

## CHAPTER-II

### Appropriation Audit and control over expenditure

## 2. ALLOCATIVE PRIORITIES AND APPROPRIATIONS

### 2.1 Introduction

The Appropriation Accounts are prepared annually, in accordance with the requirements of Article 149 of the Constitution of India. They indicate the capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as 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 and appropriations was within the limits authorised by the Appropriation Act. Appropriation audit also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, and regulations.

### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-05 is as follows:-

(Rupees in crore)

	Nature of expenditure	Original Grants / Appropriations	Supplementary Grants/ Appropriations	Total	Actual Expenditure	Variation Saving (-)/ Excess (+)
<b>Voted</b>	I-Revenue	6621.34	373.52	6994.86	5801.54*	(-)1193.32
	II-Capital	1661.63	134.10	1795.73	1280.64*	(-)515.09
	III-Loans & Advances	146.56	6.00	152.56	113.04	(-)39.52
<b>Total Voted</b>		<b>8429.53</b>	<b>513.62</b>	<b>8943.15</b>	<b>7195.22</b>	<b>(-)1747.93</b>
<b>Charged</b>	IV-Revenue	1192.40	183.77	1376.17	1408.07	(+)31.90
	V-Capital	0.54	--	0.54	0.05	(-)0.49
	VI-Public Debt	932.66	136.79	1069.45	1151.65	(+)82.20
	VII-Inter State Settlement	--	0.01	0.01	--	(-)0.01
<b>Total Charged</b>		<b>2125.60</b>	<b>320.57</b>	<b>2446.17</b>	<b>2559.77</b>	<b>(+)113.60</b>
	<b>Grand Total</b>	<b>10555.13</b>	<b>834.19</b>	<b>11389.32</b>	<b>9754.99</b>	<b>(-)1634.33</b>

\* Note: These expenditure figures do not include recoveries (Revenue:Rs.106.56 crore and Capital:Rs.1.56 crore) adjusted in the accounts as reduction of expenditure.

The table indicated over estimation in the budget of the State Government. The overall savings of Rs.1634.33 crore was 15.5 per cent of the original grants/appropriations. This was the result of savings of Rs.1767.69 crore in 150 cases of grants and appropriations off-set by an excess of Rs.133.36 crore in a total of nine cases of grants and appropriations. Explanations for

savings/excesses were either not received from the Government or were received in incomplete form in respect of 654 sub heads, which form 94 per cent of the total 694 sub heads involving savings/excesses.

The actual expenditure as per table above included amounts transferred to Public Accounts which remained unutilised at the end of the year as detailed below:

Amount of Rs.6.71 crore (Revenue:Rs.4.76 crore and Capital:Rs.1.95 crore) transferred to Major head 8443-Civil Deposits-800 Other Deposits on 31 March 2005 through 'Nil' payment vouchers.

Amount of Rs.177.32 crore (Deposits:Rs.230.74 crore(-) Disbursement :Rs.53.42 crore) added to the balance of 8443-Civil Deposits-106-Personal Deposits Accounts-. The Deposits of Rs.230.74 crore during the year includes Rs.3.51 crore transferred through 'Nil' payment vouchers.

### 2.3 Fulfillment of allocative priorities

#### 2.3.1 Appropriation by allocative priorities

The analysis of savings and excesses with reference to allocative priorities in respect of nine grants showed that there were large savings in some sectors such as Police, Finance, Water Resources, Panchayat and Rural Development, Tribal Areas Sub Plan, Public Works-Roads and Bridges, Relief on account of Natural Calamities and Scarcity and Special Component Plan for Scheduled Castes etc., as detailed below.

#### Grant No. 03-Police

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	336.31			
Supplementary	6.00	342.31	277.18	(-)65.13

Savings occurred mainly under 2055-Deployment of Central Police Force (Rs.5 crore), Other Police (Rs.11.33 crore), Modernisation of Police Force (Rs.36 crore), expenditure for Road Safety Fund (Rs.1.50 crore) and modernisation of Home Guard Force (Rs.1.90 crore). Reasons for savings have not been intimated (July 2005).

#### Grant No.6-Expenditure pertaining to Finance Department

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	620.44			
Supplementary	65.37	685.81	547.19	(-)138.62

Savings occurred mainly under 2052-Secretariat General Services-Directorate of Financial Management Information System (Rs.5.21 crore), 2070-Other Administrative Services-Other expenditure (Rs.150 crore), 2071-Pensions and other Retirement Benefits-Service and Death cum Retirement Gratuity (Rs.13.58 crore). The savings were partly offset by excess mainly under 2071-Payable to Retired salaried persons (Rs.32.03 crore) and Family Pensions

(Rs.5.70 crore). Reasons for savings/excess have not been intimated (July 2005).

**Grant No.23-Water Resources Department**

(Rupees in crore)

Capital Voted		Total grant	Actual expenditure	Savings
Original	341.82			
Supplementary	0.15	341.97	251.91	(-)90.06

Savings occurred mainly under 4701-Capital Outlay on Major and Medium Irrigation-01-0101-State Plan Schemes (Normal)-232 Payment of Compensation for Land Acquisition (Rs.20 crore), 237-Executive Establishment (unit I and II) (Rs.8 crore), 237-Payment of Compensation for Land Acquisition (Rs.70 crore), 03-251-Dam and Appurtenant works (Rs.13.03 crore), 251-Payment of compensation for Land Acquisition (Rs.7.00 crore). Savings were partly offset by excess mainly under 4701-01-0101-State Plan Schemes (Normal)-232-Executive Establishment (Unit I and II) (Rs.6.58 crore), 232-Dam and Appurtenant Works (Rs.25.05 crore). Reasons for savings/excess have not been intimated (July 2005).

**Grant No. 30-Expenditure pertaining to Panchayat and Rural Development Department**

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	180.95			
Supplementary	19.43	200.38	136.22	(-)64.16

Savings occurred mainly under 2501-Special Programme for Rural Development-Centrally Sponsored Schemes (Normal)-Swarn Jayanti Rural Self employment Scheme (Rs.5.27 crore), 2505-Rural Employment-Centrally Sponsored Schemes (Normal)-Entire employment scheme (Rs.13.77 crore) 2515-Other Rural Development Programmes-State Plan Schemes (Normal)-National Community Development Plan (Rs.22.50 crore), Prime Ministers Rural Road Scheme (Rs.10.06 crore), Rural Engineering Services (Rs.3.78 crore). Reasons for savings have not been intimated (July 2005).

**Grant No. 41 Tribal Areas Sub-Plan**

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	571.81			
Supplementary	62.85	634.66	459.25	(-)175.41

Savings occurred mainly under 2202-General Education-Centrally Sponsored Schemes TSP-Social Education Classes (Rs.7.02 crore) Tribal Areas Sub Plan-Primary Education (Rs.5.69 crore), Grant to M.S. Housing Samiti (Rs.5.06 crore), Bastar University (Rs.5.50) crore and Padmashree Raj Mohini Devi University, Ambikapur (Rs.6.50 crore), 2505-Rural Employment-Centrally Sponsored Schemes T.S.P.-Entire Employment Schemes (Rs.9.29 crore), 2515-Other Rural Development Programme-Tribal Areas Sub Plan-

National Community Development Scheme (Rs.37.50 crore), 2215-Water Supply and Sanitation-Central Sector Schemes T.S.P.-Accelerated Rural Water Supply Scheme (Rs.15.87 crore), Tribal Area Sub Plan-Recharging of Ground Water Sources (Rs.4.61 crore), 2403-Animal Husbandry-Tribal Area Sub Plan-Provision of cows (Rs.18.30 crore). Reasons for savings have not been intimated (July 2005).

(Rupees in crore)

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	309.94			
Supplementary	47.50	357.44	270.86	(-)86.58

Savings occurred mainly under 4701-Capital Outlay on Major and Medium Projects-Tribal Areas Sub Plan-Dam and Appurtenant works (Rs.43.50 crore), construction of Medium Irrigation Projects (NABARD) (Rs.7.16 crore), 4702-Capital outlay on Minor Irrigation-Tribal Areas Sub Plan-Minor Irrigation Scheme (Rs.7.06 crore), Construction of Minor Irrigation Scheme (NABARD) (Rs.22.81 crore). Reasons for savings have not been intimated (July 2005).

**Grant No. 42 Public Works relating to Tribal Areas Sub Plan-Roads and Bridges**

(Rupees in crore)

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	212.38			
Supplementary	18.45	230.83	150.97	(-)79.86

Savings occurred mainly under 5054-Capital outlay on Roads and Bridges-Tribal Areas Sub Plan-Construction of Major Bridges (Rs.12.24 crore) State Highways for State (Rs.10.07 crore), Minimum Essential Programme (Rs.33.71 crore), construction of Rural Roads under NABARD Loan Assistance (Rs.30.96 crore) and Central Sector Schemes T.S.P.- Construction of Roads in Tribal Areas (Rs.8.65 crore). The savings were partly offset by excess, mainly under 5054-Tribal Areas Sub Plan-Construction of corridors to join four sides of Chhattisgarh State (Rs.13.10 crore) and construction of major Bridges under NABARD Loan Assistance (Rs.7.73 crore). Savings were mainly due to late and non receipt of Administrative approval of works and non execution of sanctioned works in sensitive areas. Reasons for excess have not been intimated (July 2005).

**Grant No. 58 Expenditure on Relief on account of Natural Calamity and Scarcity**

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	164.92			
Supplementary	12.81	177.73	63.29	(-)114.44

Savings occurred mainly under 2245-Relief on account of Natural Calamities-Drinking Water Supply (Rs.4.27 crore), Transfer to Reserve Fund and Deposit Account Natural Calamities unspent margin money-Famine Relief Fund

(Rs.33.16 crore), Transfer from National Calamity Contingency Fund to Calamity Relief Fund (Rs.49.49 crore). Grant for re-establishment and other work (Rs.2.86 crore), 2402-Soil and Water Conservation Scheme-Contour Bunding (Rs.9.08 crore) and 2702-Minor Irrigation-Agriculture (Rs.3.28 crore), Saving of Rs.49.49 crore above was mainly due to non receipt of sanction of NCCF from Government of India. Adequate reasons for other savings have not been intimated (July 2005).

**Grant No. 59 Externally Aided Projects pertaining to Panchayat and Rural Development Department**

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	100.00			
Supplementary	Nil	100.00	39.67	(-) 60.33

Savings occurred under 2515-Other Development Programme-District Poverty Eradication Project (Rs.60.33 crore). Reasons for saving have not been intimated (July 2005).

**Grant No. 64-Special Component Plan for Scheduled Castes**

(Rupees in crore)

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	127.61			
Supplementary	4.50	132.11	35.09	(-) 97.02

Savings occurred mainly under 5054-Capital outlay on Roads and Bridges-Special Component Plan for Scheduled Castes-Construction of major Bridges under NABARD Loan Assistance (Rs.8.37 crore), Construction of Rural Roads under NABARD Loan Assistance (Rs.47.52 crore), Construction of Roads in Scheduled Castes Predominant Areas (Rs.23.69 crore), 4225-Capital outlay on Welfare of SC, STs and Other Backward Classes-Special Component Plan for Scheduled Castes-Construction of Jaitkhamba at Girodpuri (Rs.7.35 crore). Savings were mainly due to non sanction of work, non/late receipt of administrative approval and receipt of excess allotment.

It was also observed that:

In 69 cases of grants/appropriations, expenditure fell short by more than rupees one crore in each case and also by more than 10 *per cent* of the total provision aggregating to Rs.1613.47 crore as indicated in **Appendix 2.1**. Of these, in two<sup>1</sup> cases, it was found that there were 100 *per cent* savings. It was also noticed that in three<sup>2</sup> cases the savings have exceeded Rs.100 crore. Of which in two cases (Grant no.6 and 41), saving was for third consecutive year.

<sup>1</sup> Grant. No. 58 and 65 Capital (voted)

<sup>2</sup> Grant No. 6 Expenditure pertaining to Finance Department, 41 Tribal Area Sub Plan and 58 Expenditure on Relief on account of Natural Calamities and Scarcity (Revenue Voted)

In 38 schemes, substantial savings of Rs.5 crore or more and also more than 80 *per cent* of the provision in each case totaling to Rs.938.14 crore were noticed as indicated in **Appendix 2.2.**

In 19 cases of Central Schemes, the entire provision of Rs.1 crore or more in each case totalling to Rs.76.78 crore remained unutilised as shown in **Appendix 2.3.**

### **2.3.2 Expenditure without Budget Provision**

No expenditure should be incurred without approval of the State Legislature through the Appropriation Act. Contrary to this it was found that expenditure of Rs.13.22 crore was incurred under the head 6003-111-5670-Special Securities issued to National Small Saving Fund of the Central Government in the Appropriation-Public Debt without approval of the State Legislature.

### **2.3.3 Excess requiring regularisation**

#### ***Excess over provision relating to previous years requiring regularisation***

As per Article 205 of the Constitution of India, all cases of excess over grants/appropriations are to be regularised by the State Legislature. However, the excess expenditure amounting to Rs.831.82 crore for the years 2000-01 to 2003-04 had not been regularised as of August 2005.

#### ***Excess over provision during 2004-2005 requiring regularisation***

An excess of Rs.11.06 crore under four grants (voted) and Rs.122.30 crore under five appropriations (charged) during the year required regularisation under Article 205 of the Constitution of India (**Appendix 2.4**).

### **2.3.4 Original budget and supplementary provisions**

Supplementary provision of Rs.834.19 crore obtained during the year constituted 7.9 *per cent* of the original provisions.

### **2.3.5 Unnecessary/excessive/inadequate supplementary provision**

Supplementary provision of Rs.408.51 crore made in 51 cases during the year proved unnecessary as the expenditure was less than the original provision. The cases are detailed in **Appendix 2.5.**

In 13 cases against actual additional requirement of Rs.25.69 crore, excessive supplementary grants and appropriations of Rs.83.11 crore were obtained resulting in savings of Rs.57.42 crore. Details of these cases are given in **Appendix 2.6.**

In five cases, the supplementary provision of Rs.319.54 crore proved insufficient leading to an uncovered excess expenditure of Rs.126.62 crore as per details given in **Appendix 2.7.**

### **2.3.6 Substantial excesses**

In 32 Schemes involving seventeen grants/appropriation, expenditure exceeded the approved provision by Rs.1 crore or more and also more than 100 *per cent* of the provisions in each case aggregating to Rs.191.87 crore. The details of these are given in **Appendix 2.8**.

### **2.3.7 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 **Appendices 2.9, 2.10, 2.11, 2.12** details have been provided how in each case the re-appropriation/surrender of funds proved injudicious.

### **2.3.8 Anticipated savings not surrendered**

The spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2004-05, there were 129 cases in different grants/appropriations in which savings aggregating to Rs.1034.36 crore had not been surrendered by the department. Of these, in 32 cases, significant amounts of available savings of Rs.5 crore or more in each case aggregating to Rs.948.99 crore were not surrendered as per details given in **Appendix 2.13**.

Out of total surrender of Rs.832.28 crore, Rs.829.72 crore (99.7 *per cent*) were surrendered on the last day of March 2005 indicating inadequate Financial Management. Details are given in **Appendix 2.14**.

### **2.3.9 Unrealistic and injudicious surrender**

In 13 cases of grants/appropriation, as against the available saving of Rs.80.94 crore, an amount of Rs.102.67 crore was surrendered resulting in excess amount of surrender by Rs.21.73 crore. While in other 4 cases, an amount of Rs.77.59 crore was surrendered when there was already excess expenditure of Rs.88.92 crore. The details are given **Appendices 2.15 and 2.16**.

## **2.4 Un-reconciled expenditure**

Departmental figures of expenditure should be reconciled with those of the Accountant General (A&E) every month. The reconciliation had, however, remained in arrears in several departments. Out of a total of 124 Controlling Officers, accounts of only 20 have been fully reconciled, 40 have partially reconciled the accounts upto August 2004 and the accounts of 64 controlling officers have not been reconciled at all for the whole of the year i.e. for twelve months.

### **2.5 Defective sanctions of re-appropriation/surrenders**

As per financial rules (i) all the sanctions for surrenders/re-appropriations should be issued before the close of Financial year, by the competent

authority, (ii) The details of Major heads, sub heads, schemes etc. from which reappropriations/surrender is sanctioned should be clearly mentioned in the sanctions and (iii) Budget provision should be available under the concerned heads from which surrenders/reappropriations are sanctioned by the Competent Authority. Contrary to these, Rs.146.11 crore were defectively re-appropriated/surrendered during 2004-05 by the Government as per details given in **Appendix 2.17**.

## **2.6 Rush of expenditure**

Uniform flow of expenditure during the year is a primary requirement of budgetary control. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of rules as per Rule 69 of General Financial Rules. It was, however, noticed that in 15 cases, the expenditure incurred during March 2005 ranged between 41 and 87 per cent of the total expenditure during the year. The details are given in **Appendix 2.18**.

## **2.7 Results of test check of five grants**

### **Comments on expenditure and budgetary control**

Test check of records pertaining to five grants<sup>3</sup> and scrutiny of Appropriation Accounts for the year 2004-05 revealed that:

#### **2.7.1 Non maintenance of expenditure control registers.**

Expenditure Control Registers indicating amount of grant, re-allotment to subordinate units and reappropriations, surrenders and also upto date progressive total of monthly expenditure under various schemes/objects were not maintained by any of the Controlling Officers (COs) of test checked grants<sup>3</sup>. Thus there was lack of proper control and poor monitoring of expenditure. COs assured that expenditure control registers would be maintained in future.

#### **2.7.2 Defective preparation of budget estimates**

Budget estimates were not prepared on the basis of actual requirement, but were prepared on adhoc basis by the all the COs of test checked grants<sup>3</sup>. Thus incorrect Budget preparation resulted in excessive provisions of Rs.103.88 crore (Rs.17.13 crore, Rs.29 crore and Rs.57.75 crore under grants no.13,19 and 27 respectively) under Revenue Voted section and Rs.83.11 crore (Rs.0.60 crore, Rs.1.31 crore, Rs.79.86 crore and Rs.1.34 crore under grants no.13,19,42 and 57 respectively) under Capital (Voted) section.

Substantial saving of more than Rs.1 crore in each case totalling to Rs.183.63 crore in 27 cases of schemes were noticed as detailed in **Appendix 2.19**. In six another schemes entire provisions totalling to Rs.22.58 crore remained unutilised as per **Appendix 2.20**

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<sup>3</sup> Grant nos. 13-Agriculture, 19-Public Health and Family Welfare, 27-School Education, 42-Public Works relating to Tribal Area Sub Plan Roads and Bridges, 57-Externally Aided Projects pertaining to Water Resources Department.

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Substantial excess of more than Rs.one crore in each case totalling to Rs.43.88 crore in 11 schemes were noticed as detailed in **Appendix 2.21**.

**2.7.3 Unnecessary/inadequate supplementary provision and incorrect re-appropriations under schemes**

In six schemes, supplementary provisions totalling to Rs.25.29 crore were unnecessary while in four other schemes, supplementary provision totalling to Rs.8.73 crore proved inadequate leaving an uncovered excess expenditure of Rs.6.83 crore. Further in two schemes, funds amounting to Rs.0.58 crore were incorrectly withdrawn through re-appropriation when there was already excess expenditure of Rs.5.73 crore resulted in final excess of Rs.6.31 crore. The details are given in **Appendix 2.22**. An amount of Rs.21.50 lakh was also irregularly reappropriated from voted to charged under the head 5054-04-796-800-0102-3115-Compensation for Land Acquisition in Grant no.42.

**2.7.4 Excessive/inadequate provision under the head "Pay & Allowances" in selected schemes.**

Provision for pay and allowances were not based on actual requirement as there was an overall excessive provision of Rs.45.04 crore (Plan: Rs.7.85 crore and non Plan:Rs.37.19 crore) under the object head 01-Pay and allowances in 16 schemes. While in three schemes under grant Nos.19 and 27 inadequate provision totalling to Rs.6.96 crore (Plan:Rs.0.52 crore and Non Plan:Rs.6.44 crore) were noticed resulted in excess expenditure to that extent under these schemes. In one scheme under grant no.57, an expenditure of Rs.1.10 crore was incurred under the object head 01-Pay & allowance against the provision authorised under the object head 23-other charges, reasons for which have not been intimated. Further as against the total expenditure of Rs.538.80 crore in respect of 16 schemes, expenditure of Rs.519.48 crore (96.4 *per cent*) (Plan: Rs.52.05 crore and Non-plan: Rs.467.43 crore) was incurred on pay and allowances. It indicated that funds were mainly utilized for payment of salary. The details are given in **Appendix 2.23**.

**2.7.5 Non-reconciliation of expenditure**

The expenditure figures for 2004-05 were not reconciled by the COs of grant Nos. 13,19,27, and 57 with those booked by the office of the Accountant General (Accounts Wing) Chhattisgarh before closing of accounts. COs stated that it was due to shortage of staff and efforts were being made to reconcile the expenditure while controlling officer of grant no. 42 replied that reconciliation had been completed. The reply was not acceptable as differences in expenditure figures still existed.

**2.7.6 Rush of expenditure under schemes**

In 21 cases of schemes under grant Nos. 13,19,27 and 42 expenditure during March 2005 ranged between 33 and 100 *per cent* of total expenditure as detailed in **Appendix-2.24**. It indicates the tendency to utilize the budget provision at the fag end of the financial year apart from maintaining uniform flow of expenditure throughout the financial year.