

CHAPTER II

**ALLOCATIVE PRIORITIES AND
APPROPRIATION**

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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 Accounts 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 2006-07 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	37402.38	3319.11	40721.49	34836.08	(-) 5885.41
	II. Capital	9943.06	1235.70	11178.76	9952.71	(-) 1226.05
	III. Loans and advances	1308.23	89.52	1397.75	906.69	(-) 491.06
Total Voted		48653.67	4644.33	53298.00	45695.48	(-) 7602.52
Charged	IV. Revenue	8076.59	7.60	8084.19	7358.44	(-) 725.75
	V. Capital	125.94	14.38	140.32	80.41	(-) 59.91
	VI. Loans	---	---	---	---	---
	VII. Public Debt	6827.16	---	6827.16	4252.72	(-) 2574.44
Total Charged		15029.69	21.98	15051.67	11691.57	(-) 3360.10
Appropriation to Contingency Fund (if any)	---	---	---	---	---	---
Grand Total		63683.36	4666.31	68349.67	57387.05	(-) 10962.62

*These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 756.12 crore) and capital expenditure (Rs 129.12 crore).

Note: At the end of June 2007 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 223.74 crore drawn on Abstract Contingent bills during 2006-07. 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 10962.62 crore were the result of savings of Rs 11161.34 crore in 32 grants/appropriations partly offset by excess of Rs 198.72 crore in seven grants and one appropriation. 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 75 per cent of the cases.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 11161.34 crore, as much as 65.16 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-Charged)	(O) 7987.51	7987.51	7289.12	698.39
	(S) NIL			
(Public Debt – Charged)	(O) NIL	6827.16	4252.72	2574.44
	(S) 6827.16			
XII School Education				
(Revenue-Voted)	(O) 5455.77	5611.71	4621.02	990.69
	(S) 155.94			
XVII Municipal Administration and Urban Development				
(Revenue-Voted)	(O) 1819.56	2380.31	1680.58	699.73
	(S) 560.75			
XVIII Housing				
(Revenue-Voted)	(O) 930.43	930.43	523.13	407.30
	(S) Nil			
(Loans – Voted)	(O) 893.66	893.66	507.34	386.32
	(S) Nil			
XXXIII Major and Medium Irrigation				
(Revenue – Voted)	(O) 4359.63	4361.30	3218.35	1142.95
	(S) 1.67			
(Capital – Voted)	(O) 7653.29	8096.27	7723.13	373.14
	(S) 442.98			

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 non-availment of ways and means advances during the year 2006-07, receipt of less amount of loans than anticipated, less accumulation of funds and consolidation of loans.

No specific reasons were stated for the saving in respect of School Education and Housing.

The saving under Municipal Administration and Urban Development was stated to be due to diversion of funds to meet the expenditure on Krishna Drinking Water Supply Project and scheme wise identification of expenditure under Jawaharlal Nehru National Urban Renewal Mission.

The saving under Major and Medium Irrigation was stated to be mainly due to making provision for payment to APTRANSCO under Handri Neeva Sujala Sravanti, payment of land acquisition charges under Pulivendula Branch Canal and payment of second installment of mobilization advance under Srisailam Left Bank Tunnel Scheme in relaxation of Treasury Control orders.

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

In 34 grants/appropriations, savings exceeding Rs one crore and also 10 *per cent* of the total provision in each case, aggregated Rs 9573.92 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 12854.18 crore for the years 1997-98 to 2005-06 have yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provision during 2006-07 requiring regularisation: The excess of Rs 197.42 crore under seven grants and Rs 1.29 crore under one appropriation 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 1584.79 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 56 heads of account, injudicious re-appropriation of funds proved excessive or resulted in savings, by over Rs 5 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 2006-07, out of total anticipated savings of Rs 9736.35 crore under 36 grants and appropriations, savings of Rs 3172.69 crore (32.59 *per cent*) were not surrendered (*Appendix 2.7*).

2.3.6 Delay in surrender of savings

In 38 grants and appropriations, Rs 7455.01 crore (67 *per cent* of total savings) were surrendered on the last day of March 2007, 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 10 grants/appropriations, the amount surrendered was in excess of actual savings. In four grants/appropriations, surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. Overall, for the 10 grants and appropriations, while the savings were Rs 757.02 crore, the amount surrendered was Rs 1075.67 crore (*Appendix 2.9*).

The above instances of budgetary irregularities are 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 125.19 crore was incurred under seven heads of account, without any provision of funds (*Appendix 2.10*).

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

During 2006-07, Rs 6.91 crore was drawn from Contingency Fund of which Rs 0.34 crore remained unrecouped at the end of the year.

2.3.10 Non-adjustment of Abstract Contingent bills

Orders issued by the Government² stipulated that 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 one month.

It was, however observed that Rs 906.70 crore drawn in 1.25 lakh AC bills during the period from 1987-88 to 2006-07 have not been adjusted as of June 2007 (*Appendix 2.11*).

2.3.11 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 drawal of money or any misappropriations. However, for 2006-07, expenditure of Rs 65068.25 crore remained unreconciled as of June 2007 in respect of 27

¹ Para 20.3.1

² G.O.Ms. No.285 dated 15-10-2005 of Finance (TFR.II) Department

departments (*Appendix 2.12*). The expenditure not reconciled was Rs 1000 crore and above in each of the following departments.

(Rupees in crore)

Name of the department	Amount not reconciled
Home	2094.28
Environment, Forest, Science and Technology	1378.68
Irrigation and Command Area Development	17572.80
Panchayat Raj and Rural Development	2715.73
Transport, Roads and Buildings	1656.12
Revenue, Registration and Relief	22857.14
Education	1278.13
Finance and Planning	11269.81
Miscellaneous General Services	1865.90

2.3.12 Overpayment of Pension/Family Pension

A test check of records relating to payment of pensions and family pensions in 5 District Treasuries³, 95 Sub-Treasuries⁴ and 4 Pension Payment Offices⁵ revealed that an excess payment of Rs 40.65 lakh was made due to (a) inadmissible relief on pension (Rs 13.70 lakh), (b) payment of enhanced family pension beyond time limit (Rs 10.74 lakh), (c) fraudulent drawal of pensionary benefits on fake pension payment order (Rs 6.15 lakh), (d) incorrect computation of pension consequent on revision of pension (Rs 4.95 lakh), (e) payment of pension without reducing commuted portion (Rs 2.98 lakh), (f) drawal of pension arrears twice (Rs 0.78 lakh), (g) payment of full family pension to more than one surviving widow (Rs 0.72 lakh), (h) payment of two service pensions to the same pensioner (Rs 0.55 lakh) and (i) payment of pension due to irregular weightage (Rs 0.08 lakh).

2.3.13 Parking of Central Funds in PL account, Non-utilisation/ Diversion of Central Funds

The unspent balances of funds provided by Government of India (GOI) under Centrally Sponsored Schemes cannot be diverted to other schemes or parked elsewhere but should be returned to GOI. A test check of 12 offices⁶ revealed that:

(a) An amount of Rs 202.32 lakh being unspent balances under Operation Black Board Scheme (OBB), remained unutilised in Banks. (b) Similarly, out of Rs 258.62 lakh released by the Commissioner, BC Welfare between March 2005 and February 2006 to various District Officers towards Pre-Matric Scholarships, Rs 203.77 lakh was diverted for purchase of note books, rice, bedsheets, etc., at the instance of Commissioner and the balance of Rs 54.85 lakh was deposited in Banks (*Appendix 2.13*).

³ Guntur, Khammam, Karimnagar, Nizamabad and Prakasam (Out of 23 District Treasuries).

⁴ Out of 230 Sub-Treasuries

⁵ Tarnaka, Motigally, Punjagutta and Chandrayanagutta (Out of 9 Pension Payment Offices)

⁶ District Educational Officer, Kakinada, RangaReddy, Nizamabad, Ongole, Guntur, Kadapa, Warangal, District B.C. Welfare Officer, Hyderabad, Anantapur, Kakinada, Nellore, and Vizianagaram

(c) GOI released (February 2005) Rs 20 lakh for renovation and strengthening of Dr. Gururaja Government Homeopathic Hospital, Gudivada. Since the hospital was functioning in a rented building, GOI requested for refund of the amount. Despite this, the amount (alongwith accrued interest of Rs 0.37 lakh) was spent towards procurement of hospital equipment, computers and other accessories.

2.3.14 Personal Deposit (PD) Accounts

Personal Deposit (PD) Accounts are opened in the Treasury in favour of designated officials of Government for specific purposes under specific sanctions issued by Government. These deposits are held and accounted for under Public Account. According to the Government orders⁷ issued in April 2000, scheme funds released and deposited in PD accounts during a financial year shall lapse by the end of the next financial year. Further, in order to prevent drawal of funds from PD account in advance of requirement, to avoid lapse of funds, the Government orders of April 2000 also stipulated that no self-cheque/cheque in the name of the manager of a bank shall be permitted to draw moneys from PD accounts.

(i) Government in Education department sanctioned (October 1999)⁸ Rs 15.62 crore Tenth Finance Commission grants to the Andhra Pradesh Residential Educational Institutions Society (APREIS) towards providing drinking water facilities in Primary and Upper Primary Schools and separate toilet facilities for girls in Upper Primary Schools. The amount was deposited in the PD account⁹ of APREIS on 7 March 2000¹⁰. The Commissioner and Director of School Education, Hyderabad (CDSE) was advised to prepare action plan and utilise the grant before the end of March 2000. However, only an amount of Rs 50 lakh was disbursed (December 2000) to the State Project Director, DPEP, Hyderabad for implementing the project in Medak District. The unspent balance of Rs 15.12 crore is still lying with APREIS (July 2007) without lapsing the same to the Government Account.

(ii) Government sanctioned¹¹ an amount of Rs 5.57 crore during the period from 2003-04 to 2005-06 to the Commissioner of Industries for revival of sick Small Scale Industrial (SSI) units under the scheme "Study of sickness of SSI units". The entire amount was deposited in the PD account No.GA128 of the Andhra Pradesh State Financial Corporation (APSFC). Neither was the amount utilised by the administrator of the PD account (Managing Director, APSFC) for the said purpose nor was it lapsed to the Government Account (August 2007).

⁷ G.O.Ms.No.43, Finance and Planning department dated 22-04-2000

⁸ G.O.Ms.No.74, Education (P&B) department, dated 28-10-1999

⁹ Personal Deposit Account No.4/87 of APREIS, Hyderabad

¹⁰ Voucher No's. 63 & 64 dated 07-03-2000

¹¹ G.O. Ms. No.203, Industries & Commerce Department, dated 20-07-2006

2.3.15 Rush of expenditure

The Andhra Pradesh Financial code¹² 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 2006 was between 17 and 22 *per cent* of the total expenditure, it was highest at 40 percent in the last quarter of the year. The expenditure, in the month of March 2007 alone constituted 26 per cent indicating rush of expenditure at the end of financial year.

Quarter ended	Expenditure (Rupees in crore)	Percentage of total expenditure
30 June 2006	8729.77	17
30 September 2006	11141.10	22
31 December 2006	10990.67	21
31 March 2007	20480.85	40
Total Expenditure	51342.39	--
Expenditure during March 2007	13129.74	26

¹² Article 39