industry Department	62.70(37)	83.42(42)	73.27(32)	31.89(18)	157.41(45)
6	43- Science & Technology Department	50.00(34)	76.74(50)	66.06(59)	51.83(41)	40.29(42)
7	49- Water Resources Department	16.76(11)	17.52(09)	57.85(22)	30.98(13)	83.77(27)
8	51- Welfare Department	112.62(15)	219.46(23)	304.76(28)	208.83(16)	309.14(33)
Capital-Voted						
9	41- Road Construction Department	241.24(44)	88.05(14)	230.19(31)	146.70(18)	899.94(53)
10	49- Water Resources Department	148.08(20)	254.29(48)	277.49(56)	153.71(40)	714.70(78)

Source: Appropriation Accounts of Government of Jharkhand
(Figures in bracket indicate percentage of savings with respect to total grant)

From the above table, it may be seen that huge savings continued over the years indicating improper estimation under the Grants.

2.4.3 Excess over provisions during 2011-12 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.

Table 2.4 contains the summary of total excess in one appropriation and two grants amounting to ₹ 420.16 crore over and above authorisation from the Consolidated Fund of the State by the State Legislature during 2011-12, which requires regularisation under Article 205 of the Constitution.

Table 2.4: Excess over provisions requiring regularisation during 2011-12

(₹ in crore)

Sl. No.	Number and name of grant/appropriation	Total grant / appropriation	Expenditure	Excess
Charged Appropriation				
1	14-Repayment of Loans	1419.46	1639.02	219.56
Voted Grant				
2	15-Pension	2096.09	2296.69	200.60
3	25-Institutional Finance and Programme implementation	14.70	14.70	*
Total		3515.55	3935.71	420.16

Source: Appropriation Accounts of Government of Jharkhand 2011-12
* Excess amount was only ₹ 11,160.

Excess expenditure in the above grants/appropriation amounting to ₹ 420.16 crore, was incurred either without or in excess of budget provision under different sub-heads of the grants/appropriation.

2.4.4 Excess over provisions relating to previous years requiring regularisation

Excess expenditure over provisions, amounting to ₹ 8,120.63 crore for the years 2001-02 to 2010-11, was still to be regularised under Article 205 of the Constitution as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.5**. Non-regularisation of the excess over grants/appropriations over the years is a breach of legislative financial control over appropriations.

Table 2.5: Excess relating to previous years requiring regularisation

(₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	3, 25, 32		0.04
2002-03	10, 32	13,14	1241.49
2003-04	10, 39,46	13,14	937.25
2004-05	23,39,40	13,14	576.07
2005-06	10, 29	13	3121.47
2006-07	38	13,14	1245.87
2007-08	15	14	334.44
2008-09	12	14	228.89
2009-10		14	116.71
2010-11		13,15,32	318.40
Total			8120.63

Source: Appropriation Accounts of Government of Jharkhand

2.4.5 Unnecessary/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 1,574.56 crore obtained in 45 cases (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in *Appendix 2.4*. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and huge savings occurred under these sub-heads.

2.4.6 Excessive/insufficient re-appropriation of funds

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. Injudicious re-appropriation under 25 sub-heads during 2011-12 as detailed in *Appendix 2.5* proved excessive or insufficient. Under nine schemes/sub-heads ₹ 13.16 crore were re-appropriated to other schemes/sub-heads resulting in excess expenditure of ₹ 4.51 crore in those schemes. Similarly, in 11 schemes/sub-heads, additional funds of ₹ 15.51 crore were provided through re-appropriation leading to savings of ₹ 4.95 crore under the same. It was also noticed that ₹ 17.01 crore were re-appropriated to five schemes/sub-heads which was proved insufficient considering the excess expenditure of ₹ 1.47 crore under those schemes.

2.4.7 Surrender in excess of actual savings

In six cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual savings, indicating inadequate budgetary control in these departments. Against savings of ₹ 1,309.92 crore, the amount surrendered was ₹ 1,323.77 crore, resulting in excess surrender of ₹ 13.85 crore. Details are given in *Appendix 2.6*.

2.4.8 Anticipated savings not surrendered

As per Rule 112 of the Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Out of significant savings (₹ one crore and above in each grant/ appropriation) aggregating to ₹ 6,990.33 crore under 33 grants/ appropriations, a total of ₹ 1,955.57 crore (28 per cent of the total savings) were not surrendered, details of which are given in *Appendix 2.7*. Besides, in 79 cases, where the surrender of funds was in excess of ₹ 10 crore each, ₹ 3,252.83 crore was (*Appendix 2.8*) surrendered on the last two working days of March 2012, leaving no scope for utilisation of these funds for other developmental purposes. This indicated poor financial control.

2.4.9 Rush of expenditure

According to Rule 113 of the Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. However, in respect of 26 heads listed in *Appendix 2.9*, expenditure (exceeding ₹ 20 crore in each case) incurred in the last quarter of 2011-12 was more than 50 per cent of the total expenditure of the year. **Table 2.6** also presents 16 Major Heads where more than 50 per cent of the total expenditure was incurred during the last month of the financial year, in violation of the provisions of the Budget Manual.

Table 2.6: Cases of expenditure towards the end of 2011-12

(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	2	3	4	5	6	7
1	2053	331.57	237.77	72	190.32	57
2	2225	623.99	397.79	64	336.03	54
3	2230	127.44	88.97	70	78.26	61
4	2401	303.70	211.34	70	165.14	54
5	2404	60.82	50.32	83	35.12	58
6	2425	138.48	104.06	75	96.16	69
7	2515	1389.17	889.36	64	778.33	56
8	2810	35.00	35.00	100	35.00	100
9	2852	86.34	57.80	67	54.64	63
10	3053	66.67	66.47	100	66.43	100
11	3075	450.25	450.25	100	450.25	100

Sl. No.	Major Head	Total Expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	2	3	4	5	6	7
12	4055	105.19	93.67	89	60.91	58
13	4202	75.98	55.53	73	48.07	63
14	4217	176.09	162.62	92	160.86	91
15	4225	204.20	193.26	95	169.07	83
16	4701	85.97	64.75	75	49.35	57

Source: Voucher Level Computerisation data base.

It was noticed that entire expenditure during the year under the Major Heads '2810- Non-Conventional Sources of Energy' for 'New and Renewable Energy', '3053- Civil Aviation' for 'Training and Education' and '3075- Transport' for 'Subsidy to Railways towards Dividend Relief & Other Contingencies' under 'Tribal Area Sub-Plan' was incurred in the month of March 2012.

2.5 Non-reconciliation of Departmental figures

To enable the Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, Financial Rule 475 (viii) of the Bihar Financial Rules, as adopted by the State of Jharkhand, stipulates that the receipts and expenditure recorded in their books should be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (A&E), Jharkhand.

Though non-reconciliation of departmental figures is pointed out regularly in our Audit Reports, non-reconciliation on the part of Controlling Officers continued to persist during 2011-12. It was noticed that against the total receipts of ₹ 22,444 crore during 2011-12, a total amount of ₹ 9,822 crore (44 per cent) was not reconciled. Similarly, out of total expenditure of ₹ 24,368 crore during the year 2011-12, an expenditure of ₹ 20,101 crore (83 per cent) was not reconciled by 25 Controlling Officers with the books of the Accountant General (A&E), Jharkhand. Details of un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 16,038 crore during 2011-12, is given in **Table 2.7**.

Table 2.7: List of Controlling Officers where expenditure remained un-reconciled during 2011-12 (amounts exceeding ₹ 10 crore in each case)

(₹ in crore)		
Sl. No.	Controlling Officers/ Departments	Amount not reconciled
1	2	3
1	Secretary, Law	142.61
2	Electoral Commissioner	18.14
3	Commissioner of Commercial Taxes	40.15
4	Secretary, Finance and Revenue & Land Reforms	2267.07
5	Secretary, Board of Personnel & Administrative Reforms	322.43
6	Additional Secretary, Home (Police) Commissioner, North Chotanagpur Division, Hazaribag Commissioner, South Chhota Nagpur Division	2203.57

(₹ in crore)

Sl. No.	Controlling Officers/ Departments	Amount not reconciled
1	2	3
7	Inspector General (Prison) Home	10.35
8	Finance Commissioner	2296.68
9	Dy. Secretary, Primary & Adult Education	3980.56
10	Dy. Secretary, Higher Education	75.97
11	Dy. Secretary, Art, Culture and Youth Affairs	29.47
12	Director, Health Services	293.98
13	Under Secretary, Health & Family Welfare	69.08
14	Secretary, Drinking Water and Sanitation Department	264.56
15	Secretary, Housing	23.11
16	Secretary, Urban Development	182.9
17	Secretary, Welfare Secretary, Minority Welfare	577.01
18	Commissioner of Labour Director, Employment & Training Director, Directorate of Social Security	106.44
19	Joint Secretary, Natural Calamity	233.11
20	Secretary, Agriculture	600.61
21	Registrar, Co-operative Society, Co-operative	215.71
22	Secretary-Cum-Commissioner, Rural Development	189.44
23	Dy. Secretary, Rural Development	232.83
24	Director, Panchayati Raj Institutions	1581.15
25	Director of Industries	81.15
	Total	16038.08

Due to non-reconciliation of departmental figures with the books of the Accountant General (A&E) chances of misclassification of expenditure and receipts could not be ruled out.

2.6 Provision under Minor Head 800- 'Other expenditure'

The Minor-head '800-Other Expenditure' accommodates the provision/ expenditure for those schemes which cannot be classified under the available programme minor heads. In the State Budget 2011-12, ₹ 336.42 crore was provided in the Minor head '800-Other expenditure' under 23 Major Heads for various programmes, which should have been provided under the appropriate Minor head for these programmes in order to maintain transparency in budget. Details are given in *Appendix 2.10*.

2.7 Conclusion

There were large savings of ₹ 9,998.50 crore during 2011-12 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Excess expenditure of ₹ 420.16 crore was incurred over provisions during 2011-12, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 8,120.63 crore occurred during 2001-2011 was still to be regularised. Persistent savings for the last five years were also recorded in nine departments performing Social Services and Economic Services. In 79 sub-heads, ₹ 3,252.83 crore were surrendered on last two days of the year, leaving no scope of utilisation of the

funds for other development purposes. In 16 Heads more than 50 *per cent* of the expenditure was incurred during the last month of the financial year. Rush of expenditure hampers due exercise of budgetary and expenditure controls. The Controlling Officers did not reconcile the expenditure (₹ 20,101 crore) and receipts (₹ 9,822 crore) of the departments with the books of the Accountant General (A&E), Jharkhand during 2011-12.

2.8 Recommendations

- The Budgetary control mechanism should be strengthened in all Government Departments, especially in those where savings occurred persistently.
- Appropriate action needs to be taken to avoid heavy expenditure in the closing month of the financial year.
- Regularisation of excess expenditure, pending since 2001-02, may be done on priority.
- Controlling Officers should reconcile their expenditure and receipts figures every month with those in the books of the Accountant General (A&E).