

CHAPTER-II
ALLOCATIVE PRIORITIES AND APPROPRIATION

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 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 2004-2005 against 52 Grants and Appropriations was as follows:

Table - I

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grants/ appropriation	Total	Actual Expenditure	Saving
Voted	I. Revenue	12450.84	1931.50	14382.34	11138.00	3244.34
	II. Capital	2422.32	219.32	2641.64	1204.31	1437.33
	III. Loans and Advances	939.21	438.18	1377.39	1119.48	257.91
Total voted		15812.37	2589.00	18401.37	13461.79	4939.58
Charged	IV. Revenue	3890.66	17.57	3908.23	3500.41	407.82
	V. Capital	Nil	0.21	0.21	0.21	Nil
	VI. Loans and Advances	Nil	8.37	8.37	8.37	Nil
	VII. Public Debt.	4182.45	0.14	4182.59	3087.22	1095.37
Total charged		8073.11	26.29	8099.40	6596.21	1503.19
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		23885.48	2615.29	26500.77	20058.00	6442.77

The total expenditure was understated at least to the extent of Rs 31.42 crore for which vouchers were not received from the treasuries during the year 2004-05 and the expenditure remained unaccounted for in the Consolidated Fund of the State and kept in the Suspense Accounts of the Accountant General (A&E).

The total expenditure was inflated to the extent of Rs 723.37 crore since these were drawn on abstract contingent bills but detailed contingent bills for which

were not submitted. An amount of Rs 22.10 crore (Revenue: Rs 1.41 crore and Capital: Rs 20.69 crore) was transferred to major head “8443 Civil Deposits” “800 Other Deposits” through nil payment vouchers and this also inflated the expenditure figures as the money was actually retained by the Government.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

The overall saving of Rs 6442.77 crore (24 per cent of the total provision) was the net result of saving of Rs 6448.45 crore and excess of Rs 5.68 crore against total provision of Rs 26500.77 crore. In violation of the provisions of the Article 204(3) of the Constitution, the State Government incurred excess expenditure of Rs 5.68 crore in four voted Grants during the year 2004-05 which required regularisation under Article 205 of the Constitution as indicated in *Appendix XI*. The details of savings/excesses were sent to the Controlling Officers requiring them to explain the significant variations which were not received (October 2005)

2.3.2 Major savings

Departments were required to prepare their estimates keeping in view the relevant factors like trends in the economy, actual expenditure of last three years etc. Non-adherence to the tenets of budget formulation and budget management led to injudicious appropriation of funds resulting in large savings under various heads like health, education, welfare, public works etc. In 14 cases, involving 13 Grants and Appropriation, substantial savings of Rs 100 crore or more in each case totalling Rs 5639 crore (88 per cent of total savings) were noticed as shown in the Table-II below.

Table-II

Sl. No.	No. & Name of Grants	Grant			Actual Expenditure	Saving
		Original	Supplementary	Total		
Rupees in crore						
Revenue-Voted						
1.	12. Finance Department	461.27	6.92	468.19	52.38	415.81
2.	15. Pension	2440.11	3.00	2443.11	2324.73	118.38
3.	20. Health, Medical Education and Family Welfare Department	697.25	114.28	811.53	604.12	207.41
4.	22. Home Department	1224.17	72.16	1296.33	1098.17	198.16
5.	39. Disaster Management Department	104.86	449.77	554.63	277.40	277.23
6.	42. Rural Development Department	668.97	401.13	1070.10	809.09	261.01
7.	44. Secondary, Primary and Adult Education Department	3338.16	302.37	3640.53	2570.17	1070.36
8.	51. Welfare Department	401.14	85.31	486.45	322.73	163.72
Capital-Voted						
9.	10. Energy Department	1196.35	410.66	1607.01	1097.74	509.27
10.	41. Road Construction Department	642.52	77.42	719.94	142.96	576.98

Sl. No.	No. & Name of Grants	Grant			Actual Expenditure	Saving
		Original	Supplementary	Total		
Rupees in crore						
11.	42. Rural Development Department	438.03	34.60	472.63	370.51	102.12
12.	49. Water Resources Department	607.32	17.50	624.82	383.09	241.73
Revenue-Charged						
13.	13. Interest Payment	3859.61	15.72	3875.33	3473.90	401.43
Capital-Charged						
14.	14. Repayment of Public Debt	4182.45	0.14	4182.59	3087.22	1095.37
Total		20262.21	1990.98	22253.19	16614.21	5638.98

In 62 schemes involved in these 13 Grants and Appropriation, major savings of Rs five crore or more occurred as per details given in *Appendix-XII*. In 10 out of 62 cases the entire provision of Rs 757.61 crore remained unutilised.

Reasons for savings were not intimated by the Departments except in a few cases where the reasons given were non-release of funds by Government of India for Centrally Sponsored Schemes, reduction of plan outlay, posts kept vacant and non-drawal of funds due to restrictions imposed by the State Government and transfer of staff and officers to Jharkhand State.

2.3.3 Other cases of savings

In 19 cases expenditure fell short by Rupees two crore or more and also by more than 20 per cent of the total provision in each case amounting to Rs 572.42 crore as indicated in *Appendix XIII*.

2.3.4 Persistent savings

In 28 cases involving 24 Grants and Appropriations, there were persistent savings of more than Rs two crore and 10 per cent or more of the total provisions in each case as indicated in *Appendix-XIV*.

2.3.5 Excess requiring regularisation

Excess over provision requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant or Appropriation regularised by the State Legislature. Out of excess expenditure amounting to Rs 11255.64 crore for the years 1977-78 to 2004-05, State Legislature regularised excess expenditure of Rs 4580.49 crore for the period 1977-78 to 1997-98 through notification issued in September 2004 leaving balance of Rs 6675.15 crore which needed regularisation. Details are indicated in *Appendix-XV*.

Expenditure in excess of provision in minor heads

In 18 cases, involving 11 Grants and Appropriation, expenditure in each case exceeded the approved provision by Rupees one crore or more totalling Rs 1659.30 crore as per details given in *Appendix XVI*.

Expenditure without provision

As per the Budget Manual expenditure should not be incurred on a scheme/service without provision of funds thereof. It was however noticed that expenditure of Rs 5.68 crore was incurred in four cases as shown in **Appendix XVII** without any provision in the original estimate or supplementary demand or any re-appropriation order.

2.3.6 Original budget and supplementary provisions

Supplementary provisions of Rs 2615.29 crore made during the year constituted 10.95 per cent of the original budget provision (Rs 23885.48 crore) as against 6.07 per cent in the preceding year.

Total supplementary Grants (other than Public Debt) obtained during the year were Rs 2615.15 crore while the ultimate total savings (other than Public Debt) amounted to Rs 5347.40 crore.

2.3.7 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provisions of Rs 1166.41 crore obtained in 42 cases during August 2004 to March 2005 were wholly unnecessary as the expenditure did not come up in these cases even to the level of original provision as shown in **Appendix XVIII**.
- In ten cases, against additional requirements of only Rs 614.55 crore, supplementary Grants/Appropriations of Rs 1279.98 crore were obtained resulting in savings in each case exceeding Rs 10 lakh aggregating to Rs 665.43 crore as detailed in **Appendix XIX**.

2.3.8 Excessive/unnecessary re-appropriation of fund

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. Three cases under three Grants where the re-appropriation of funds proved injudicious in view of the final excess of over Rupees five lakh are detailed in **Appendix-XX**. Besides, in nine cases of Grants/Appropriations, excessive surrenders resulted in large excess after re-appropriation as detailed in **Appendix - XXI**.

2.3.9 Anticipated savings not surrendered

The spending Departments are required to surrender the Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2004-05 there were 18 cases of Grants/Appropriations in Revenue section and six cases of Grants in Capital section in which savings of Rs 1312.19 crore, exceeding Rupees one crore in each case, had not been surrendered by the Departments vide **Appendix-XXII**.

In 70 cases, Rs 6156.53 crore out of the total savings of Rs 6442.77 crore were surrendered on the last day of March 2005 indicating inadequate financial control over expenditure. Details are given in the **Appendix-XXIII**.

2.3.10 Surrender of entire provision

In 82 schemes, involving 20 Grants and Appropriations, the State Government failed to utilize the entire provision of Rs 1259.77 crore (exceeding Rs 10 lakh in each case). The entire provision was re-appropriated/surrendered as shown in **Appendix-XXIV**.

2.3.11 Surrender in excess of actual savings

In 10 cases, the amount surrendered was in excess of actual savings. Against the savings of Rs 1442.51 crore, the amount surrendered was Rs 2464.60 crore resulting in excess surrender of Rs 1022.09 crore (**Appendix XXV**). Further, in four cases surrenders of Rs 1.07 crore were made even though expenditure of Rs 556.36 crore was in excess of the total provision of Rs 550.68 crore resulting in excess of Rs 6.75 crore after surrender/re-appropriation indicating inadequate budgetary control vide **Appendix XXVI**.

2.3.12 Rush of expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for four quarters and also for the month of March 2005 is depicted in **Appendix-XXVII** which shows that the expenditure incurred in the quarter ending March 2005 was 56 per cent of the total expenditure during the year indicating a tendency to utilise the budget only at the close of the financial year.

2.3.13 Unreconciled expenditure

Financial rules require that the Departmental controlling officers should reconcile periodically the Departmental figures of expenditure with those booked by the Accountant General. In respect of 84 major heads, expenditure of Rs 9788.40 crore pertaining to 2004-05 remained unreconciled by various controlling officers. Details are given in **Appendix-XXVIII**. The unreconciled expenditure accounted for 49 per cent of the total expenditure.

2.3.14 Plan performance

Government expenditure is broadly classified into Plan and Non-Plan and Revenue and Capital. Plan and Capital expenditure is usually associated with asset creation while the non-plan and revenue expenditure is identified with expenditure on establishment, maintenance and services.

State Government raised market loans (borrowing) of Rs 1889.17 crore and obtained Central loans (Rs 1654.18 crore) at nine per cent rate of interest per annum and received Grants (Rs 2831.83 crore) from the Central Government (aggregate receipts Rs 6375.18 crore) for Plan Schemes during 2004-05. Against this only Rs 3475.91 crore (55 per cent) were spent on Plan Schemes including loans and advances.

It was also seen from the Appropriation Account of the State Government for the year 2004-05 that out of the budget provisions, the State Government failed to spend Rs 2097.46 crore (38 per cent), under various State Plan Schemes (Rs 1737.44 crore), Centrally Sponsored Schemes (Rs 346.06 crore) and Central Plan Schemes (Rs 13.96 crore) vide **Appendix XXIX(I)**.

In 84 cases involving 16 Grants and Appropriations, significant savings exceeding Rs one crore in each case aggregating to Rs 1988.05 crore (60 per cent) against the provision of Rs 3229.56 crore were due to non-implementation or slow implementation of the Plan Schemes by the Bihar Government as shown in **Appendix XXIX(II)**. In 23 cases the State Government failed to utilise the entire provision of Rs 684.88 crore.

Central Government provided Rs 1125 crore as additional central assistance to State Government for building new infrastructure through Rastriya Sam Vikas Yojana. But the State Government utilized Rs 309.68 crore resulting large savings of Rs 815.32 crore under various heads during 2004-05.

2.3.15 Non-receipt of explanations for savings/excesses

After close of the financial year the detailed Appropriation Accounts showing the final Grants/Appropriations, the actual expenditure and the resultant variations sub-head-wise are sent by the Accountant General (A&E) to the Controlling Officers requiring them to explain significant variations.

During 2004-05 there was an excess expenditure of Rs 5.68 crore and savings of Rs 6442.77 crore which constituted 24 per cent of the total budget provision. The Controlling Officers administering the Grants consistently failed to discharge their responsibility of providing explanation for the excesses/savings.

2.4 Budgetary Procedure and expenditure control.

2.4.1 Non-observance of accounting procedure for budgeting

Cases of persistent savings, persistent excesses, excessive/unnecessary re-appropriation of funds, anticipated savings not being surrendered, rush of expenditure at the fag end of the year etc as discussed earlier in this chapter were indicative of lack of budgetary and expenditure control.

2.4.2 Trend of recoveries and credits

According to the general principles of budgeting, the demands for Grants/Appropriations are to be made for gross amount of expenditure under the relevant service head (Revenue and Capital) and recoveries indicated as "Deduct-Receipts and Recoveries treated as reduction of expenditure" below the head separately. The budget of Government of Bihar did not follow this principle and as a result the extent of recoveries made out of the expenditure was not ascertainable.

2.4.3 *Non-adjustment of abstract contingent bills*

Bihar Financial Rules (Bihar Treasury Code Vol. I Rule 20) provide for drawal of funds on Abstract Contingent (AC) bills by Drawing and Disbursing Officers (DDOs) either under standing orders or specific sanction of Government. Detailed contingent (DC) Bills in respect of drawals made in advance on AC Bills from treasuries during a financial year were required to be prepared and submitted to the Accountant General (A&E) before the presentation of the next AC Bills at the treasury. The DDOs, who are not self counter signing Officers are also required to submit the DC Bills monthly to the controlling authority for counter signature and transmission to the Accountant General (A&E).

Analysis of the existing information showed that these rules were disregarded by large number of DDOs and Controlling Officers failed to enforce accountability for such lapse. No DC bills were submitted to the Accountant General (A&E) Bihar, Patna along with details of charges and supporting vouchers. AC Bills were submitted to the Treasury Officer (TO) without recording necessary certificate on the bills that detailed bill for AC Bills drawn in previous month had been submitted for counter signature to the Controlling Officer as per rules. The concerned TO did not insist on this requirement and passed AC Bills in violation of the provisions of financial rules.

Scrutiny of records revealed that out of total drawal of Rs 1566.47 crore on AC Bills, DC bills for only Rs 2.39 crore were submitted leaving behind Rs 1564.08 crore during the course of five years from 2000-01 to 2004-05 despite repeated requests and audit objections.