

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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2.1 Introduction

The Appropriation Accounts, prepared annually, indicate capital and revenue expenditure incurred 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 the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act. 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 2006-07 against Grants/Appropriation was as follows:

(Rupees in crore)

Nature of expenditure	Original Grants/ Appropriation	Supplementary Grants/ Appropriation	Total Grants/ Appropriations	Actual expenditure	Variation (-)Saving (+)Excess
Voted					
I. Revenue	19,526.34	3,794.83	23,321.17	23,086.99	(-) 234.18
II. Capital	7,097.82	2,109.72	9,207.54	8,251.10	(-) 956.44
III. Loans & Advances	595.64	163.66	759.30	373.60	(-) 385.70
Total Voted	27,219.80	6,068.21	33,288.01	31,711.69	(-)1,576.32
Charged					
IV. Revenue	7,211.02	55.97	7,266.99	6,997.18	(-) 269.81
V. Capital	0.01	8.35	8.36	8.19	(-) 0.17
VI. Public Debt	3,379.34	0.00	3,379.34	1,770.95	(-)1,608.39
VII. Inter State Settlement	0.01	0.00	0.01	0.00	(-) 0.01
Total Charged	10,590.38	64.32	10,654.70	8,776.32	(-)1,878.38
Grand Total	37,810.18	6,132.53	43,942.71	40,488.01	(-)3,454.70

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 852.04 crore and capital expenditure Rs 413.85 crore.

The overall saving of Rs 3,454.70 crore as mentioned above was the net result of savings of Rs 4,038.49 crore in 131 cases of grants and appropriations offset by excess of Rs 583.79 crore in 41 cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers (July 2007) requiring them to explain the significant variations; explanations were not received (August 2007).

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

(i) Analysis of savings with reference to allocative priorities brought out the following:

Grant No. 19- Other expenditure pertaining to Finance Department

(Rupees in crore)

Revenue (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	1,269.58			
Supplementary:	0.00 ^Σ	1,269.58	976.98	292.60

Saving occurred mainly under 'MH-2075-00.800.11 Liability on Account of increase in the rate of Dearness Allowances' (Rs 300.00 crore) due to necessary provisions being made in the Revised Estimates under the respective departments.

Grant No. 20- Repayment of Debt pertaining to Finance Department and its Servicing

(Rupees in crore)

Capital (Charged)	Amount	Total grant	Actual Expenditure	Saving
Original:	3,379.33			
Supplementary:		3,379.33	1,770.88	1,608.45

Saving occurred mainly under MH-6003-(i) '00.101.04 Repayment of Old Gujarat State Development Loan' (Rs 281.61 crore), for which no reasons were furnished by the department (ii) '00.111.01 Repayment of Loans received from National Small Savings Fund' (Rs 597.02 crore), and (iii) '00.110.01 Repayment of Ways and Means and Advances' (Rs 1,000.00 crore) due to non drawal of Ways and Means and Advances during the year.

Grant No. 65- Narmada Development Scheme

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	2,353.02			
Supplementary:	500.00	2,853.02	2,525.55	327.47

Saving occurred mainly under MH-4700 – '80.190.21 Share Capital Contribution to Sardar Sarover Narmada Nigam Limited (Plan)' (Rs 129.58 crore) and MH-4801 '80.190.31 Share Capital Contribution to

^Σ Supplementary Demand of rupees two thousand

Sardar Sarover Narmada Nigam Limited (Plan)' (Rs 159.57 crore) due to non-receipt of fund from the beneficiary States.

Grant No. 79 - Relief on Account of Natural Calamities

(Rupees in crore)

Capital (Voted)	Amount	Total grant	Actual Expenditure	Saving
Original:	656.07			
Supplementary:		656.07	184.19	471.88

Saving occurred mainly under MH-4250 – '00.101.01 UDP-42 Assistance to Disaster Management Authority (Plan)' (Rs 461.91 crore) due to non-completion of tendering procedure in time in some of the cases of Roads and Buildings Department and Irrigation Department and non-completion of contract work due to time consuming procurement procedure of funding agencies i.e. World Bank, Asian Development Bank, etc.

(ii) In 72 cases, savings exceeded Rupees five crore in each case and/or by more than 10 *per cent* of total provision made amounting to Rs 14,191.79 crore as indicated in **Appendix XII**. Out of which in 18 cases entire provisions have been saved amounting to Rs 11,363.73 crore mainly under Grant No. 19 – Other expenditure pertaining to Finance Department (Revenue Voted-Rs 300 crore and Capital Voted-Rs 200 crore) and Grant No.20 Repayment of Debt Pertaining to Finance Department and its Servicing (Capital Charged-Rs 10,749.86 crore).

(iii) Out of 15 cases where saving exceeded Rupees one crore each (total Rs 313.82 crore), in two cases entire amount of savings of Rs 89.65 crore was not surrendered and in remaining cases, even after partial surrender, savings amounting to Rs 224.17 crore (**Appendix XIII**) remained un-surrendered.

2.3.2 Persistent savings

There were three cases of significant and persistent savings as detailed below.

(Rupees in crore)

Grant Number and Major Head	Sub-Head	2004-05		2005-06		2006-07*	
		Savings (percentage of Provision)					
		Provision	Saving	Provision	Saving	Provision	Saving
34 -4250	00.101.01 UDP-42 Assistance to Disaster Management Authority (Plan)	1,085.72	541.18 (49.85)	1,225.34	435.02 (35.50)	646.07	461.88 (71.49)
19-6004	01.102.01 Share of Small Savings Collection	2,234.97*	389.43 (17.42)	2,791.77	2,791.77 (100)	441.77	441.77 (100)
18-7610	00.201.02 House building Advance to Government Servants from the loans received from the other Banking Institutions	20.00	20.00 (100)	230.00	230.00 (100)	200.00	200.00 (100)

* In 2006-07 Sub heads are shifted to Grant No.79, Grant No.20 and Grant No.19 respectively

♦ Including re-appropriation of Rs 1927.32 crore

2.3.3 Excess requiring regularisation

• Excess over provision relating to previous years 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/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 12,539.06 crore for the years 1993-94 to 2005-06 as detailed below, had not been regularised so far (August-2007). This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of Grants/Appropriation	Grants/Appropriation No(s)	Amount of excess	Whether reasons submitted to PAC
1993-94	27	4, 6, 9, 13, 18, 20, 31, 32, 39, 43, 44, 45, 47, 52, 61, 65, 66, 71, 80, 81, 82, 84, 85, 86, 97, 98, 100	574.79	Submitted
1994-95	38	4, 6, 10, 13, 15, 19, 21, 24, 26, 30, 39, 42, 43, 45, 46, 49, 50, 52, 53, 57, 61, 63, 65, 67, 68, 73, 77, 78, 79, 82, 83, 84, 86, 87, 92, 94, 95, 98	372.75	Submitted
1995-96	45	1, 3, 4, 5, 8, 9, 10, 12, 20, 22, 24, 37, 38, 40, 42, 43, 44, 47, 48, 49, 55, 56, 58, 59, 60, 61, 64, 66, 67, 72, 73, 78, 80, 81, 83, 84, 85, 86, 87, 88, 89, 90, 91, 101, 102	564.16	Submitted
1996-97	40	4, 5, 6, 8, 10, 14, 17, 19, 23, 25, 29, 38, 42, 43, 44, 46, 48, 55, 56, 59, 60, 64, 66, 68, 72, 74, 79, 81, 83, 84, 85, 86, 87, 89, 90, 92, 94, 95, 100, 102	534.27	Not Submitted (127.24)
1997-98	38	4, 5, 7, 8, 9, 10, 15, 17, 22, 23, 24, 25, 29, 34, 37, 40, 47, 52, 55, 59, 60, 64, 66, 68, 69, 72, 76, 82, 83, 84, 85, 86, 87, 88, 91, 98, 102	733.90	Not Submitted (731.27)
1998-99	21	7, 8, 10, 12, 19, 24, 25, 35, 44, 47, 51, 55, 66, 73, 74, 80, 82, 83, 84, 86, 88	981.27	Not Submitted
1999-2000	31	4, 7, 8, 9, 10, 17, 18, 19, 22, 23, 42, 51, 55, 56, 60, 66, 67, 68, 74, 77, 78, 79, 80, 81, 82, 84, 86, 87, 88, 90, 94	1,295.41	Not Submitted
2000-01	21	6, 7, 8, 9, 12, 21, 23, 25, 35, 38, 42, 46, 66, 67, 74, 77, 80, 81, 86, 88, 94	379.62	Not Submitted
2001-02	13	7, 8, 12, 19, 34, 36, 61, 66, 73, 75, 82, 86, 102	2,640.36	Not Submitted
2002-03	17	30, 35, 40, 42, 46, 60, 61, 68, 69, 73, 78, 80, 84, 86, 88, 104 (Voted and Charged)	114.18	Not Submitted

Year	No. of Grants/Appropriation	Grants/Appropriation No(s)	Amount of excess	Whether reasons submitted to PAC
2003-04	26	4, 8, 9, 12, 17, 19, 22, 40, 41, 42, 49, 55, 59, 60, 64, 66, 67, 68, 69, 73, 78, 80, 84, 86, 91 and 105	401.26	Not Submitted
2004-05	29	2, 5, 8, 12 [*] , 17, 19, 22, 36, 38, 40, 43, 55, 61, 63, 66, 68, 73 [*] , 80, 81 [♥] , 86, 88, 91, 96, 100 and 104	1,787.26	Not Submitted
2005-06	44	3, 7, 8 [*] , 11, 12, 17, 20, 22, 25, 37, 38, 40, 42, 43, 45, 46, 52 [*] , 55, 64, 66 [*] , 69, 73, 75, 77, 78, 79, 84, 86 ^Σ , 88 [*] , 90, 91, 92, 96, 100, 102 [#] , 103 and 104	2,159.83	Not Submitted
Total	390		12,539.06	

• **Excess over provisions during 2006-07 requiring regularisation**

The excess of Rs 583.79 crore under 41 cases of grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given in **Appendix XIV**. Reasons for the excesses had not been furnished by the Government as of August 2007.

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 6,132.53 crore) made during this year constituted 16.22 per cent of the original provision (Rs 37,810.18 crore) as against 9.37 per cent in the previous year.

2.3.5 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provision of Rs 46.72 crore made in 22 cases during the year proved unnecessary in view of aggregate saving of Rs 229.97 crore as detailed in **Appendix XV**.

In 31 cases, against additional requirement of only Rs 3,254.44 crore, supplementary grants and appropriations of Rs 4,029.26 crore were obtained, resulting in savings aggregating to Rs 774.82 crore. Details of these cases are given in **Appendix XVI**.

In 26 cases, supplementary provision of Rs 1,110.65 crore proved insufficient leaving an uncovered excess expenditure of Rs 559.09 crore. Details of these cases are given in **Appendix XVII**.

♣ Revenue Voted, Revenue Charged and Capital charged

♦ Revenue Voted and Capital Charged

♥ Revenue Charged and Capital Charged

* Revenue Voted and Revenue Charged

Σ Revenue Voted, Capital Voted and Capital Charged

Revenue Voted and Capital Voted

2.3.6 Persistent excesses

There were two cases of significant and persistent excess as detailed below.

(Rupees in crore)

Grant Number and Major Head	Sub-Head	2004-05		2005-06		2006-07 [▲]	
		Excess (percentage of Provision)					
		Provision	Excess	Provision	Excess	Provision	Excess
8-2071	01.101.03 Superannuation and Retirement Allowance to Primary Panchayats Teachers	95.00	116.97 (123.13)	105.00	141.25 (134.52)	95.00	131.67 (138.60)
19-6003	00.101.B01 Repayment of Gujarat State Development Old Loans	0.00	179.92	0.00	249.04	0.00	283.31

2.3.7 Unnecessary/inadequate 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. Cases where the re-appropriation of funds proved injudicious in view of final excess and savings over grant by over rupees one crore are detailed in **Appendices XVIII and XIX** respectively.

2.3.8 Delayed surrender

In 124 cases of Grants/Appropriations, Rs 4,648.65 crore were surrendered in March 2007 indicating inadequate control over expenditure. Details are given in **Appendix XX**.

2.4 Re-appropriation on 31st March

During 2006-07, 382 re-appropriation/surrender orders amounting to Rs 9,233.08 crore were issued and of these, 25 re-appropriation orders aggregating to Rs 274.77 crore were issued on 31st March 2007, the last day of the financial year.

2.5 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure 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 the four quarters and also for the month of March 2007 is depicted in **Appendix XXI** which shows that the expenditure incurred in March 2007 in 34 cases ranged between 40 and 100 *per cent* of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

[▲] In 2006-07 Sub heads are shifted to Grant No.9 and Grant No.20 respectively

2.6 Budgetary Control

In 41 cases, expenditure aggregating Rs 2,238.72 crore exceeded the original provisions by Rupees five crore or more in each case and also by more than 10 *per cent* of the total provisions. Details are given in **Appendix XXII**.

As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that there were 15 cases (Rs 284.62 crore) in which the expenditure was incurred without any provision as detailed in **Appendix XXIII**.

2.7 Audit of Abstract and Detailed Contingent Bills

As per codal provisions and instructions issued by the State Government, DC Bills should be sent to the Accountant General (Accounts and Entitlement) Gujarat, Rajkot, by Drawing and Disbursing Officers, within three months from the date of drawal of AC Bills.

The amount drawn on AC Bill should be utilised by the Drawing and Disbursing Officer for the purpose for which the drawal was made. Test check of abstract contingent (AC) Bills and detailed contingent (DC) Bills in departments revealed the following;

Non Submission of DC Bills

Rupees 2.30 crore were drawn on 42 AC Bills between July 2003 and December 2006 as shown in **Appendix-XXIV**, for which no DC Bills were submitted.

Delay in submission of DC Bills

Rupees 5.87 crore were drawn on 315 AC Bills between February 2002 and December 2006 as shown in **Appendix-XXV**. Delay in submission of DC bills ranged from 1 to 46 months.

