

## CHAPTER-II

## ALLOCATIVE PRIORITIES AND APPROPRIATION

## APPROPRIATION ACCOUNTS 2003-2004 AT A GLANCE

**Total No. of grants: 31**

*Total provision and actual expenditure*

Table: 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	7648.41		
Supplementary	194.60		
<b>Total gross provision</b>	<b>7843.01</b>	<b>Total gross expenditure</b>	<b>11661.45</b>
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	195.55	<i>Deduct</i> -Actual recoveries in reduction of expenditure	539.66
<b>Total net provision</b>	<b>7647.46</b>	<b>Total net expenditure</b>	<b>11121.79</b>

*Voted and Charged provision and expenditure*

Table: 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	4136.47	1888.87	4555.37	1484.73
Capital	880.26	937.41	889.22	4732.13
<b>Total gross:</b>	<b>5016.73</b>	<b>2826.28</b>	<b>5444.59</b>	<b>6216.86</b>
<i>Deduct</i> -Recoveries in reduction of expenditure	195.55	--	539.66	--
<b>Total net:</b>	<b>4821.18</b>	<b>2826.28</b>	<b>4904.93</b>	<b>6216.86</b>

## 2.1 Introduction

Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by the Government 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 2003-2004 against 31 grants/appropriations was as follows:

**Table: 2.3**

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	4051.76	84.71	4136.47	4555.37	(+) 418.90
	II Capital	792.46	62.52	854.98	865.63	(+) 10.65
	III Loans and Advances	23.33	1.95	25.28	23.59	(-) 1.69
<b>Total Voted</b>		<b>4867.55</b>	<b>149.18</b>	<b>5016.73</b>	<b>5444.59</b>	<b>(+) 427.86</b>
<b>Charged</b>	IV Revenue	1887.80	1.07	1888.87	1484.73	(-) 404.14
	V Capital	3.12	0.94	4.06	3.17	(-) 0.89
	VI Public Debt	889.94	43.41	933.35	4728.96**	(+) 3795.61
<b>Total Charged</b>		<b>2780.86</b>	<b>45.42</b>	<b>2826.28</b>	<b>6216.86</b>	<b>(+) 3390.58</b>
<b>Grand Total</b>		<b>7648.41</b>	<b>194.60</b>	<b>7843.01</b>	<b>11661.45</b>	<b>(+) 3818.44</b>

\*\* Includes Rs 1,280.28 crore and Rs 1,745.91 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs 7,648.41 crore, supplementary grants and appropriations of Rs 194.60 crore were obtained during 2003-2004. There was net excess of Rs 3,818.44 crore which was the result of overall excess of Rs 4,225.16 crore partly offset by saving of Rs 406.72 crore. Supplementary appropriation of Rs 1.07 crore under IV-Revenue (charged) was unnecessary because actual expenditure was less than the original appropriation.

\* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 452.02 crore; Capital expenditure: Rs 87.64 crore.

### 2.3 Fulfilment of Allocative Priorities

#### **Savings/excesses in grants/appropriations**

**2.3.1** Net excess of Rs 3,818.44 crore was the result of savings in 44 cases and excesses in 28 cases as shown below:

**Table: 2.4**

	Savings		Excesses		Net Saving (-)/excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	Voted	241.55 (In 22 grants)	50.30 (In 15 grants)	660.45 (In 9 grants)	59.26 (In 12 grants)	(+) 418.90
Charged Appropriations	404.42 (In 4 appropriations)	0.89 (In 3 appropriations)	0.28 (In 6 appropriations)	3795.61 (In 1 appropriation)	(-) 404.14	(+) 3794.72

(Rupees in crore)

#### **Appropriation by Allocative Priorities**

**2.3.2** Out of overall savings of Rs 697 crore, major savings of Rs 651 crore (93 per cent) occurred in seven grants and one appropriation as mentioned below:

**Table: 2.5**

Sr. No.	Grant No.	Original	Supplementary	Total	Actual expenditure	Saving
<b>(Revenue Voted)</b>						
1.	08-Education	909.12	15.49	924.61	898.54	26.07
2.	09-Health and Family Welfare	367.73	--	367.73	271.93	95.80
3.	15-Planning and Backward Area Sub-Plan	85.38	5.69	91.07	69.25	21.82
4.	16-Forest and Wild Life	150.33	--	150.33	137.40	12.93
5.	29-Finance	605.92	0.40	606.32	549.04	57.28
	<b>Total:</b>	<b>2118.48</b>	<b>21.58</b>	<b>2140.06</b>	<b>1926.16</b>	<b>213.90</b>
<b>(Revenue Charged)</b>						
6.	29-Finance	1875.74	--	1875.74	1472.77	402.97
	<b>Total:</b>	<b>3994.22</b>	<b>21.58</b>	<b>4015.80</b>	<b>3398.93</b>	<b>616.87</b>
<b>(Capital Voted)</b>						
7.	11-Agriculture	38.23	--	38.23	28.38	9.85
8.	17-Roads and Bridges	200.76	--	200.76	176.83	23.93
	<b>Total:</b>	<b>238.99</b>		<b>238.99</b>	<b>205.21</b>	<b>33.78</b>
	<b>Grand Total:</b>	<b>4233.21</b>	<b>21.58</b>	<b>4254.79</b>	<b>3604.14</b>	<b>650.65</b>

Areas in which major savings occurred in six of the above eight grants are given in **Appendix-X**.

Reasons for savings were not intimated by the departments in respect of grant numbers 15 and 17.

In 12 cases savings exceeding Rs one crore in each case and also 5 per cent and more than the total provision amounted to Rs 642.20 crore as indicated in **Appendix-XI**.

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

**2.3.3** 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 8,320.65 crore for the years 2000-2001, 2001-2002 and 2002-2003 as detailed below was yet to be regularised (August 2004) by the State Legislature. The memorandum of excess expenditure for the year 2000-01 is in process of regularisation in the *Vidhan Sabha* Secretariat.

**Table: 2.5**

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/ Appropriation No(s)	Amount of excess
2000-2001	17	1, 4, 5, 8, 9, 10, 12, 13, 14, 15, 17, 20, 23, 24, 28, 29 and 31	2059.54
2001-2002	16	1, 5, 9, 10, 11, 13, 15, 16, 17, 19, 23, 24, 28, 29, 30, 31	2965.36
2002-2003	17	3, 5, 6, 7, 9, 10, 12, 13, 15, 17, 18, 20, 23, 27, 28, 29 and 31	3295.75
	<b>Total:</b>		<b>8320.65</b>

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

**Excess over provision during 2003-2004 requiring regularisation**

**2.3.4** During 2003-2004, there was a total excess of Rs 660.45 crore in nine grants in the revenue section and Rs 0.28 crore in six appropriations while the excesses in the capital section amounted to Rs 59.26 crore in twelve grants and Rs 3,795.61 crore\* in one appropriation. These excesses (details

\* Includes Rs 1,280.28 crore and Rs 1,745.91 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

given below) require regularisation under Article 205 of the Constitution of India.

Table: 2.6

(In Rupees)

Sr. No.	Grant	Total grant/ appropriation	Actual expenditure	Amount of excess
<b>Grants</b>				
<b>Revenue (Voted)</b>				
1.	04-General Administration	48,19,26,000	49,28,93,882	1,09,67,882
2.	10-Public Works	1,29,91,79,000	2,29,86,48,142	99,94,69,142
3.	12-Horticulture	54,59,06,000	64,48,60,138	9,89,54,138
4.	13-Irrigation and Flood Control	63,73,07,000	74,07,43,086	10,34,36,086
5.	17-Roads and Bridges	3,11,12,99,000	3,22,48,06,871	11,35,07,871
6.	23-Water and Power Development	62,23,83,000	1,50,52,82,242	88,28,99,242
7.	26-Tourism and Civil Aviation	3,55,06,000	3,78,95,397	23,89,397
8.	28-Water Supply, Sanitation Housing and Urban Development	2,47,27,04,000	6,77,38,62,793	4,30,11,58,793
9.	31-Tribal Development	1,93,69,73,000	2,02,86,62,776	9,16,89,776
	<b>Total:</b>	<b>11,14,31,83,000</b>	<b>17,74,76,55,327</b>	<b>6,60,44,72,327</b>
<b>Charged</b>				
10.	01-Vidhan Sabha	22,32,000	22,39,974	7,974
11.	02-Governor and Council of Ministers	1,58,09,000	1,61,25,212	3,16,212
12.	04-General Administration	2,12,16,000	2,34,39,640	22,23,640
13.	05-Land Revenue and District Administration	--	78,164	78,164
14.	09 – Health and Family Welfare	3,80,000	4,55,028	75,028
15.	19-Social Security and Welfare (Including Nutrition)	--	1,41,502	1,41,502
	<b>Total:</b>	<b>3,96,37,000</b>	<b>4,24,79,520</b>	<b>28,42,520</b>
<b>Capital (Voted)</b>				
16.	03 – Administration of Justice and Elections	2,70,01,000	2,94,86,897	24,85,897
17.	07 –Police and Allied Organisations	4,31,72,000	9,81,44,995	5,49,72,995
18.	12 – Horticulture	7,74,37,000	8,04,33,922	29,96,922
19.	13 – Irrigation and Flood Control	1,12,31,12,000	1,24,20,28,414	11,89,16,414
20.	15 – Planning and Backward Area Sub-Plan	19,08,01,000	24,91,83,036	5,83,82,036
21.	16 – Forest and Wild Life	1,65,70,000	1,65,70,066	66
22.	23 – Water and Power Development	94,98,01,000	98,98,00,000	3,99,99,000
23.	25 – Road and Water Transport	17,30,91,000	31,30,91,000	14,00,00,000
24.	26 – Tourism and Civil Aviation	1,10,00,000	1,17,26,000	7,26,000
25.	28 – Water Supply, Sanitation, Housing and Urban Development	1,88,44,34,000	1,94,69,51,261	6,25,17,261
26.	30 – Miscellaneous General Services	2,03,70,000	2,16,71,000	13,01,000
27.	31 – Tribal Development	62,78,31,000	73,81,56,702	11,03,25,702
	<b>Total:</b>	<b>5,14,46,20,000</b>	<b>5,73,72,43,293</b>	<b>59,26,23,293</b>
<b>Capital Charged</b>				
22.	29 – Finance	9,33,34,56,532	47,28,95,33,754	37,95,60,77,222
	<b>Total:</b>			<b>45,15,60,15,362</b>

Reasons for the excesses had not been furnished by the Government as of August 2004.

### **Original Budget and Supplementary Provision**

**2.3.5** The overall supplementary grants and appropriations obtained during 2003-2004 constituted 3 *per cent* of the original grants and appropriations.

### **Unnecessary/excessive/inadequate Supplementary Provision**

**2.3.6** Supplementary provision of Rs 29.46 crore in Revenue Section in five cases and Rs one crore in one case in Capital Section was wholly unnecessary as the expenditure in each case was even less than the original provision, the saving being more than Rs one crore in each case, as indicated in the **Appendix-XII**.

In five cases, against additional requirement of Rs 15.45 crore, supplementary grants of Rs 26.61 crore were obtained resulting in overall saving of Rs 11.16 crore. Relevant details are given in **Appendix-XIII**.

Supplementary provision of Rs 125.43 crore (Revenue: Rs 21.77 crore; Capital: Rs 103.66 crore) obtained in 12 cases, as detailed in **Appendix-XIV**, proved inadequate by more than Rs one crore in each case leaving an aggregate uncovered excess expenditure of Rs 4,471.60 crore.

### **Persistent savings/excesses**

**2.3.7** Expenditure was persistently less than the total provisions by 5 *per cent* or more in three cases during 2001-2004 while it exceeded the provision by 5 *per cent* or more persistently in four other cases. Relevant details are indicated in **Appendix-XV**.

### **Surrender of funds**

**2.3.8** 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 eight cases against the available savings of Rs 621.27 crore (savings of Rs one crore and above in each case), savings aggregating Rs 131.63 crore were either not fully surrendered or not surrendered at all. In nine cases, the amount surrendered exceeded the overall savings by Rs 14.11 crore. Further, in the case of two grants Rs 9.28 crore were surrendered although expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are indicated in **Appendix-XVI**.

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

### **Trend of recoveries**

**2.3.9** 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 2003-2004 revealed that against the budget estimates of Rs 119.32 crore in the revenue section, actual recoveries were Rs 452.02 crore. In the capital section, against the budget estimates of Rs 76.23 crore, actual recoveries and adjustments were Rs 87.64 crore. Thus, recoveries in reduction of expenditure were underestimated by Rs 332.70 crore in the revenue section and Rs 11.41 crore in the capital section. Details of major variations of 12 *per cent* and more of the original estimates and not less than Rs one crore in each case are given in **Appendix-XVII**.

### **Injudicious reappropriation**

**2.3.10** 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 23 cases (sub-heads) involving eleven grants/appropriations, the reappropriation of Rs 185.12 crore proved to be injudicious as:

The original provisions under the sub-heads to which the funds were transferred by reappropriation (Rs 125.79 crore) were adequate and consequently, the amounts reappropriated remained unutilised and

The heads from which the funds (Rs 59.33 crore) were transferred did not have any savings available under them for reappropriation.

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

## **Miscellaneous Departments**

### **2.4 Drawal of funds in advance of requirements**

**Of Rs 2.02 crore drawn in advance of actual requirements mainly to avoid lapse of budget grants, Rs 1.98 crore were lying unutilised with executing agencies and in bank accounts, etc.**

Rule 2.10 of the Himachal Pradesh Financial Rules stipulates that money should not be drawn from the treasury unless it is required for immediate disbursement or for the recoupment of funds disbursed out of permanent advance. It is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take considerable time. Any unspent balance is required to be refunded promptly into the treasury. Drawing and Disbursing Officers have not been authorised by any general or special rules/orders to deposit unutilised funds in banks/post offices.

Test-check of accounts of five Drawing and Disbursing Officers of five departments revealed (August 2003-November 2003) that Rs 2.02 crore were drawn during 1996-97 to 2002-2003 by them for construction of Indoor Stadium, Ice Skating Rink, Composite Resource Centre and Fire Stations, Computerisation of Land Records and purchase of equipment out of which Rs 1.98 crore (98 per cent) were lying unutilised either with executing agencies (Rs 1.16 crore: 57 per cent) or with the department in bank accounts (Rs 0.82 crore: 41 per cent) as of May 2004 as per details given below:

**Table: 2.7**

**(Rupees in crore)**

Sr. No.	Department/ Office (Drawing and Disbursing Officer)	Amount drawn	Month/year of drawal	Purpose	Unutilised amount	Reasons furnished by the department
<b>Youth Service and Sports Department</b>						
1.	2.	3.	4.	5.	6.	7.
1.	Director, Youth Services and Sports	0.10	May 2002	Construction of Indoor Stadium	0.10	Director, Youth Services and Sports stated (March 2004) that the work is in progress.
		0.15	June 2002	Construction of Ice Skating Rink	0.15	Director, Youth Services and Sports stated (June 2004) that construction of Ice Skating Rink was in progress.
<b>Social Justice and Empowerment Department</b>						
2.	Director, Social Justice and Empowerment	0.35	March 1999	Construction of Composite Resource Centre (CRC)	0.35	The project has not been approved by the Government (May 2004).
<b>Home Department</b>						
3.	Chief Fire Officer, Shimla	0.35	March 2002- July 2002	Construction of Fire Station Building at Bilaspur	0.35	The Director, Fire Services stated (May 2004) that construction work was in progress.
		0.36	March 2002- July 2002	Construction of Fire Station Building at Hamirpur	0.36	The Director, Fire Services stated (May 2004) that work was in progress.
		0.20	July 2002- March 2003	Construction of Fire Station Building at Shimla	0.20	The Director, Fire Services stated (May 2004) that work is yet to be started by Public Works Department.
<b>Revenue Department</b>						
4.	Deputy Commissioner, Una	0.15	March 1997	Computerisation of land records.	0.11	Deputy Commissioner stated (June 2004) that Computerisation work is in progress.
<b>Health and Family Welfare Department</b>						
5.	Director, Health Services, Himachal Pradesh	0.36	March 2002	Provision for Hospital Waste Management and purchase of equipment	0.36	The Director stated (June 2004) that formalities to start the work were being completed.
<b>Total:</b>		<b>2.02</b>			<b>1.98</b>	

Such unauthorised retention of Government funds with the executing agencies and deposit of scheme funds in banks, etc., apart from being irregular also resulted in non-execution/delay in execution of schemes/works. No guidelines existed for depositing Government funds outside Government account. This also affected adversely the Ways and Means position of the State Government as the funds were kept outside Government account. The matter, therefore,



needs to be investigated for fixing responsibility for violation of Government's orders.

The matter was referred to the Government in April 2004; their reply had not been received (September 2004).

### 2.5 Irregular drawal of advances on Abstract Contingent Bills

To avoid delay in discharge of claims, advances for countersigned contingencies are required to be drawn on Abstract Contingent Bills (AC Bills) by the Drawing and Disbursing Officers (DDOs) subject to presentation of Detailed Contingent Bills (DC Bills) to the Controlling Officers (COs) for countersignature and for onward transmission to the Accountant General. Further, no fresh AC Bills can be drawn by DDOs until the AC Bills drawn during the previous month are adjusted by submitting DC Bills to the COs. A certificate to the effect that all DC Bills have been submitted to the COs in respect of AC Bills drawn more than a month ago is also required to be attached to every (AC) bill.

Test-check of the records of nine DDOs under Agriculture and Health and Family Welfare departments revealed (May 2004) that these DDOs drew Rs 4.21 crore through 904 AC Bills during 2001-04 by debiting the expenditure to the final heads of account to meet the expenditure on various items.

Details of these drawals during the aforesaid period and their adjustment as on 31 May 2004 are given below:

Table: 2.8

(Rupees in crore)

Sr. No.	Name of the department	Number of DDOs	AC Bills drawn		DC Bills submitted		DC Bills awaited	
			Number	Amount	Number	Amount	Number	Amount
1.	Agriculture	6	391	3.77	249	2.10	142	1.67
2.	Health and Family Welfare	3	513	0.44	488	0.42	25	0.02
	<b>Total:</b>	<b>9</b>	<b>904</b>	<b>4.21</b>	<b>737</b>	<b>2.52</b>	<b>167</b>	<b>1.69</b>

Cogent reasons for non-adjustment of 167 outstanding AC Bills\* amounting to Rs 1.69 crore were not furnished by the departments. However, they stated (June 2004) that the advances were being adjusted on receipt of accounts from the concerned functionaries.

\*

(Rupees in crore)

Year	Number of AC Bills outstanding	Amount
2001-02	12	0.06
2002-03	42	0.73
2003-04	113	0.90
<b>Total:</b>	<b>167</b>	<b>1.69</b>

It was also noticed that the AC Bills were being drawn on form HPTR-5 instead of form STR-31. Further, instead of submitting the DC Bills for adjustment of advances to the Accountant General, these were being adjusted through the treasuries. Codal provisions had thus not been complied with.

The matter was referred to the Government in June 2004; their reply had not been received (September 2004).

## **2.6 Reconciliation of departmental figures**

The reconciliation of departmental figures with the figures booked in the office of the Accountant General should be carried out every month by the Head of the Department to ensure that the departmental accounts are sufficiently accurate, to secure the accuracy of the accounts maintained in the Accounts Office from which the final published accounts are compiled and to detect any fraud or defalcation.

Despite reporting the extent of delay in reconciliation to the Government periodically, four Controlling Officers<sup>1</sup> had not reconciled the expenditure of Rs 308.66 crore in respect of two heads of accounts for the whole year 2003-04. Expenditure of Rs 308.66 crore, therefore, remained unreconciled.

The matter was referred to the Government in September 2004; their reply had not been received (September 2004).

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<sup>1</sup> Director Ayurveda (2210: Medical and Public Health Rs 53.34 crore; 4210: Medical and Public Health Rs 3.12 crore).  
Director Medical Education Research and Training (2210: Medical and Public Health Rs 43.33 crore; 4210: Medical and Public Health Rs 34.35 crore).  
Director Health Services (2210: Medical and Public Health Rs 152.53 crore and 4210: Medical and Public Health Rs 11.59 crore).  
Advisor Planning (2210: Medical and Public Health Rs 9.10 crore 4210: Medical and Public Health Rs 1.30 crore).