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 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 that 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 2002-03 against 56 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	21851.51	1308.84	23160.35	20299.81	(-) 2860.54
	II. Capital	4482.47	669.30	5151.77	3976.96	(-) 1174.81
	III. Loans and advances	1521.18	146.37	1667.55	1235.44	(-) 432.11
Total Voted		**27855.16**	**2124.51**	**29979.67**	**25512.21**	**(-) 4467.46**
Charged	IV. Revenue	6407.38	3.70	6411.08	6169.27	(-) 241.81
	V. Capital	15.26	10.12	25.38	16.24	(-) 9.14
	VI. Loans	-	-	-	-	-
	VII. Public Debt	5450.38	1713.78	7164.16	7508.54	(+) 344.38
Total Charged		**11873.02**	**1727.60**	**13600.62**	**13694.05**	**(+) 93.43**
Appropriation to Contingency Fund (if any)	--	--	--	--	--	--
Grand Total		**39728.18**	**3852.11**	**43580.29**	**39206.26**	**(-) 4374.03**

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs 412.19 crore) and Capital expenditure (Rs 197.12 crore).

The overall saving of Rs 4374.03 crore was the result of saving of Rs 4920.28 crore in 109 items of grants and appropriations partly offset by excess of Rs 546.25 crore in 15 items of grants and appropriations. Detailed Appropriation Accounts were sent and explanations for savings/excesses were called for from the

Controlling Officers but they were either not received or were received incomplete in 88 per cent of the cases.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities: i) Out of overall savings of Rs 4374 crore, major savings of Rs 2372 crore (59 per cent) occurred in ten grants as mentioned below.

(Rupees in crore)

Grant No.	Grant			Actual Expenditure	Saving
	Original	Supplementary	Total		
XIV	**Roads, Buildings and Ports (Capital voted)**				
	1097.16	182.17	1279.33	1041.44	237.89
XV	**School Education (Revenue voted)**				
	3474.37	2.00	3476.37	3013.29	463.08
XXII	**Primary Health and Family Welfare (Revenue voted)**				
	949.13	-	949.13	777.74	171.39
XXVI	**Urban Development (Revenue voted)**				
	434.30	105.82	540.12	387.97	152.15
XXXI	**Tribal Welfare (Revenue voted)**				
	396.37	19.91	416.28	301.79	114.49
XLIV	**Panchayati Raj (Revenue voted)**				
	1205.31	-	1205.31	933.73	271.58
XLIV	**Panchayati Raj (Capital voted)**				
	1016.47	-	1016.47	534.70	481.77
XLVI	**Major Irrigation, Drainage and Flood Control (Capital voted)**				
	1322.68	-	1322.68	1164.24	158.44
XLIX	**Power Development (Revenue voted)**				
	1837.12	-	1837.12	1591.22	245.90
LIV	**Civil Supplies Administration (Revenue voted)**				
	591.89	-	591.89	316.78	275.11

Reasons for savings were not intimated by the departments, except for the following two grants.

(a) The saving under Power Development grant was stated to be due to less sanction of tariff subsidy.

(b) The saving under Civil Supplies Administration was stated to be due to (i) less utilisation of rice under "Public Distribution System" and (ii) to meet the requirement of rice for "Below poverty line" families (Rs 158.02 crore) by reducing the quantity to be drawn from "Above poverty line".

Areas in which major savings occurred in these ten grants are given in the *Appendix XI*.

ii) In 58 cases, savings exceeding Rs 1 crore in each case and also by more than 10 per cent of the total provision amounted to Rs 4027.18 crore as indicated in *Appendix XII*.

2.3.2 Excess requiring regularisation

i) 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 2404.04 crore for the years 1997-98 to 2001-02 was yet to be regularised. Details are given in *Appendix XIII*.

ii) Excess over provision during 2002-03 requiring regularisation: The excess of Rs 200.82 crore under 10 grants and Rs 345.44 crore under 5 appropriations requires regularisation under Article 205 of the Constitution (*Appendix XIV)*.

2.3.3 Original budget and supplementary provisions: Supplementary provision made during the year constituted 10 per cent of the original provision as against 29 per cent in the previous year. Total supplementary grants (other than under Public Debt) obtained during the year were Rs 2138.33 crore while the ultimate total savings (other than under Public Debt) amounted to Rs 4718.41 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

i) Supplementary provision of Rs 501.13 crore made in 34 cases during the year proved unnecessary in view of aggregate saving of Rs 2025.99 crore as detailed in *Appendix XV*.

ii) In 21 cases, against additional requirement of only Rs 1153.86 crore, supplementary grants/appropriations of Rs 1410.48 crore were obtained resulting in savings in each case exceeding Rs 10 lakh aggregating to Rs 256.62 crore (*Appendix XVI)*.

iii) In 8 cases, supplementary provision of Rs 1833.69 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 513.91 crore (*Appendix XVII)*.

2.3.5 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 119 cases, injudicious reappropriation of funds proved excessive or resulted in savings by over Rs 50 lakh in each case (*Appendix XVIII)*.

2.3.6 Anticipated savings not surrendered: **(a)** According to Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2002-03, savings of Rs 1205.97 crore under 67 grants/appropriations were not surrendered. In 57 cases, savings of Rs 1 crore and above in each case aggregating to Rs 1203.02 crore were not surrendered (*Appendix XIX)*.

(b) Besides, in 48 cases, Rs 3322.86 crore (68 per cent of total savings) were surrendered on the last day of March 2003 indicating inadequate financial control over expenditure *(Appendix XX)*.

2.3.7 (a) New service/new instrument of service: Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature or by an advance from Contingency Fund. The Government have issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'.

In 6 cases, which should have been treated as 'New Service/New Instrument of Service', expenditure aggregating to Rs 82.41 crore was incurred without Budget provision or as an advance from Contingency Fund *(Appendix XXI)*.

(b) Expenditure without provision: As per Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was however, noticed that expenditure of Rs 263.12 crore was incurred in 20 cases, (*Appendix XXII)* without any provision in the original estimate/supplementary demand or reappropriation order.

2.3.8 Surrender in excess of actual savings: In 18 cases, the amount surrendered was in excess of actual savings and in 7 cases surrenders were made even though expenditure was in excess of grant, indicating inadequate budgetary control. As against the savings of Rs 1003.72 crore, the amount surrendered was Rs 1203.37 crore, resulting in excess surrender of Rs 199.65 crore (*Appendix XXIII)*.

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

2.3.9 Rush of Expenditure: The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, while the expenditure during the three quarters ending December 2002 was between 14.50 to 25.10 per cent of the total expenditure, it was highest at 37.70 per cent in the last quarter of the year. Expenditure of Rs 6645.24 crore constituting 22.26 per cent of the total expenditure was incurred in March 2003 indicating a tendency to rush expenditure.

Quarter ended	Expenditure (Rupees in crore)	Percentage to Total Expenditure
30 June 2002	4327.46	14.50
30 September 2002	6777.88	22.70
31 December 2002	7492.36	25.10
31 March 2003	11255.26	37.70
Total Expenditure	**29852.96**	
Expenditure during March 2003	**6645.24**	**22.26**

2.3.10 Unreconciled expenditure: Financial rules require that the departmental controlling officers should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. In respect of 20 departments, expenditure of Rs 14154.01 crore to the end of 2002-03, remained unreconciled till June 2003. Details are given in *Appendix XXIV*. The following departments were the major defaulters for the unreconciled amount:

(Rupees in crore)

Name of the Department	Amount not reconciled
1. Education	3299.01
2. Irrigation and Command Area Development	3083.14
3. Energy	1670.95
4. Transport, Roads and Buildings	1428.98

2.3.11 Drawal of funds in advance of requirement: Financial rules prohibit drawal of money from Treasury unless required for immediate disbursement.

Test-check of 11 offices[1] under 4 departments[2] revealed that out of Rs 17.34 crore drawn during the period from February 1997 to March 2003, Rs 10.96 crore were retained in Personal Deposit accounts (Rs 1.42 crore), in savings bank accounts (Rs 6.09 crore), and in the form of Demand Drafts/cheques (Rs 3.45 crore).

2.3.12 Non-adjustment of Abstract Contingent Bills: As per Government orders[3] issued in March 2002, all AC bills should be

[1] (i) District Collectors : Anantapur, Chittoor, Eluru, Kakinada and Warangal,
(ii) District Educational Officers : Anantapur, Kurnool and Medak,
(iii) District Tribal Welfare Officers : Paderu and Rampachodavaram and
(iv) Commissioner of Industries, Andhra Pradesh, Hyderabad.

[2] (i) Education Department, (ii) Industries and Commerce Department,
(iii) Revenue Department and (iv) Tribal Welfare Department

[3] G. O. Ms. No. 391 Finance Department, dated 22.3.2002

settled within three months and in no case submission of DC bills be delayed beyond 30 June for the bills drawn in March.

Scrutiny revealed that as of 30 June 2003, 1,04,972 AC bills for Rs 494.54 crore pertaining to the period 1977-78 to 2002-03 were pending adjustment for want of submission of DC bills by the concerned officers to the Accountant General (Rs 288.23 crore) and Pay and Accounts Officer, Hyderabad (Rs 206.31 crore). Of these, AC bills for Rs 374.99 crore (75.83 per cent) were pending for over three years.

Test-check of the records of two departments i.e., Education and Revenue revealed that unadjusted AC bills in the two departments accounted for Rs 221.36 crore (Education : Rs 75.69 crore, Revenue: Rs 145.67 crore) of which Rs 163.33 crore were more than three years old (Education : Rs 63.34 crore and Revenue : Rs 99.99 crore).

The pendency of AC bills was attributed (August 2003) mainly to (i) non-availability of records (Rs 73.71 crore); and (ii) non-receipt of condonation orders of government for delay in submission of DC bills (Rs 0.54 crore).

2.3.13 Personal Deposit Accounts: Personal Deposit accounts are opened in the treasury in favour of designated officials of Government for specific purposes under specific sanctions issued by Government. These accounts are in the nature of bank accounts, the receipts and payment of which are recorded in the personal ledgers maintained in Treasury. The deposits are held and accounted for under Public Account.

Results of test check of 16 Personal Deposit Accounts in twin cities of Hyderabad and Secunderabad pertaining to various departments revealed the following:

i) Deposit of scheme funds in Fixed deposits in Banks: In order to prevent deposit of amounts in Banks to avoid lapse of funds, the Government issued instructions in April 2000[4] that no self cheque/cheque in the name of the Manager of a Bank shall be permitted to draw moneys from PD Accounts. However, the Managing Director, AP Urban Finance and Infrastructure Development Corporation Limited, drew on various dates in March 2003 a total of Rs 12.45 crore of scheme funds from PD Account and invested them in fixed deposits ranging from 30 days to 1 year. This action not only violated the Government Order but also defeated the object of provision of funds for Schemes.

[4] G.O.Ms.No.43 Fin.&Plg. dt. 22-4-2000

ii) Excess drawal from PD Account due to absence of Treasury checks: As per provisions of AP Treasury Code[5] the Treasury officer should see that no payment from PD Account is made on any cheque unless the balance in hand is sufficient to meet it. However, Commissioner and Director of Municipal Administration (administrator of PD Account No. 9/374 for Nehru Rozgar Yojana) drew in May 2002 an amount of Rs 159.75 lakh whereas the actual balance in PD Account on that date was only Rs 1.41 lakh resulting in excess drawal of Rs 158.34 lakh. This lapse occurred due to the fact that the DTO (Urban) who lapsed the balance remaining in PD Account (Rs 159.75 lakh) at the end of March 2002 to Government account had no pre-check on the drawals from PD Accounts. The cheques are admitted for payment by PAO, Hyderabad and the ledger accounts are maintained by DTO (Urban).

2.3.14 Levy, collection and utilisation of user charges: Article 266 of the Constitution of India lays down that all revenues received by the Government of a State shall be credited to Consolidated Fund of the State and that no moneys out of the said Fund shall be appropriated except in accordance with law and in the manner provided under the Constitution. Article 204(3) of the Constitution further lays down that no money shall be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of the Constitution.

In violation of the above provisions the State Government issued orders in April 2001[6] authorising the Government departments to levy and collect user charges on various public services and credit them to Deposit head under Public Account. When the Government orders were objected to by the Accountant General, the State Government modified the orders in May 2002[7] so as to be in accordance with Constitutional provisions.

A test-check (April to July 2003) of the records pertaining to levy, collection and utilisation of user charges in Education and Medical & Health departments revealed the following:

i) Government issued orders in September 1998[8] (revised in April 2003[9]) constituting Hospital Development Societies in all the Tertiary level hospitals in the State (extended to all medical colleges, hospitals and Health institutions in April 2003) to levy and collect revenues and utilise the same for various specified items of expenditure. They were also permitted to operate savings bank accounts for the purpose. The executive order of Government (April 2003) exempting the institutions of Medical and Health department

[5] Instruction 22 below TR 16. of A.P. Treasury Code
[6] G.O.Ms.No. 170 Finance and Planning Department, dated 23-04-2001
[7] G.O.Ms.No. 601 Finance (BG) Department, dated 22-05-2002
[8] G.O.Ms.No. 403 Health, Medical and Family Welfare Department, dated 07-09-1998
[9] G.O.Ms.No. 90 Health, Medical and Family Welfare Department, dated 17-04-2003

from application of the Constitutional requirement of crediting revenues to Consolidated Fund of the State and incurring expenditure without legislative approval is violative of the provisions of the Constitution. This enabled the institutions of Medical and Health Department to levy and utilise the user charges without legislative approval besides depositing the same in bank accounts.

ii) There was no uniformity either in the rates or in the items for which user charges were collected by various Medical and Health institutions in the State.

iii) In the Technical Education Department a scheme for internal revenue generation was being implemented since 1996 purportedly under the World Bank-aided Second Technician Education Project. Under the said scheme, all Government polytechnics/institutions were instructed by the Commissioner, Technical Education to raise internal revenues through consultancy work, hiring of seminar halls, equipment, machinery, laboratories, etc. and retain the revenues so generated in Bank accounts so as to utilise them for maintenance, etc. The Government has not approved the scheme as of November 2003. Yet, the Government polytechnics/institutions have been following the above said procedure since 1996 for collection and utilisation of user charges by operating Bank accounts which was violative of constitutional provisions.

iv) In spite of revision of orders by Government in May 2002, various departments have collected and credited the user charges to Deposits head of account (8443 – Civil Deposits) to the tune of Rs 43.21 crore during the year 2002-03. The total amount of user charges collected and lying under Deposits as at the end of March 2003 is Rs 49.43 crore.