

**CHAPTER-II**  
**ALLOCATIVE PRIORITIES AND APPROPRIATION**

**2.1 Introduction**

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-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 2002-2003 against grants/appropriation was as follows:

*(Rupees in crore)*

	Nature of expenditure	Original grant/ appropriation	Supplementary grants/ appropriation	Total	Actual Expenditure	Saving
Voted	I. Revenue	10637.51	885.92	11523.43	9210.94	2312.49
	II. Capital	1484.92	281.14	1766.06	969.03	797.03
	III. Loans and advances	609.23	241.95	851.18	731.31	119.87
<b>Total voted</b>		<b>12731.66</b>	<b>1409.01</b>	<b>14140.67</b>	<b>10911.28</b>	<b>3229.39</b>
Charged	IV. Revenue	2895.56	682.71	3578.27	3044.18	534.09
	V. Capital	NIL	1.64	1.64	1.64	NIL
	VI. Loans	NIL	15.88	15.88	15.88	NIL
	VII. Public Debt.	2767.41	38.33	2805.74	1533.47	1272.27
<b>Total charged</b>		<b>5662.97</b>	<b>738.56</b>	<b>6401.53</b>	<b>4595.17</b>	<b>1806.36</b>
<b>Grand total</b>		<b>18394.63</b>	<b>2147.57</b>	<b>20542.20</b>	<b>15506.45</b>	<b>5035.75</b>

Note : Detailed Contingent (DC) bills in support of Rs 194.62 crore drawn on abstract contingent bills not received.

The overall saving of Rs 5035.75 crore (25 per cent of the total provision) was the net result of saving of Rs 5045.90 crore in 45 grants and five appropriations offset by excess of Rs 10.15 crore in two grants. The savings/excess (Detailed Appropriation Accounts) were sent to the controlling

officers requiring them to explain the significant variations, which were not received.

### 2.3 Appropriation by Allocative Priorities

2.3.1 Analysis of savings with reference to allocative priorities brought out the following:

#### Grant No. 10- Energy

(Rupees in crore)

Revenue (Voted)	Grant	Total grant	Expenditure	Saving
Original	24.10			
Supplementary	101.43	125.53	47.35	78.18

Savings mainly occurred under the head 2801 Power Grants to Bihar State Electricity Board (BSEB) plan (Rs 61.01 crore), Grants to BSEB for rural electrification under Minimum Needs Programme plan (Rs 2.97 crore), Grants to BSEB for rural electrification under Pradhan Mantri Gramodaya Yojana plan (Rs 10.11 crore); under 2810 Non conventional sources of Energy-Grants-in-aid plan (Rs 2.14 crore) and under 2059 Public works, electric execution non-plan (Rs 1.62 crore). Reason for the final saving was not intimated.

(Rupees in crore)

Capital (Voted)	Grant	Total Grant	Expenditure	Savings
Original	568.88			
Supplementary	180.91	749.79	630.34	119.45

Savings occurred mainly under the head 6801-Loans for Power Projects in payment of arrears against the loans issued by Bihar State Electricity Board (BSEB) non-plan (Rs 53 crore), loans to BSEB plan (Rs 91.53 crore) in Bihar State Hydel Corporation (BSHC) due to non release of loans by NABARD etc. No reasons were stated for savings.

#### Grant No. 12 - Finance

(Rupees in crore)

Revenue (voted)	Grant	Total grant	Expenditure	Saving
Original	359.60			
Supplementary	6.16	365.76	51.46	314.30

Savings occurred mainly under the head 2048 Appropriation for reduction or avoidance of Debt-Sinking Funds-non-plan (Rs 300.00 crore) etc. Reason for final saving was not intimated.

#### Appropriation No. 13 - Interest Payment

(Rupees in crore)

Revenue (charged)	Appropriation	Total Appropriation	Expenditure	Savings
Original	2863.90			
Supplementary	681.43	3545.33	3021.79	523.54

Savings mainly occurred under 2049 Interest Payments on Bihar State Development Loans non-plan (Rs 316.54 crore), special securities issued to National Small Savings Fund of the Central Government Non-plan (Rs 68.99 crore), pre 1984-85 Loans received in the shape of the share of small saving collections non-plan (Rs 133.62 crore), pre 1979-80 consolidated loan non-plan (Rs 29.06 crore), Insurance and Pension Fund non-plan (Rs 20.00 crore) etc partly off set by excess expenditure on Loans and Advances from Central Government, 15 years consolidated Block loans 1990 non-plan Rs 23.16 crore, on loans for CSS Plan-Schemes non-plan (Rs 23.29 crore) and interest on loans for modernisation of Police Force non-plan (Rs 24.86 crore). Reasons for saving and excess were not intimated.

**Appropriation No. 14 - Repayment of Debt**

(Rupees in crore)

Capital (charged)	Appropriation	Total Appropriation	Expenditure	Savings
Original	2767.41			
Supplementary	38.33	2805.74	1533.47	1272.27

Savings mainly occurred under 6003 Internal Debt of State Government for market loans for 11 per cent Bihar State Development loans 2002- Non-Plan (Rs 134.49 crore), Ways and Means Advances from Reserve Bank of India-non-plan (Rs 1992.87 crore) loan for Industries Department non-plan (Rs 13.06 crore) etc partly off set by excess expenditure under 6003 Internal Debt of the State Government for loans and advances from Central Government, pre 1984-85 loans non-plan (Rs 738.58 crore) and Rs 132.96 crore expended without any budget provisions etc. Reasons for saving and excess have not been intimated.

**Grant No. 20 - Health, Medical Education and Family welfare**

(Rupees in crore)

Revenue (Voted)	Grant	Total grant	Expenditure	Saving
Original	733.81			
Supplementary	23.35	757.16	549.68	207.48

Savings occurred mainly under the head 2210 Medical and Public Health-Medical Colleges-non-plan (Rs 27.26 crore), (Allopathy Rs 19.73 crore, Ayurvedic - Rs 6.15 crore, Homeopathy Rs 1.38 crore), Rural Health Services - non-plan (Rs 71.67 crore), Prevention and Control of diseases-non-plan (Rs 30.99 crore). Under the head 2211 Family Welfare, saving mainly occurred under prevention of food adulteration- Plan (Rs 41.86 crore) and Centrally Sponsored Schemes (Rs 28.49 crore). Rural and urban family welfare services - Centrally Sponsored Schemes (Rs 44.19 crore). Savings were partly offset by excesses mainly under Reproductive Child Health Project - CSS (Rs 60.95 crore). Reason of saving/excess was not intimated.

**Grant No. 22 - Home**

(Rupees in crore)

Revenue (Voted)	Grant	Total Grant	Expenditure	Saving
Original	1158.48			
Supplementary	22.74	1181.22	919.21	262.01

Savings occurred mainly under the 2055 Police District Executive Force (Rs 100.97 crore), Village Police Force (Rs 16.18 crore), Modernisation of Police Force (Rs 108 crore)-non-plan. Reason for final saving was not intimated.

**Grant No. 42 - Rural Development**

(Rupees in crore)

Revenue (Voted)	Grant	Total Grant	Expenditure	Saving
Original	848.16			
Supplementary	95.29	943.45	791.44	152.01

Savings occurred mainly under 2505 Rural Employment IAY-Plan (Rs 20.92 crore), Special Integrated Schemes for SC Plan (Rs 9.96 crore), Overall Rural Employment Programmes- carriage plan (Rs 7.60 crore), under "2515" other Rural Development Programmes in Community Development- non-plan (Rs 28.39 crore), District Panchayat Establishment - non-plan (Rs 33.09 crore). Reason for the savings was not intimated.

(Rupees in crore)

Capital (voted)	Grant	Total grant	Expenditure	Saving
Original	571.17			
Supplementary	2.00	573.17	339.74	233.43

Savings occurred mainly under 4515 capital outlay on the rural development programmes under Minimum Needs Programmes- NABARD-IRDP (Rs 73.68 crore) in Pradhan Mantri Gramodaya Yojana Road construction - plan (Rs 150.00 crore). No reason for savings was intimated.

**Grant No. 44 - Secondary, Primary, and Adult Education.**

(Rupees in crore)

Revenue (Voted)	Grant	Total grant	Expenditure	Saving
Original	2698.40			
Supplementary	116.44	2814.84	2320.56	494.28

Savings occurred mainly under 2202 General Education-Elementary Education -non-plan (Rs 260.58 crore), assistance to Gram Panchayat -Plan (Rs 50.08 crores), Elementary Education Sarva Siksha Abhiyan-(CSS) (Rs 67.84 crore), Secondary Education-Non-Plan (Rs 62.88 crore), Informal Education-CSS (Rs 23.35 crore) and Plan (Rs 1.86 crore) and under Eleventh Finance Commission (Rs 7.12 crore). Reason for the saving was not intimated.

(Rupees in crore)

Capital (Voted)	Grant	Total grant	Expenditure	Saving (-)
Original	41.64			
Supplementary	37.56	79.20	36.12	43.08

Savings mainly occurred under Building Construction of Elementary Schools under Eleventh Finance Commission - Plan (Rs 21.99 crore) Building Construction and Arrangement of Drinking water, lavatory for Primary school under Pradhan Mantri Gramodaya Yojana - Plan (Rs 15.22 crore), Elementary Education Buildings - C.P.S. (Rs 5.05 crore) etc. Reason for the savings was not intimated.

**Grant No. 49 - Water Resources**

(Rupees in crore)

Revenue (Voted)	Grant	Total grant	Expenditure	Saving
Original	244.58			
Supplementary	0.01	244.59	206.23	38.36

Savings occurred mainly under 2701 Major and Medium Irrigation projects- Kosi Project establishment non-plan (Rs 6.47 crore), Gandak Project establishment non plan (Rs 6.32 crore), Bihar Irrigation Scheme establishment, non-plan (Rs 3.03 crore), Revenue Collection from Irrigation non-plan (Rs 11.58 crore) etc. Reason for savings was not intimated.

(Rupees in crore)

Capital (Voted)	Grant	Total Grant	Expenditure	Saving
Original	580.09			
Supplementary	55.53	635.62	303.62	332.00

Savings occurred mainly under 4701 capital outlay on major and medium irrigation projects Plan (Rs 188.57 crore), under 4711 Capital Out lay on Flood Control Project-Plan (Rs 71.48 crore). Reasons for savings were not intimated.

**Grant No. 51 - Welfare**

(Rupees in Crore)

Revenue (Voted)	Grant	Total grant	Expenditure	Saving
Original	246.96			
Supplementary	44.95	291.91	182.11	109.80

Savings occurred mainly under 2225 Welfare of Scheduled castes, Scheduled Tribes and other backward classes - Education, Residential Schools, Scholarships/Stipends hostel construction etc (Rs 35.89 crore) under 2235 Social Security and Welfare - Social Welfare, Welfare of handicapped, Family and Child Welfare, (Rs 10.22 crore) and under 2236 Nutrition (Rs 10.77 crore). Reasons for savings were not intimated.

- ❖ State Government did not release funds of Rs 509.02 crore meant for Central Plan Schemes (Rs 6.48 crore) under two grants, State plan schemes under 13 grants (Rs 347.30 crore) and Centrally Sponsored

Schemes (Rs 155.24 crore) under eight grants. Details are given in **Appendix-XI**.

- ❖ In 50 cases expenditure fell short by Rupees two crore or more and also by more than 10 per cent of the total provision in each case as indicated in **Appendix-XII**. In 58 cases, the entire provision exceeding Rs 10 lakh in each case, totaling Rs 80.86 crore was not utilised as indicated in **Appendix-XIII**.
- ❖ Of the excess of Rs 10.15 crore during the year 2002-03 under two grants/appropriations requiring regularisation by the legislature under Article 205 of the constitution as shown in the **Appendix-XIV**. Under grant No. 15, Pension alone amounted to Rs 9.68 crore.

### 2.3.2 *Persistent savings*

In 44 cases involving 34 grants/appropriations there were persistent savings of more than two crore and 10 per cent or more of the total provisions in each case as indicated in **Appendix-XV**.

### 2.3.3 *Excess requiring regularisation*

As per Article 205 of the Constitution of India it is mandatory for State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 7457.47 crore for the years 1977-78 to 2001-02 and Rs 10.15 crore for the year 2002-03 had not been regularised so far (March 2004). This was breach of legislative control over appropriation. Details indicated in **Appendix-XVI**.

### 2.3.4 *Expenditure in excess of Budget provision*

In 18 cases expenditure in excess of the budget provision aggregated Rs 1006.62 crore during 2002-03 as indicated in **Appendix-XVII**, besides expenditure of Rs 195.81 crore was incurred in 4 cases without budget provision (Refer **Appendix -XVIII**).

### 2.3.5 *Persistent excesses*

Significant excesses persisted in one grant as shown in the following table. Persistent excess requires investigation by the Government.

(Rupees in crore)

Sl. No.	No. and Name of grant	Excess		
		2000-01	2001-02	2002-03
	Revenue voted			
1.	15- pension	364.97	491.24	9.68

### 2.3.6 *Original budget and supplementary provisions*

Supplementary provisions of Rs 2147.53 crore made during the year constituted 11.68 per cent of the original budget provision (Rs 18394.63 crore) as against 36.91 per cent in the preceding year.

### 2.3.7 *Unnecessary/excessive/inadequate supplementary provisions*

Supplementary provision of Rs 614.56 crore obtained in 40 cases (**Appendix-XIX**) during August 2002 to March 2003 was wholly unnecessary as the expenditure did not come up in these cases even to the level of original

provision. In 14 cases, (*Appendix-XX*), additional funds required were only Rs 192.03 crore while the supplementary grant of Rs 510.62 crore was obtained resulting in saving in each case exceeding Rs 10 lakh.

Supplementary provision of Rs 47.37 crore in Revenue and Capital proved inadequate leaving uncovered excess expenditure of Rs 65.63 crore in 10 cases of grants/appropriation during the year 2002-2003 as indicated in *Appendix-XXI*.

### **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. Cases where the re-appropriation of funds proved injudicious in view of final savings under six grants and one appropriation by over Rupees one crore as detailed in *Appendix-XXII*. Besides, under 15 cases of grants/appropriations excessive surrenders leading to excess of expenditure as detailed in *Appendix - XXIII*.

### **2.3.9 Anticipated savings not surrendered**

According to rules, 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 there were 22 cases of grants/appropriation in Revenue section and 8 cases of grants/appropriations in capital section in which large savings of Rs 993.31 crore, exceeding Rs one crore in each case had not been surrendered by the Departments vide *Appendix-XXIV*.

In 72 cases, Rs 4912.56 crore out of the total savings of Rs 5035.75 crore were surrendered on the last day of March 2003 indicating inadequate financial control over expenditure. Details are given in the *Appendix-XXV*.

### **2.4 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 38 major heads, expenditure of Rs 6567.37 crore under 1552 units of appropriation pertaining to 2002-03 remained unreconciled by 87 controlling officers. Details are given in *Appendix-XXVI*. The unreconciled expenditure accounted for 42 per cent of the total expenditure.

### **2.5 Rush of Expenditure**

The financial rules require that Government expenditure should be evenly distributed throughout the year. The 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 2003 is depicted in *Appendix-XXVII* which shows that the expenditure incurred in quarter ending March 2003 was 40 per cent of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

## **2.6 Non-utilisation of grant due to non-release of funds**

In 80 cases funds aggregating to Rs 639.82 crore meant for implementation of schemes remained unutilised due to non-sanction of schemes by Government (*Appendix - XXVIII*).

## **2.7 Trend of recoveries and credits**

Under the system of gross budgeting followed by the Government the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits should be shown separately in the budget estimates.

During 2002-03 in grant No. 49, the actual recoveries adjusted in reduction of expenditure amounted to Rs 0.92 crore, though there was no provision of recoveries in the budget estimates during 2002-03. Further, recoveries if any, under other heads were not reflected in Accounts. Despite having been pointed out in previous Audit Report, Bihar Government did not follow the principle of budgeting where in 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" below the head separately so as to be treated as reduction of expenditure.

## **2.8 Reserve Funds - Non-observance of accounting procedure for budgeting**

### ***Grant No. 39 - Relief on account of natural calamities***

Under the system of gross budgeting, the Demands for Grants placed in the legislature are for gross amounts required for expenditure. Consequently, the amount of recoveries which are adjusted in accounts in reduction of expenditure, are shown as recovery below the line in the Budget. According to the budgeting and accounting procedure prescribed in the scheme also, the extent of relief expenditure to be financed from the Fund is to be shown as 'recovery below the line' in the Demands for Grants of the State Government. Contrary to this, grants were obtained for net amount of expenditure arrived at after deducting the extent of relief expenditure (Rs 73.82 crore) proposed to be met from Calamity Relief Fund from the gross amount.

### ***Calamity Relief Fund***

As required under the scheme, a State Level Committee has been constituted by the State Government to administer the Fund. The extent of relief expenditure to be financed from the Fund as decided by the Committee is transfer debited to the Fund. Based on the decision of the Committee, the State Government issued two sanctions on 7th October 2002 and 8th January 2003 for transfer debiting the relief expenditure incurred during 2000-01 and 2001-02 (Rs 76.42 crore) and 2002-03 (Rs 37.40 crore) respectively. However, against the expenditure of Rs 113.82 crore authorised to be met from the Fund, a total amount of Rs 131.78 crore was debited to the Fund.

No amount was invested in specified securities as stipulated in the scheme and the amount remained merged with the cash balance.



***National Calamity Contingency Fund***

The assistance received from NCCF is treated as Grants-in-aid from Central Government and is required to be transferred to the CRF of the State.

During 2001-02 a grant of Rs 29.67 lakh was received from the NCCF. On 14th March 2001 necessary accounting adjustment for transfer crediting the amount to CRF though sanctioned by the State Government in August 2002 has not been done in the account for 2002-03.