

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 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 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	15117.27	1434.50	16551.77	14075.10	2476.67
	II. Capital	2970.56	457.41	3427.97	2083.90	1344.07
	III. Loans and Advances	1048.28	700.41	1748.69	1747.82	0.87
Total voted		19136.11	2592.32	21728.43	17906.82	3821.61
Charged	IV. Revenue	4017.55	5.91	4023.46	3680.89	342.57
	V. Capital	0.00	0.09	0.09	0.00	0.09
	VI. Loans and Advances	0.00	0.00	0.00	0.00	0.00
	VII. Public Debt.	3175.01	49.41	3224.42	980.76	2243.66
Total charged		7192.56	55.41	7247.97	4661.65	2586.32
Appropriation to Contingency Fund (if any)					--	--
Grand Total		26328.67	2647.73	28976.40	22568.47	6407.93

The total expenditure was understated at least to the extent of Rs 28.16 crore for which vouchers were not received from the treasuries during the year 2005-06 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 1791.86 crore since these were drawn on abstract contingent Bills but detailed contingent Bills for which were not submitted. An amount of Rs 417.26 crore was transferred to different Deposit Heads through nil payment vouchers during the year 2005-06. 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.6407.93 crore (22 per cent of the total provision) was the net result of saving of Rs 6757.49 crore and excess of Rs 349.56 crore against total provision of Rs 28976.40 crore. In violation of the provisions of the Article 204(3) of the Constitution, the State Government incurred excess expenditure of Rs 349.56 crore in four voted Grants during the year 2005-06 which required regularisation under Article 205 of the Constitution as indicated in Table II below. The details of savings/excesses were sent to the Controlling Officers requiring them to explain the significant variations which were not received (October 2006).

Table II

Statement of excesses over Grants requiring regularisation

(Rupees in crore)

Sl No.	Number and Name of Grant	Total Grant (Original + Supplementary)	Actual Expenditure	Amount of Excess (percentage of excess against total provision)	Reasons
A. Revenue Voted Grant					
1.	39-Disaster Management Department	156.33	450.81	294.48 (188.37)	Not intimated (October 2006)
2.	46-Tourism Department	4.39	4.81	0.42 (9.57)	Not intimated (October 2006)
	Total (A)	160.72	455.62	294.90 (183.49)	
B. Capital Voted Grants					
3.	10-Energy Department	1985.80	2038.50	52.70 (2.65)	Not intimated (October 2006)
4.	40-Revenue and Land Reforms Department	3.18	3.20	0.02 (0.63)	Not intimated (October 2006)
5.	46-Tourism Department	6.25	8.19	1.94 (31.04)	Not intimated (October 2006)
	Total (B)	1995.23	2049.89	54.66 (2.74)	
	Grand Total (A+B)	2155.95	2505.51	349.56 (16.21)	

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 eight cases, involving eight Grants and Appropriation, substantial savings of Rs 100 crore or more and also by more than 20 per cent in each case totaling Rs 4176.32 crore (62 per cent of total savings of Rs 6757.49 crore) were noticed as shown in the Table-III below.

Table-III: Cases of Major Savings (more than Rs 100 crore and also by more than 20 per cent in each case)

Sl. No.	No. & Name of Grants	Grant			Actual Expenditure	Saving (-)	Percentage of savings to provision
		Original	Supplementary	Total			
Revenue-Voted							
1.	20. Health, Medical Education and Family Welfare Department	1104.27	226.60	1330.87	873.74	457.13	34.35
2.	50 Minor Irrigation Department	292.40	55.43	347.83	218.86	128.97	37.01
3.	51. Welfare Department	702.12	21.98	724.10	511.24	212.86	29.40
Capital-Voted							
4.	36 Public Health Engineering Department	323.04	7.92	330.96	121.00	209.96	63.44
5.	41. Road Construction Department	645.55	-	645.55	260.42	385.13	59.66
6.	42. Rural Development Department	627.71	5.33	633.04	407.73	225.31	35.59
7.	49. Water Resources Department	696.98	180.03	877.01	563.71	313.30	35.72
Capital-Charged							
8.	14. Repayment of Public Debt	3175.01	49.41	3224.42	980.76	2243.66	69.58
	Total	7567.08	546.70	8113.78	3937.46	4176.32	

In 41 schemes involving eight Grants and Appropriation major savings of Rs 3893.09 crore (Rs 10 crore or more in each case) occurred as per details given in *Appendix-X*.

Reasons for Saving were not intimated by the department 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, post kept vacant and non-drawal of fund due to restriction imposed by the State Government.

2.3.3 Other cases of savings

In 25 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 645.68 crore as indicated in *Appendix XI*.

2.3.4 Persistent savings

In 21 cases involving 18 Grants and Appropriation, 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-XII*.

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. However, the excess expenditure amounting to 6675.15 crore for the year 1977-78 to 2004-05 had not been regularised so far (October 2006) This was a breach of legislative control over appropriations. Further, the excess of Rs. 349.56 crore under four grants during 2005-06 totaling Rs. 7024.71 crore requires regularisation under Article 205 of the Constitution Details are indicated in *Appendix-XIII*

Expenditure in excess of provision in Minor Heads

In 10 cases, involving six Grants and Appropriations, expenditure in each case exceeded the approved provision by Rupees one crore or more totalling Rs 368.20 crore as per details given in *Appendix XIV*

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 19.42 crore was incurred in four cases (Rs. one crore and above in each case) as shown in Table IV without any provision in the original estimate or supplementary demand or any re-appropriation order.

Table IV: Expenditure without Budget provision in Minor Heads

(Rupees in crore)

Sl No.	Number and Name of Grant / Appropriation	Head of Account (Major/Minor/Sub Head/Scheme)	Provision (Original + Supplementary)	Actual Expenditure	Excess
	Capital Voted Grants				
I	46-Tourism Department	5452-Capital outlay on Tourism			
1		0101-Construction/Purchase of Building 01-101-0101	0.00	2.71	2.71
2		0101-Construction of road in Tourist Place 80-800-011	0.00	5.08	5.08
II	49-Water Resources Department	4701- Capital outlay on Medium Irrigation			
3		0110-South Bihar Irrigation Project 04-800-0110	0.00	8.19	8.19
4		0113-North Bihar Irrigation Project 04-800-0113	0.00	3.44	3.44
		Total	0.00	19.42	19.42

New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure of "New Service" not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The increase of expenditure over the Grant previously voted exceeds two times or Rs. two lakhs whichever more are to be treated as "New Service".

Above expenditure in excess of provision or without provision by more than two lakh are the examples of New Service. The expenditure was met by re-appropriation without obtaining the requisite approval of the Legislature.

2.3.6 Original budget and supplementary provisions

Supplementary provisions of Rs 2647.73 crore made during the year constituted 10.06 *per cent* of the original budget provision (Rs 26328.67 crore) as against 10.95 *per cent* in the preceding year.

Total supplementary Grants (other than Public Debt) obtained during the year were Rs 2598.32 crore while the ultimate total savings (other than Public Debt) amounted to Rs 4164.27 crore.

2.3.7 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provisions of Rs 1572.02 crore obtained in 40 cases during August 2005 to March 2006 were wholly unnecessary as the expenditure did not come up in these cases even to the level of original provision as shown in **Appendix XV**.

- In eight cases against actual requirement of only Rs. 334.83 crore, Supplementary Grants/Appropriations of Rs. 348.84 crore were obtained resulting in saving of Rs. 14.01 crore (exceeding Rs. 20 lakh in each case) as detailed in **Appendix-XVI**.
- In three cases supplementary provisions of Rs. 702.56 crore proved insufficient leaving uncovered excess expenditure of Rs 347.61 crore. Details of these cases are given in **Appendix -XVII**.

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. In 18 cases involving 12 Grants/Appropriations, re-appropriation of funds of more than rupees one crore in each case proved injudicious due to withdrawal of Rs. 195.39 crore through re-appropriation while there was already excess expenditure of Rs. 152.22 crore as detailed in **Appendix-XVIII**.

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 2005-06 there were 20 cases of Grants/Appropriations in Revenue section and nine cases of Grants/Appropriation in Capital section in which savings of Rs 1038.16 crore, exceeding Rupees one crore in each case, had not been surrendered by the departments vide **Appendix-XIX**.

In 70 cases, Rs 6070.81 crore out of the total savings of Rs 6407.93 crore were surrendered on the last day of March 2006 indicating inadequate financial control over expenditure. Details are given in the **Appendix-XX**.

2.3.10 Surrender of entire provision

In 41 schemes, involving 14 Grants and Appropriations, the State Government failed to utilize the entire provision of Rs 2517.91 crore (exceeding Rs 2.00 crore in each case). The entire provision was re-appropriated/surrendered as shown in **Appendix-XXI**.

2.3.11 Surrender in excess of actual savings

In three cases, the amount surrendered was in excess of actual savings. Against the savings of Rs 84.03 crore, the amount surrendered was Rs 187.78 crore resulting in excess surrender of Rs 103.75 crore (**Appendix XXII**). Further, in two cases surrenders of Rs 269.21 crore were made even though expenditure of Rs 2489.31 crore was in excess of the total provision of Rs 2142.13 crore resulting in excess of Rs 616.39 crore after surrender/re-appropriation indicating inadequate budgetary control vide Table V below.

Table V: Injudicious surrender/re-appropriation under various Grants/Appropriations*(Rupees in crore)*

Sl No.	Number and Name of Grant / Appropriation	Total Provision (Original + Supplementary)	Actual Expenditure	Excess before surrender/re-appropriation	Surrender (Reappropriation)	Excess after surrender/re-appropriation
Revenue Voted						
1.	39-Disaster-Management Department	156.33	450.81	294.48	145.42	439.90
	Capital Voted					
2.	10-Energy Department	1985.80	2038.50	52.70	123.79	176.49
	Total:	2142.13	2489.31	347.18	269.21	616.39

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 2006 is depicted in *Appendix-XXIII* which shows that the expenditure incurred in the quarter ending March 2006 was 42 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 in the books of the Accountant General. In respect of 79 major heads, expenditure of Rs 14669.90 crore pertaining to 2005-06 remained unreconciled by various controlling officers. Details are given in *Appendix-XXIV*. The unreconciled expenditure accounted for 65 per cent of the total expenditure (22568.47 crore).

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 etc.

It was seen from the Appropriation Account of the State Government for the year 2005-06 that out of the budget provisions, the State Government failed to spend Rs 2018.03 crore (29 per cent), under various State Plan Schemes (Rs 1530.21 crore), Centrally Sponsored Schemes (Rs 477.75 crore) and Central Plan Schemes (Rs 10.07 crore) vide *Appendix XXV(i)*.

In 47 cases involving 12 Grants and Appropriations, significant savings of rupees five crore and above in each case aggregating to Rs 1630.55 crore

(55 per cent) against the provision of Rs 2943.51 crore were due to non-implementation or slow implementation of the Plan Schemes by the Bihar Government as shown in *Appendix XXV(ii)*. In 10 cases the State Government failed to utilise the entire provision of Rs 133.53 crore (*Appendix XXV(ii)*)

Central Government provided Rs 1370.43 crore as additional central assistance to State Government for building new infrastructure through Rashtriya Sam Vikas Yojana. But the State Government utilised Rs 881.36 crore resulting in large savings of Rs 489.07 crore under various heads during 2005-06.

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 provides for drawal of funds on Abstract Contingent (AC) Bills by Drawing and Disbursing Officers (DDOs) either under standing orders or specific sanction of Administrative departments of Government with the concurrence of the Finance Department. 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 or within a period not exceeding sixty days from the dates of their drawal from 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 Bill was submitted by DDOs to the Accountant General (A&E) Bihar, Patna through controlling officer along with details of charges and supporting vouchers within the period of sixty days in course of submission of AC Bills to treasury the DDO was required to furnish a certificate to the effect that DC Bills for previous AC Bills had been submitted within the period of sixty days and expenditure had been incurred

for the purpose for which the advance was drawn. Neither any DDO furnished such certificate on AC Bills nor did the treasury officers insist on furnishing of such certificates by the DDOs and the DDOs continued to draw such advances on AC Bills without submission of DC Bills in respect of previous AC Bills drawn by them from the treasury.

Scrutiny of records revealed that out of total drawal of Rs 3657.15 crore on AC Bills, DC Bills for Rs 63.20 crore only were submitted to A. G. (A&E), Bihar, Patna. No DC Bill was submitted for the balance of Rs 3593.95 crore during the course of four years from 2002-03 to 2005-06 despite repeated requests and audit objections as shown in table VI.

The DDOs concerned did not monitor the submission of DC Bills and maintained any separate register to record the particulars of drawal of AC Bills or details of remittance of unutilised balance, if any, as required under the rules. Due to nonobservance of statutory rules and orders relating to drawal of AC Bills by the DDOs there was accumulation of unadjusted AC Bills for Rs 3593.95 crore. The departments obviously had not taken any action to arrest such practice as is evident from the succeeding paragraphs. Prolonged retention of huge public fund by DDOs without any adjustment by submitting DC Bills is fraught with the risk of serious financial indiscipline / misappropriation.

The matter requires immediate attention of the Government for necessary investigation to ascertain the position of actual utilisation of those funds lying unadjusted for a long time.

Table - VI

(Rupees in crore)

Srl No.	Year	Amount of AC Bill	Amount of DC Bill	Balance amount of AC Bill
1.	2002-03	332.22	4.32	327.90
2.	2003-04	548.41	9.82	538.59
3.	2004-05	957.72	22.12	935.60
4.	2005-06	1818.80	26.94	1791.86
	Total:	3657.15	63.20	3593.95

2.4.4 Transfer of fund to deposit accounts through "Nil" payment vouchers

Bihar Treasury Code Volume I stipulates that (I) no money should be drawn from the Consolidated Fund unless it is required for immediate disbursement and (II) the money should be spent for the purpose for which it was provided for in the Appropriation Act by the Legislature.

Audit however, observed that Rs 417.26 crore were drawn under various heads for different purposes at the fag end of the financial year 2005-06 to avoid lapse of Budget Grant and credited to Major Heads* (I) 8443 Civil Deposits Rs 231.30 crore and (II) 8448 Deposits of Local Fund: 185.96 crore

* (I) 8443 Civil Deposit: Rs 231.30 crore (Receipts Rs 664.98 crore Disbursements, Rs 433.68 crore)
(II) 8448 Deposits of Local fund (Rs 185.96 crore (Receipts Rs 1178.68 crore Disbursement, Rs 992.72 crore)

after exhibiting them as expenditure in accounts in violation of the above statutory provisions.

Thus expenditure was inflated by Rs 417.26 crore as the money was actually retained by the Government. Nevertheless, departments did not take any action to arrest such practices as is evident from the succeeding paragraph. The action of the executives/departments/the drawing and disbursing officers transferring the funds to different deposit heads without keeping any watch over their proper utilisation along with idling of funds for the years together was not only irregular but also jeopardised the system of legislative control over the public money despite repeated requests and audit objections.