

## 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 and was in conformity with the law, relevant rules, and regulations.

### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2005-06 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	7031.99	886.29	7918.28	6481.05*	(-) 1437.23
	II-Capital	1942.83	158.82	2101.65	1498.86*	(-) 602.79
	III-Loans & Advances	149.58	244.12	393.70	337.53	(-) 56.17
<b>Total Voted</b>		<b>9124.40</b>	<b>1289.23</b>	<b>10413.63</b>	<b>8317.44</b>	<b>(-) 2096.19</b>
<b>Charged</b>	IV-Revenue	1300.22	5.07	1305.29	1089.55	(-) 215.74
	V-Capital	0.63	--	0.63	0.16	(-) 0.47
	VI-Public Debt	817.31	--	817.31	443.55	(-) 373.76
<b>Total Charged</b>		<b>2118.16</b>	<b>5.07</b>	<b>2123</b>	<b>1533.26</b>	<b>(-) 589.97</b>
	<b>Grand Total</b>	<b>11242.56</b>	<b>1294.30</b>	<b>12536.86</b>	<b>9850.70</b>	<b>(-) 2686.16</b>

\* Note: The expenditure figures shown do not include recoveries (Revenue:Rs.113.47 crore and Capital:Rs.2.17 crore) adjusted in the accounts in reduction of expenditure.

The table indicates gross over estimation in the budget of the State Government. The overall savings of Rs.2686.16 crore was 23.9 per cent of the original grants/appropriations. This was the result of savings of Rs.2709.43 crore in 154 cases of grants and appropriations off-set by excess of Rs.23.27 crore in a total of six 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 647 sub heads, which form 94 per cent of the total 691 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.12.40 crore of revenue section transferred to Major Head 8443-Civil Deposits-800 Other Deposits on 31 March 2006 through 'Nil' payment vouchers.

Amount of Rs.78.58 crore (Deposits: Rs.159.78 crore (-) Disbursement: Rs.81.20 crore) added to the balance of 8443-Civil Deposits-106-Personal Deposits Accounts. The Deposits of Rs.159.78 crore during the year includes Rs.1.11 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 Interest payments and servicing of debts, Finance, Co-operation, Water Resources, School Education, Tribal Welfare, Tribal Area -Sub Plan, Relief on account of Natural calamities and scarcity and Public Works-Buildings etc., as detailed below.

#### Interest payments and servicing of debit

(Rupees in crore)

Revenue (Charged)		Total grant	Actual expenditure	Savings
Original	1219.54			
Supplementary	NIL	1219.54	1011.54	(-) 208.00

Savings occurred mainly under 2048-Transfer of consolidated sinking fund (Rs.50 crore), 2049-Government Employees Group Insurance Scheme (Rs.33.98 crore), Family Benefit Fund Schemes (Rs.7.07 crore), MP State Development Loan (Rs.8.08 crore) and loan for State/Union Territory Plan Scheme (Rs.47.22 crore). Reasons for savings have not been intimated (July 2006).

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

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	747.64			
Supplementary	32.69	780.33	470.62	(-) 309.71

Savings occurred mainly under 2070-other expenditure (Rs.165 crore), 2071-Retired salaried persons (Rs.73.36 crore), Death cum retirement Gratuity (Rs.41.28 crore) and Family pensions (Rs.9.68 crore). Reasons for savings have not been intimated (July 2006).

**Grant No.17-Co-operation***(Rupees in crore)*

Capital Voted		Total grant	Actual expenditure	Savings
Original	69.10			
Supplementary	1.97	71.07	16.13	(-) 54.94

Savings occurred mainly under 4425-National Co-operative Development (Rs.6.53 crore), Investment in share capital (Rs.8.55 crore), Competitive statement of co-operative banks (Rs.8.03 crore), 6425-Loan to co-operative banks (Rs.15.00 crore) and cleaning of tulan patra of co-operative banks (Rs.7.26 crore). Reasons for savings have not been intimated (July 2006).

**Grant No. 23-Water Resources Department***(Rupees in crore)*

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	298.88			
Supplementary	5.64	304.52	243.27	(-) 61.25

Savings occurred mainly under 4700-executive establishment (Rs.5.13 crore), Dam and Appurtenant work (Rs.48.35 crore) and 4701-Dam and appurtenant work (Rs.52.81 crore). The savings were partly offset by excess under 4701-construction of medium irrigation (Rs.38.65 crore) and 4700-Dam and Appurtenant work (Rs.8.60 crore). Reasons for savings have not been intimated (July 2006).

**Grant No. 27-School/Education***(Rupees in crore)*

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	688.05			
Supplementary	22.37	710.42	627.91	(-) 82.51

Savings occurred mainly under 2202- Government Primary Schools (Rs.27.67 crore), Centrally Sponsored Schemes (Rs.14.62 crore), Higher Secondary Schools (Rs.20.42 crore) and Middle Schools (Rs.9.31 crore). Reasons for savings have not been intimated (July 2006).

**Grant No. 33-Tribal Welfare***(Rupees in crore)*

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	430.23			
Supplementary	Nil	430.23	368.56	(-) 61.67

Savings occurred mainly under 2225-Primary school (Rs.19.99 crore), middle schools (Rs.4.35 crore), State Scholarships (Rs.2.29 crore) and Project Headquarters (Rs.1.05 crore). Reasons for savings have not been intimated (July 2006).

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

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	689.62			
Supplementary	111.23	800.85	607.70	(-) 193.15

Savings occurred mainly under 2406-Development of forest villages (Rs.41.55 crore), 2401-Intensive Extension Project World Bank Assisted (Rs.7.89 crore), Centrally Sponsored Schemes (Rs.3.77 crore) 2202-Additional Central Aid PMGY (Rs.2.04 crore), Centrally Sponsored Schemes (Rs.19.99 crore), Primary Schools Asharms and Higher Secondary Schools (Rs.10.97 crore), 2210 Centrally Sponsored Schemes (Rs.1.56 crore), Additional Central Aid PMGY (Rs.2.32 crore), 2225-Integrated Tribal Development Plan (Rs.9.12 crore), 2215-Recharging of ground Water Sources (Rs.5.40 crore), 2225 Centrally Sponsored Schemes (Rs.2.14 crore). The savings were offset by excess in 2406-Development of forest villages (Rs.41.38 crore). Reasons for savings have not been intimated (July 2006).

(Rupees in crore)

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	364.37			
Supplementary	36.95	401.32	314.97	(-) 86.35

Savings occurred mainly under 4210-Establishment of Medical College (Rs.9.30 crore), 4225-Sarguja/Jashpur Development Authority (Rs.2.35 crore), Facility Development for Tribal Area (Rs.3.43 crore) Asharm and Hostel buildings (Rs.6.94 crore), 4701-Construction of Medium Projects (Rs.23.96 crore), and 4702-Construction of minor irrigation scheme (Rs.27.85 crore). Reasons for savings have not been intimated (July 2006).

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

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	169.58			
Supplementary	79.44	249.02	161.53	(-) 87.49

Savings occurred mainly under 2245-Drinking Water Supply (Rs.8.59 crore), Cash Doles (Rs.31.36 crore), 3054-District and other road (Rs.4.60 crore) 2402-Soil Conservation Scheme counter building (Rs.47.61 crore). The Savings were partly offset by 2245 Transferred to Reserve fund and Deposits Account Natural Calamities inspect margin money Famine Relief Fund (Rs.21.46 crore). Reasons for savings/Excess have not been intimated (July 2006).

**Grant No. 67 Public Works Buildings***(Rupees in crore)*

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	111.06			
Supplementary	21.19	132.25	62.77	(-) 69.48

Savings occurred mainly under 4059-Centrally Sponsored Scheme Administration of Justice (Rs.3.46 crore). Election (Rs.1.69 crore), Construction of Transport Office Building (Rs.8.56 crore), 4202- Construction of Secondary School Buildings (Rs.11.67 crore), Construction of Engineering College and Institution Buildings (Rs.9.5 crore) and 4210-Construction of Primary Health Centre under Basic minimum services (Rs.2.45 crore). Reasons for saving have not been intimated (July 2006).

It was also observed that:

In 76 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.1990.67 crore as indicated in **Appendix 2.1**. Of these, in three<sup>1</sup> cases, it was found that there were 100 *per cent* savings. In two<sup>2</sup> cases the savings have exceeded Rs.100 crore and was for fourth consecutive year.

In 23 schemes, substantial savings of Rs.one crore or more and also more than 96 *per cent* of the provision in each case totaling to Rs.667.60 crore were noticed as indicated in **Appendix 2.2**.

In 15 cases of Central Schemes, the entire provision of Rs.one crore or more in each case totaling to Rs.76.76 crore remained unutilised as shown in **Appendix 2.3**.

**2.3.2 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 regularized by the State Legislatures. However, the excess expenditure amounting to Rs.965.18 crore for the years 2000-01 to 2004-05 had not been regularised as of August 2006.

**Excess over provision during 2005-06 requiring regularization**

As excess of Rs. 21.32 crore under four grants (Voted) and Rs.1.95 crore under two appropriation (Charged) during the year required regularization under Article 205 of constitution of India (**Appendix 2.4**)

<sup>1</sup> Grant. No. 18, 58 and 69 Capital (voted)

<sup>2</sup> Grant No. 6 Expenditure pertaining to Finance Department and 41 Tribal Area Sub Plan (Revenue Voted)

### **2.3.3 Original Budget and Supplementary Provisions**

Supplementary provision of Rs.1294.30 crore obtained during the year constituted 11.5 per cent of the original provisions.

### **2.3.4 Unnecessary/Excessive/Inadequate supplementary provisions**

Supplementary provision of Rs.480.15 crore made in 54 cases during the year proved unnecessary as the expenditure was less than the original provision. The cases are detailed in **Appendix 2.5**

In 26 cases against actual additional requirement of Rs.546.78 crore, excessive supplementary grants and appropriation of Rs.770.09 crore were obtained resulting in savings of Rs.223.31 crore. Details of these cases given in **Appendix 2.6**

In three cases, the Supplementary Provision of Rs.12.11 crore proved insufficient to an uncovered excess expenditure of Rs.21.05 crore as per details given in **Appendix 2.7**

### **2.3.5 Substantial excess**

In 22 schemes involving eight grants/appropriation expenditure exceeded the approved provision by Rs.one crore or more and also more than 100 per cent of the provisions in each case aggregating to Rs.420.90 crore. The details of these are given in **Appendix 2.8**.

### **2.3.6 Excessive/ Unnecessary re-appropriation of funds**

Re-appropriation is transfer of fund within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In **Appendix 2.9, 2.10, 2.11, 2.12** details have been provided how in each case the re-appropriation/surrender of funds proved injudicious.

### **2.3.7 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 2005-06, there were 101 cases in different grants/appropriation in which savings aggregating to Rs.1379.78 crore had not been surrendered by the Department. Of these, in 37 cases significant amounts of available savings of Rs.five crore or more in each case aggregating to Rs.1306.09 crore were not surrendered as per details given in **Appendix 2.13**

Out of total surrender of Rs.1369.07 crore, Rs.1242.44 crore (90.75) per cent were surrendered on the last day of March 2006 indicating inadequate financial management. The details are given in **Appendix 2.14**

### **2.3.8 Unrealistic and injudicious surrender**

In 12 cases of grants/appropriation, as against the available savings of Rs.550.28 crore, and amount of Rs.586.42 crore was surrendered resulting in excess amount of surrender by Rs.36.14 crore. The details are given in **Appendix 2.15**.

### **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 40 have been reconciled, 43 have partially reconciled the accounts upto February 2006 and the accounts of 41 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 re-appropriations/surrender is sanctioned should be clearly mentioned in the sanctions and (iii) budget provision should be available under the concerned heads from which surrenders/re-appropriations are sanctioned by the Competent Authority. Contrary to these, Rs.246.86 crore were defectively re-appropriated/surrendered during 2005-06 by the Government as per details given in **Appendix 2.16**.

### **2.6 Rush of expenditure**

Uniform flow of expenditure during the year is a primary requirement of budgetary control. It was, however, noticed that in 10 cases, the expenditure incurred during March 2006 ranged between 36 and 100 *per cent* of the total expenditure during the year. The details are given in **Appendix 2.17**.

### **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 2005-06 disclosed:

#### **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

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<sup>3</sup> Grant nos. 17-Co-operation, - 57-Externally Aided Projects pertaining to Water Resources Department,67-Public Work-Building, 69- Urban Administration and Development Department-Urban Welfare, 76- Externally Aided Projects pertaining to Public Works Department.

not maintained by any of the Controlling Officers (COs) of test checked grants no.17. Thus there was lack of proper control and poor monitoring of expenditure.

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

Budget estimates were not prepared on the basis of actual requirement, but were prepared on *ad hoc* basis by the all the COs of test checked grants<sup>4</sup>. Thus incorrect Budget preparation resulted in excessive provisions of Rs.19.54 crore (Rs.4.51 crore, Rs.11.16 crore and Rs.3.87 crore under grants no.17, 67 and 69 respectively) under Revenue (Voted) section and Rs.53.49 crore (Rs.33.03 crore, Rs.3.36 crore and Rs.16.90 crore under grants no.17, 67 and 69 respectively) under Capital (Voted) section.

Substantial saving of more than Rs.one crore in each case totalling to Rs.4.51 crore in two cases of schemes of Grant no. 17 and Rs.20.77 crore in eight schemes of Grant no 67 were noticed as detailed in ***Appendix 2.18***. In another 22 schemes entire provisions totalling to Rs.49.36 crore remained unutilised as per ***Appendix 2.19***

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

In one scheme of Grant 69, supplementary provision amounting Rs.five crore seemed unnecessary as it was unutilised till the year end and surrendered.

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<sup>4</sup> Grant No. 17, 67 and 69