

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-a-vis those authorised by the Appropriation Act, in respect of both charged and voted items of the budget.

Audit of Appropriation 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 the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2005-06 against 40 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I. Revenue	29451.88	1869.98	31321.86	28412.45	(-) 2909.41
	II. Capital	7399.09	1037.06	8436.15	7721.70	(-) 714.45
	III. Loans and advances	1227.01	246.03	1473.04	756.49	(-) 716.55
Total Voted		38077.98	3153.07	41231.05	36890.64	(-) 4340.41
Charged	IV. Revenue	8032.77	9.67	8042.44	7087.42	(-) 955.02
	V. Capital	113.72	0.78	114.50	33.01	(-) 81.49
	VI. Loans	---	---	---	---	---
	VII. Public Debt	9217.52	---	9217.52	5294.74	(-) 3922.78
Total Charged		17364.01	10.45	17374.46	12415.17	(-) 4959.29
Appropriation to Contingency Fund (if any)	--	---	---	---	---	---
Grand Total		55441.99	3163.52	58605.51	49305.81	(-) 9299.70

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 584.56 crore) and capital expenditure (Rs 93.02 crore).

Note: At the end of June 2006 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 233.25 crore drawn on Abstract Contingent bills during 2005-06. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated at least to that extent.

The overall savings of Rs 9299.70 crore were the result of savings of Rs 9885.52 crore in 28 grants/appropriations partly offset by excess of Rs 585.82 crore in nine grants and three appropriations. Detailed Appropriation Accounts were sent to the controlling officers and reasons for savings/excesses were called for, but reasons were either not received or received incomplete in 70 per cent of the cases.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 9885.52 crore, as much as 72.02 per cent occurred in five grants as mentioned below.

(Rupees in crore)

Number and name of the Grant	Grant (Original/Supplementary)	Total Grant	Actual Expenditure	Savings
IX Fiscal Administration, Planning, Surveys and Statistics				
(Revenue – Voted)	(O) 4410.72 (S) 15.68	4426.40	3851.06	575.34
(Revenue-Charged)	(O) 7927.35 (S) 0.01	7927.36	7008.41	918.95
(Capital-Voted)	(O) 500.63 (S) Nil	500.63	110.62	390.01
(Public debt)	(O) 9217.52 (S) Nil	9217.52	5294.74	3922.78
XII School Education				
(Revenue-Voted)	(O) 4504.61 (S) Nil	4504.61	4060.59	444.02
XXI Social Welfare				
(Revenue-Voted)	(O) 828.69 (S) 12.81	841.50	608.20	233.30
XXXIV Minor Irrigation				
(Capital-Voted)	(O) 552.28 (S) Nil	552.28	347.97	204.31
XXXV Energy				
(Loans – Voted)	(O) 471.09 (S) Nil	471.09	39.56	431.53

Reasons for savings in the above grants are given below:

The saving under Fiscal Administration, Planning, Surveys and Statistics was stated to be mainly due to consolidation of loans, non-availment of ways and means advances and payment of arrears consequent on implementation of Revised Pay Scales 2005 under other heads of account.

The saving under School Education was stated to be mainly due to non-receipt of sanction orders from government, payment of salaries to State Institute of Educational Technology and Discontinuance of schemes.

No specific reasons were stated for the saving in respect of Social Welfare grant except stating that it was due to observation of economy.

The saving under Minor Irrigation was stated to be mainly due to non-sanction of schemes under RIDF and non-payment of certain anticipated payments.

The saving under Energy grant was stated to be due to non-release of funds from Government of India.

The major heads of account in which huge savings occurred under these five grants are given in *Appendix 2.1*.

In 33 grants/appropriations, savings exceeding Rs one crore and also 10 *per cent* of the total provision in each case, aggregated Rs 8901.47 crore, as indicated in *Appendix 2.2*.

2.3.2 Excess requiring regularisation

Excess over provision relating to previous years 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. However, the excess expenditure amounting to Rs 12268.36 crore for the years 1997-98 to 2004-05 have yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provision during 2005-06 requiring regularisation: The excess of Rs 585.76 crore under 9 grants and Rs 0.06 crore under three appropriations requires regularisation under Article 205 of the Constitution (*Appendix 2.4*).

2.3.3 Unnecessary Supplementary Grants

In 24 grants/appropriations, supplementary grant of Rs 256.43 crore proved unnecessary as the expenditure did not exceed even the original provision (*Appendix 2.5*).

2.3.4 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. In 43 heads of account, injudicious reappropriation of funds proved excessive or resulted in savings, by over Rs 2 crore in each case (*Appendix 2.6*).

2.3.5 Anticipated savings not surrendered

According to the Budget Manual, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department, as and when the savings are anticipated. However, at the close of the year 2005-06, out of total anticipated savings of Rs 3258.19 crore under 33 grants and appropriations, savings of Rs 1340.37 crore (41.14 *per cent*) were not surrendered (*Appendix 2.7*).

2.3.6 Delay in surrender of savings

In 35 grants and appropriations, Rs 8568.52 crore (86.68 *per cent* of total savings) were surrendered on the last day of March 2006, indicating inadequate financial control over expenditure (*Appendix 2.8*). Due to delay in surrender of the savings, the funds could not be utilised for other purposes.

2.3.7 Surrender in excess of actual savings

In 17 grants and appropriations, the amount surrendered was in excess of actual savings. In three grants, surrenders were made even though expenditure

was in excess of the grant, indicating inadequate budgetary control. Overall, for the 17 grants and appropriations, while the savings were Rs 1142.07 crore, the amount surrendered was Rs 1958.11 crore (*Appendix 2.9*).

The above instances of budgetary irregularities is being reported every year. Had the provisions of the Andhra Pradesh Budget Manual been followed, these instances could have been minimised.

2.3.8 Expenditure without provision

As per the Andhra Pradesh Budget Manual¹, expenditure should not be incurred on a scheme or service without provision of funds therefor. It was however, noticed, that expenditure of Rs 2980.97 crore was incurred under 29 heads of account, without any provision of funds (*Appendix 2.10*).

2.3.9 Rush of expenditure

The Andhra Pradesh Financial Code² requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. Contrary to these provisions, while the expenditure during each of the three quarters ending December 2005 was between 14 and 24 *per cent* of the total expenditure, it was highest at 41 *per cent* in the last quarter of the year.

Quarter ended	Expenditure (Rupees in crore)	Percentage to Total Expenditure
30 June 2005	5916.03	14
30 September 2005	10183.06	24
31 December 2005	8855.62	21
31 March 2006	17592.28	41
Total Expenditure	42546.98	---
Expenditure during March 2006	11330.47	27

2.3.10 Drawal of funds in advance of requirement

Financial rules prohibit drawal of money from treasury unless required for immediate disbursement.

Test check of 14 offices under 4 departments revealed that out of Rs 19.59 crore drawn during the period 2003-06, Rs 2.46 crore were retained in Personal Deposit account and Rs 12.91 crore in Savings Bank/Fixed Deposit/Current account (*Appendix 2.11*). Reasons for non-remittance of unspent balances to Government account were not furnished.

2.3.11 Advances from Contingency Fund

The Contingency Fund of Andhra Pradesh created with a corpus of Rs 50 crore is meant for the purpose of meeting unforeseen expenditure including

¹ Para 20.3.1

² Article 39

expenditure on a new service not contemplated in the budget pending authorisation of such expenditure by the State Legislature.

During 2005-06, Rs 4.99 crore was drawn from Contingency Fund of which Rs 0.79 crore remained unrecouped at the end of the year.

The Municipal Administration and Urban Development Department drew (March 2006) Rs One crore to meet the subsidy on interest component charged by Financial Institution³ on the loans raised by Self Help Groups after 1 July 2005. The liability of subsidy on interest component arises only from the year 2006-07 onwards and the Commissioner and Director of Municipal Administration (CDMA) advised Government to meet this expenditure through Budgetary support during 2006-07. However, Government ordered for drawal of amount from Contingency Fund and to deposit the same in Personal Deposit (PD) account of CDMA. Accordingly the amount was adjusted (March 2006) to the PD Account of CDMA. When the nature of expenditure could be foreseen, and the amount was also not required for immediate disbursement the drawal of advance from Contingency Fund was unnecessary.

2.3.12 Non-adjustment of Abstract Contingent bills

According to the orders issued by Government (March 2002⁴), the advances drawn on Abstract Contingent (AC) Bills should be settled by submitting Detailed Contingent (DC) Bills to the Accountant General (A&E)/Pay and Accounts Officer for the expenditure incurred with supporting vouchers, within three months. The Director of Treasuries and Accounts reiterated these orders in a circular memo⁵ issued to all District Treasury Officers and instructed them to watch the receipt of DC Bills. However, Rs 804.23 crore drawn in 1.25 lakh AC Bills during the period from 1978-79 to 2005-06 have not been adjusted as of June 2006 (*Appendix 2.12*). This indicated that the orders issued by the Government were disregarded by large number of Drawing and Disbursing Officers and also Treasury Officials.

Test check of the records of District Educational Officers, Adilabad, Chittoor and Warangal disclosed that Rs 14.36 crore drawn in 43 AC Bills between December 1983 and March 2004, AC Bills worth (a) Rs 0.48 crore were not adjusted as the relevant vouchers and files were missing (b) Rs 7.86 crore were not adjusted as the unit officers did not submit expenditure particulars along with vouchers (c) Rs 3.58 crore were adjusted based on the utilisation certificates instead of expenditure particulars and paid vouchers and (d) unspent balances of Rs 1.87 crore were kept in Bank accounts instead of remitting to Government account while Rs 0.57 crore were remitted to Government account with a delay ranging between one and five years.

³ Commercial, Cooperative and Regional Rural Banks

⁴ G.O.Ms No 391 Finance Department dated 22-03-2002

⁵ Circular Memo. No. F3/5623/2002 dated 06-04-2002

2.3.13 Unreconciled expenditure

The accounts of the State compiled by the Accountant General (Accounts and Entitlements) should reflect the correct and true state of affairs and this could be ensured only when the departments incurring expenditure periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. Timely reconciliation will also help to detect fraudulent drawl of money or any misappropriations. However, for 2005-06, expenditure of Rs 44210.39 crore remained unreconciled as of June 2006 in respect of 27 departments. The expenditure not reconciled was Rs 1000 crore and above in each of the following departments (*Appendix 2.13*).

(Rupees in crore)

Name of the department	Amount not reconciled
Revenue and Registration	21771.61
Finance and Planning	9720.93
Panchayat Raj and Rural Development	1254.54
Municipal Administration and Urban Development	1240.83
Industries and Commerce	1098.15
General Administration Department	1023.89

2.3.14 Overpayment of Pension/family pension

A test check of the records relating to payment of pensions and family pension in 23 District Treasuries, 236 Sub Treasuries and 9 Pension Payment Offices revealed that an excess payment of Rs 36.88 lakh was made due to (a) payment of family pension at enhanced rates beyond the period of eligibility (Rs 11.80 lakh), (b) incorrect computation and consolidation of pension consequent on revision of pay scales (Rs 9.24 lakh), (c) allowing inadmissible weightage (Rs 0.23 lakh), (d) irregular sanction of dearness relief (Rs 8.09 lakh), (e) non reduction of commuted value of pension from original pension (Rs 5.92 lakh) and (f) payment of full family pension to more than one surviving widow instead of payment in equal shares (Rs 1.60 lakh).