

**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 2003-2004 against 52 Grants and Appropriations was as follows:

*(Rupees in crore)*

	Nature of expenditure	Original grant/ appropriation	Supplementary grants/ appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
Voted	I. Revenue	11034.81	529.92	11564.73	9341.80	- 2222.93
	II. Capital	1742.23	633.26	2375.49	1549.17	-826.32
	III. Loans and Advances	1088.17	89.95	1178.12	2568.92	+1390.80
<b>Total voted</b>		<b>13865.21</b>	<b>1253.13</b>	<b>15118.34</b>	<b>13459.89</b>	<b>-1658.45</b>
Charged	IV. Revenue	3448.88	3.03	3451.91	3369.03	-82.88
	V. Capital	NIL	0.08	0.08	Nil	-0.08
	VI. Loans and Advances	NIL	NIL	NIL	NIL	NIL
	VII. Public Debt.	3421.07	2.35	3423.42	5652.98	+2229.56
<b>Total charged</b>		<b>6869.95</b>	<b>5.46</b>	<b>6875.41</b>	<b>9022.01</b>	<b>+2146.60</b>
Appropriation to Contingency Fund (if any)		--	--	--	--	--
<b>Grand Total</b>		<b>20735.16</b>	<b>1258.59</b>	<b>21993.75</b>	<b>22481.90</b>	<b>+488.15</b>

The total expenditure was understated at least to the extent of Rs 7.48 crore for which vouchers were not received from the treasuries during the year 2003-04 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 546.92 crore since these were drawn on abstract contingent bills but detailed contingent bills for which

were not submitted. An amount of Rs 7.28 crore (Revenue-5.24 crore and Capital-2.04 crore) was transferred to major head “8443 Civil Deposit” “800 Other Deposit” through nil payment vouchers and this also inflated the expenditure figures while the money was actually retained by the Government.

### 2.3 Fulfillment of Allocative Priorities

#### 2.3.1 Appropriation by Allocative Priorities:

The overall excess of Rs 488.15 crore (two per cent of the total provision) was the net result of saving of Rs 3294.19 crore and excess of Rs 3782.34 crore against the total provision of Rs 21993.75 crore. In violation of the provisions of the Article 204(3) of the Constitution, the State Government incurred excess expenditure of Rs 1550.55 crore in five voted Grants and Rs 2231.79 crore in four charged Appropriations in 2003-04 which requires 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 but these were not received (November 2004).

#### 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 11 cases involving nine Grants substantial savings of Rs 100 crore or more in each case totalling Rs 2425 crore (74 per cent of total savings) were noticed as shown in the Table below.

Table

Sl. No.	No. & Name of Grants	Nature of Expenditure	Grant			Actual Expenditure	Saving
			Original	Supplementary	Total		
Rupees in crore							
1.	3- Building Construction and Housing Department	Capital-Voted	98.45	55.33	153.78	40.51	113.27
2.	20 Health, Medical Education and Family Welfare Department	Revenue-Voted	697.02	19.52	716.54	530.98	185.56
3.	22 Home Department	Revenue-Voted	1050.96	34.68	1085.64	949.09	136.55
		Capital-Voted	100.00	2.52	102.52	0.28	102.24
4.	36 Public Health Engineering Department	Capital-Voted	169.16	17.56	186.72	72.94	113.78

*Chapter II - Allocative priorities and appropriation*

Sl. No.	No. & Name of Grants	Nature of Expenditure	Grant			Actual Expenditure	Saving
			Original	Supplementary	Total		
<b>Rupees in crore</b>							
5.	42-Rural Development Department	Revenue-Voted	776.46	138.37	914.83	627.00	287.83
		Capital-Voted	421.60	171.91	593.51	473.30	120.21
6.	44-Secondary, Primary and Adult Education	Revenue-Voted	3006.26	38.00	3044.26	2347.51	696.75
7.	49-Water Resources Department	Capital-Voted	650.78	10.99	661.77	346.14	315.63
8.	50-Minor Irrigation Department	Revenue-Voted	130.30	144.57	274.87	105.50	169.37
9.	51. Welfare Department	Revenue-Voted	414.41	27.88	442.29	258.70	183.59
		<b>Total</b>	<b>7515.40</b>	<b>661.33</b>	<b>8176.73</b>	<b>5751.95</b>	<b>2424.78</b>

In 69 schemes involved in these nine Grants, major savings of Rs five crore or more occurred as per details given in *Appendix-XII*. In 26 out of 69 cases the entire provision 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 GOI for Centrally Sponsored Schemes, reduction of plan outlay, posts kept vacant, and non-drawal of funds due to restriction imposed by the State Government, etc

### **2.3.3 Other cases of savings**

In 42 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 2909.79 crore as indicated in *Appendix XIII*.

### **2.3.4 Persistent savings**

In 36 cases involving 30 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. However, the excess expenditure amounting to Rs 11,249.96 crore for the years 1977-78 to 2003-04 had not been regularised so far (November 2004). This was a breach of legislative control over appropriation. Details are indicated in *Appendix-XV*.

➤ ***Expenditure in excess of provision in minor heads***

In 24 cases involving 11 Grants and Appropriation expenditure in each case exceeded the approved provision by Rupees five crore or more and also by more than 50 per cent of the provision totalling Rs 3966.13 crore as per details given in ***Appendix XVI***.

➤ ***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 1249.22 crore was incurred in six cases as shown in ***Appendix XVII*** without any provision in the original estimate or supplementary demand or any re-appropriation order.

**2.3.6 *Persistent excesses***

Significant excesses persisted in the Grant 15-Pension from 2000-01 to 2003-04, the amount being Rs 364.97 crore, Rs 491.24 crore, Rs 9.68 crore and Rs 60.00 crore respectively. Persistent excesses require investigation by the Government for remedial action.

**2.3.7 *Original budget and supplementary provisions***

Supplementary provisions of Rs 1258.59 crore made during the year constituted 6.07 per cent of the original budget provision (Rs 20735.16 crore) as against 11.68 per cent in the preceding year.

Total supplementary Grants (other than Public Debt) obtained during the year were Rs 1256.24 crore while the ultimate total savings (other than Public Debt) amounted to Rs 1741.41 crore.

**2.3.8 *Unnecessary/excessive/inadequate supplementary provisions***

- Supplementary provision of Rs 635.19 crore obtained in 58 cases during August 2003 to March 2004 was 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 five cases, against additional requirement of only Rs 82.40 crore, supplementary Grants/Appropriations of Rs 207.48 crore were obtained resulting in savings in each case exceeding Rs 10 lakh aggregating to Rs 125.08 crore as detailed in ***Appendix XIX***. This included savings of Rs 120.21 crore in Grant No. 42 alone.
- In five cases, supplementary provision of Rs 376.80 crore proved insufficient leaving an aggregate uncovered excess expenditure of Rs 1471.50 crore as indicated in ***Appendix-XX***. This included excess of Rs 1409.92 crore in Grant No. 10 alone.

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**2.3.9 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. 38 cases under 20 Grants and Appropriations where the re-appropriation of funds proved injudicious in view of the final excess of over Rupees one crore are detailed in *Appendix-XXI*. Besides, in five cases of Grants/Appropriations, excessive surrenders resulted in large excess after re-appropriation as detailed in *Appendix - XXII*.

**2.3.10 Anticipated savings not surrendered**

According to rules, 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 2003-04 there were 27 cases of Grants/Appropriations in Revenue section and 10 cases of Grants/Appropriations in Capital section in which savings of Rs 1560.79 crore, exceeding Rupees one crore in each case had not been surrendered by the Departments vide *Appendix-XXIII*.

In 71 cases, Rs 2297.46 crore out of the total savings of Rs 3294.19 crore were surrendered on the last day of March 2004 indicating inadequate financial control over expenditure. Details are given in the *Appendix-XXIV*.

**2.3.11 Surrender in excess of actual savings**

In eight cases, the amount surrendered was in excess of actual savings. Against the savings of Rs 81.17 crore, the amount surrendered was Rs 107.30 crore resulting in excess surrender of Rs 26.13 crore (*Appendix XXV*). Further, in five cases surrenders of Rs 545.69 crore were made even though expenditure of Rs 10904.12 crore was in excess of the total provision of Rs 7124.56 crore resulting in excess of Rs 4325.25 crore after 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 2004 is depicted in *Appendix-XXVII* which shows that the expenditure incurred in the quarter ending March 2004 was 47 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 40 major heads, expenditure of Rs 11893.65 crore pertaining to 2003-04 remained unreconciled by various

controlling officers. Details are given in **Appendix-XXVIII**. The unreconciled expenditure accounted for 53 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) (Rs 2125.78 crore) and obtained Central loans (Rs 819.71 crore) at 11 per cent rate of interest per annum and received Grants (Rs 1169.28 crore) from the Central Government (aggregate receipts Rs 4114.77 crore) for Plan Scheme during 2003-04. Against this only Rs 2545.27 crore were spent on Plan Schemes including loans and advances.

It was also seen from the Appropriation Account of the State Government for the year 2003-04 that out of the budget provisions the State Government failed to spend Rs 756.92 crore (21 per cent) under various State Plan Schemes (Rs 455.70 crore), Centrally Sponsored Schemes (Rs 299.83 crore) and Central Plan Schemes (Rs 1.39 crore) vide **Appendix XXIX**.

The State Government failed to utilise the entire provision of Rs 264.04 crore in 39 cases and large funds of Rs 636.89 crore (exceeding Rs one crore in each case) aggregating to Rs 900.93 crore in 53 cases.

#### **2.3.15 Non-receipt of explanations for savings/excess**

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 2003-04 there was an excess expenditure of Rs 3782.34 crore and savings of Rs 3294.19 crore which constituted 15 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 etc as discussed earlier in this chapter were indicative of lack of budgetary and expenditure control.

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**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.