

## CHAPTER-II

## ALLOCATIVE PRIORITIES AND APPROPRIATION

## APPROPRIATION ACCOUNTS 2005-2006 AT A GLANCE

Total No. of Grants: 31

*Total provision and actual expenditure*

Table: 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	7,760.85		
Supplementary	1,431.39		
<b>Total gross provision</b>	<b>9,192.24</b>	<b>Total gross expenditure</b>	<b>9,442.98</b>
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	298.55	<i>Deduct</i> -Actual recoveries in reduction of expenditure	601.13
<b>Total net provision</b>	<b>8,893.69</b>	<b>Total net expenditure</b>	<b>8,841.85</b>

*Voted and Charged provision and expenditure*

Table: 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	5,055.18	1,777.46	5,401.43	1,575.84
Capital	940.52	1,419.08	918.51	1,547.20
<b>Total gross:</b>	<b>5,995.70</b>	<b>3,196.54</b>	<b>6,319.94</b>	<b>3,123.04</b>
<i>Deduct</i> -Recoveries in reduction of expenditure	298.55		601.13	
<b>Total net:</b>	<b>5,697.15</b>	<b>3,196.54</b>	<b>5,718.81</b>	<b>3,123.04</b>

## **2.1 Introduction**

Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that 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 2005-2006 against the 31 grants/appropriations was as follows:

*Table: 2.3*

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	4,378.90	676.28	5,055.18	5,401.43	(+) 346.25
	II Capital	679.63	223.85	903.48	904.38	(+) 0.90
	III Loans and Advances	35.68	1.36	37.04	14.13	(-) 22.91
<b>Total Voted</b>		<b>5,094.21</b>	<b>901.49</b>	<b>5,995.70</b>	<b>6,319.94</b>	<b>(+) 324.24</b>
<b>Charged</b>	IV Revenue	1,734.93	42.53	1,777.46	1,575.84	(-) 201.62
	V Capital	3.00	11.26	14.26	6.39	(-) 7.87
	VI Public Debt	928.71	476.11	1,404.82	1,540.81**	(+) 135.99
<b>Total Charged</b>		<b>2,666.64</b>	<b>529.90</b>	<b>3,196.54</b>	<b>3,123.04</b>	<b>(-) 73.50</b>
<b>Grand Total</b>		<b>7,760.85</b>	<b>1,431.39</b>	<b>9,192.24</b>	<b>9,442.98</b>	<b>(+) 250.74</b>

\* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 511.12 crore; Capital expenditure: Rs 90.01 crore.

\*\* Includes Rs 255.27 crore on account of repayment of normal Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs 7,760.85 crore, supplementary grants and appropriations of Rs 1,431.39 crore were obtained during 2005-2006. There was a net excess of Rs 250.74 crore which was the result of an overall excess of Rs 483.14 crore partly offset by saving of

Rs 232.40 crore. Supplementary appropriation of Rs 42.53 crore under IV-Revenue (charged) was unnecessary because the actual expenditure was less than the original appropriation.

### 2.3 Fulfilment of Allocative Priorities

#### 2.3.1 Savings/excesses in grants/appropriations

The net excess of Rs 250.74 crore was the result of savings in 42 cases and excesses in 24 cases as shown below:

Table: 2.4

(Rupees in crore)

	Savings		Excesses		Net Saving (-)/excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	251.08 (In 17 grants)	135.00 (In 18 grants)	597.33 (In 14 grants)	112.99 (In seven grants)	(+) 346.25	(-) 22.01
Charged Appropriations	201.64 (In five appropriations)	7.87 (In two appropriations)	0.02 (In two appropriations)	135.99 (In one appropriation)	(-) 201.62	(+) 128.12

#### 2.3.2 Appropriation by Allocative Priorities

Out of overall savings of Rs 596 crore, major savings of Rs 534 crore (90 per cent) occurred in four grants and one appropriation as mentioned below:

Table: 2.5

(Rupees in crore)

Sr. No.	Grant No.	Original	Supplementary	Total	Actual expenditure	Saving
<b>(Revenue Voted)</b>						
1.	07-Police and Allied Organisations	219.61	17.83	237.44	221.54	15.90
2.	13-Irrigation and Flood Control	68.40	198.72	267.12	97.82	169.30
3.	17-Roads and Bridges	338.39	34.89	373.28	350.79	22.49
4.	23-Water and Power Development	91.44	50.91	142.35	121.63	20.72
	<b>Total:</b>	<b>717.84</b>	<b>302.35</b>	<b>1,020.19</b>	<b>791.78</b>	<b>228.41</b>
<b>(Revenue Charged)</b>						
5.	29-Finance	1,723.06	40.00	1,763.06	1,562.72	200.34
	<b>Total:</b>	<b>1,723.06</b>	<b>40.00</b>	<b>1,763.06</b>	<b>1,562.72</b>	<b>200.34</b>
<b>(Capital Voted)</b>						
6.	13-Irrigation and Flood Control	143.12	93.06	236.18	152.81	83.37
7.	23-Water and Power Development	24.00	--	24.00	1.97	22.03
	<b>Total:</b>	<b>167.12</b>	<b>93.06</b>	<b>260.18</b>	<b>154.78</b>	<b>105.40</b>
	<b>Grand Total:</b>	<b>2,608.02</b>	<b>435.41</b>	<b>3,043.43</b>	<b>2,509.28</b>	<b>534.15</b>

Areas in which major savings occurred in two of the above five grants/appropriation are given in **Appendix-IX**.

Reasons for savings were not intimated by the departments in respect of grant numbers 6, 7, 10, 11, 13, 15, 17, 19, 23, 24, 26, 28 and 29.

In nine cases, savings exceeding Rs 3 crore in each case and ranging between 7 and 92 *per cent* of the total provision amounted to Rs 534.69 crore as indicated in **Appendix-X**.

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

According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to Rs 13,871.85 crore for the years 2001-2002, 2002-2003, 2003-2004 and 2004-2005 as detailed below, was yet to be regularised (August 2006) by the State Legislature.

*Table: 2.6*

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/Appropriation No(s)	Amount of excess
2001-2002	16	1, 5, 9, 10, 11, 13, 15, 16, 17, 19, 23, 24, 28, 29, 30 and 31	2,965.36
2002-2003	17	3, 5, 6, 7, 9, 10, 12, 13, 15, 17, 18, 20, 23, 27, 28, 29 and 31	3,295.75
2003-2004	21	1, 2, 3, 4, 5, 7, 9, 10, 12, 13, 15, 16, 17, 19, 23, 25, 26, 28, 29, 30 and 31	4,515.60
2004-2005	23	3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 25, 26, 28, 29, 30 and 31	3,095.14
	<b>Total:</b>		<b>13,871.85</b>

The possibility of financial irregularities remaining unexamined due to failure and long delays in furnishing explanation of unregularised excess expenditure cannot be ruled out.

### **2.3.4 Excess over provision during 2005-2006 requiring regularisation**

During 2005-2006, there was a total excess of Rs 597.33 crore in 14 grants in the revenue section and Rs 0.02 crore in two appropriations while the excesses

in the capital section amounted to Rs 113.00 crore in seven grants and Rs 136.00 crore in one appropriation. The excess of Rs 846.35 crore (details given below) requires regularisation under Article 205 of the Constitution of India.

Table: 2.7

(In Rupees)

Sl. No.	Grants	Total grant/ appropriation	Actual expenditure	Amount of excess
1.	2.	3.	4.	5.
<b>Revenue (Voted)</b>				
1.	05-Land Revenue and District Administration	2,09,87,14,000	3,24,03,20,258	1,14,16,06,258
2.	08-Education	10,75,78,39,000	10,89,27,62,691	13,49,23,691
3.	09-Health and Family Welfare	3,02,59,83,000	3,17,67,09,833	15,07,26,833
4.	10-Public Works Building	1,65,44,75,000	2,85,47,22,575	1,20,02,47,575
5.	11-Agriculture	80,28,28,200	83,73,70,268	3,45,42,068
6.	12-Horticulture	73,97,27,000	76,42,72,732	2,45,45,732
7.	14-Animal Husbandry, Dairy Development and Fisheries	76,86,63,125	78,75,93,821	1,89,30,696
8.	15-Planning and Backward Area Sub-Plan	83,42,98,000	90,02,76,350	6,59,78,350
9.	21-Co-operation	11,03,35,000	11,29,91,057	26,56,057
10.	25-Road and Water Transport	53,90,35,720	53,93,64,478	3,28,758
11.	26-Tourism and Civil Aviation	3,94,10,000	4,02,37,584	8,27,584
12.	28-Water Supply, Sanitation, Housing and Urban Development	3,40,04,95,000	6,23,44,88,020	2,83,39,93,020
13.	29-Finance	6,73,66,45,000	6,89,70,80,851	16,04,35,851
14.	31-Tribal Development	2,09,90,46,000	2,30,25,93,075	20,35,47,075
	<b>Total:</b>	<b>33,60,74,94,045</b>	<b>39,58,07,83,593</b>	<b>5,97,32,89,548</b>
<b>Revenue (Charged)</b>				
15.	02-Governor and Council of Ministers	1,79,88,000	1,79,90,280	2,280
16.	03-Administration of Justice and Election	8,10,29,500	8,12,61,082	2,31,582
	<b>Total:</b>	<b>9,90,17,500</b>	<b>9,92,51,362</b>	<b>2,33,862</b>
<b>Capital (Voted)</b>				
17.	07-Police and Allied Organisations	13,92,04,000	16,96,37,100	3,04,33,100

*Audit Report (Civil and Commercial) for the year ended 31 March 2006*

1.	2.	3.	4.	5.
18.	12-Horticulture	2,36,34,000	2,42,98,652	6,64,652
19.	15-Planning and Backward Area Sub-Plan	22,94,99,000	23,93,24,429	98,25,429
20.	16-Forest and Wild Life	5,27,65,500	5,52,65,483	24,99,983
21.	26-Tourism and Civil Aviation	65,00,000	98,34,000	33,34,000
22.	28-Water Supply, Sanitation, Housing and Urban Development	1,20,14,50,000	2,22,47,52,160	1,02,33,02,160
23.	31-Tribal Development	77,37,47,000	83,36,75,087	5,99,28,087
	<b>Total:</b>	<b>2,42,67,99,500</b>	<b>3,55,67,86,911</b>	<b>1,12,99,87,411</b>
	<b>Capital Charged</b>			
24.	29-Finance	14,04,81,29,000	15,40,80,72,324	1,35,99,43,324
	<b>Total:</b>	<b>14,04,81,29,000</b>	<b>15,40,80,72,324</b>	<b>1,35,99,43,324</b>
	<b>Grand Total:</b>	<b>50,18,14,40,045</b>	<b>58,64,48,94,190</b>	<b>8,46,34,54,145</b>

Reasons for the excesses had not been furnished by the Government as of August 2006.

### 2.3.5 Original Budget and Supplementary Provision

The overall supplementary grants and appropriations obtained during 2005-2006 constituted 18 *per cent* of the original grants and appropriations.

### 2.3.6 Unnecessary/excessive/inadequate Supplementary Provision

Supplementary provision of Rs 1.46 crore in the Capital-Voted Section in two cases and Rs 40 crore in one case in the Revenue-Charged Section was wholly unnecessary as the expenditure in each case was less than the original provision, as indicated in the **Appendix-XI**.

In seven cases, against the additional requirement of Rs 133.19 crore (Revenue: Rs 76.84 crore and Capital: Rs 56.35 crore), supplementary grants of Rs 462.85 crore (Revenue: Rs 307.38 crore and Capital: Rs 155.47 crore) were obtained resulting in an overall saving of Rs 329.66 crore. The relevant details are given in **Appendix-XII**.

Supplementary provision of Rs 206.73 crore (Revenue: Rs 191.93 crore and Capital: Rs 14.80 crore) obtained in seven cases, as detailed in **Appendix-XIII**, proved inadequate by more than Rs three crore in each case leaving an aggregate uncovered excess expenditure of Rs 555.58 crore.

### **2.3.7 Persistent excesses**

Expenditure was persistently in excess in two cases (Grant No. 10-Public Works Buildings and Grant No. 28-Water Supply, Sanitation, Housing and Urban Development) during 2003-2006 which ranged between 56 and 174 *per cent*. Relevant details are indicated in **Appendix-XIV**.

### **2.3.8 Surrender of funds**

Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excesses under some other units. No savings should be held in reserve for possible future excesses.

It was, however, noticed that in five cases against the available savings of Rs 260.35 crore (savings of Rs one crore and above in each case), savings aggregating Rs 244.30 crore were either not fully surrendered or not surrendered at all. In two cases, the amount surrendered exceeded the overall savings by Rs 42.27 crore. Further, in the case of four grants, Rs 9.65 crore were surrendered although expenditure exceeded the grant and no savings were available for surrender. Relevant details are indicated in **Appendix-XV**.

These instances were indicative of ineffective monitoring and control over expenditure.

### **2.3.9 Trend of recoveries**

The demands for grants are for the gross amounts of expenditure to be incurred in a particular year and show recoveries to be taken in reduction of expenditure separately by way of footnotes thereunder. Similarly, the recoveries are also shown separately in the Appropriation Accounts in an appendix thereto.

Scrutiny of the Accounts for 2005-2006 revealed that against the budget estimates of Rs 228.11 crore actual recoveries were Rs 511.12 crore in the revenue section. In the capital section, against the budget estimates of Rs 70.44 crore, actual recoveries and adjustments were Rs 90.01 crore. Thus, recoveries in reduction of expenditure were underestimated by

Rs 283.01 crore in the revenue section and Rs 19.57 crore in the capital section. Details of major variations of 30 *per cent* and more of the original estimates and not less than Rs one crore in each case are given in **Appendix-XVI**.

### **2.3.10 Injudicious reappropriation**

A grant or appropriation is distributed by sub-heads or standard objects (called primary units) under which it is to be accounted for. Reappropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of the financial year. Reappropriation of funds should be made only when it is known or anticipated that the appropriation in respect of the unit from which the funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation of the said unit.

In three cases (sub-heads) involving two grants, the reappropriation of Rs four crore proved to be injudicious, as the original provisions under the sub-heads to which the funds were transferred by reappropriation were adequate and consequently, the amounts reappropriated remained unutilised. On the other hand, in eight cases involving eight grants the heads from which Rs 67.68 crore were transferred did not have any savings available under them for reappropriation, as Rs 22.58 crore had already been spent in excess under these heads.

Relevant details are contained in **Appendix-XVII**.