

Chapter-II

Allocative Priorities and Appropriation

2.1 Introduction

In accordance with the Provisions of Section 81 of the Constitution of Jammu and Kashmir, soon after the Grants under Sections 79 and 80 are approved by the State Legislature, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate sums of money from the Consolidated Fund of the State for specified services. Supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 82 of the Constitution of Jammu and Kashmir.

The Appropriation Act indicates the expenditure which has been voted by the Legislature on various Grants and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year and contain details of amounts on various specified services actually spent by the Government vis-a-vis those authorised by the Appropriation Acts.

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 Original and Supplementary Grants and expenditure thereagainst in respect of 29 Grants and Appropriations is as follows.

Summary of Appropriation Accounts 2005-06

Appropriation Accounts 2005-06

Total number of Grants 29

Total Provision and Actual Expenditure:

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original:	13600.65		25792.02
Supplementary:	1043.96		
Total Gross Provision:	14644.61	Total Gross Expenditure:	25792.02
Deduct-Estimated recoveries in reduction of Expenditure	654.80		622.44
Total Net Provision	13989.81	Total Net Expenditure	25169.58

Provision and Expenditure-Voted and Charged

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	8905.78	1313.18	8908.05	1128.25
Capital	4089.84	335.81	3580.34	12175.38
Total Gross:	12995.62	1648.99	12488.39	13303.63
Deduct- recoveries in reduction of Expenditure	654.80	-	622.44	-
Total: Net	12340.82	1648.99	11865.95	13303.63

The summarised position of the actual expenditure during 2005-06 against 29 grants/appropriations was as follows:

Table 2.1

(Rupees in crore)

	Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure [#]	Saving (-)/ Excess (+)
Voted	Revenue	7920.65	985.13	8905.78	8908.05	(+) 2.27
	Capital	3985.83	57.98	4043.81	3527.19	(-) 516.62
	Loans and Advances	46.03	-	46.03	53.15	(+) 7.12
Total Voted:		11952.51	1043.11	12995.62	12488.39	(-) 507.23
Charged	Revenue	1312.38	0.80	1313.18	1128.25	(-) 184.93
	Capital	-	0.05	0.05	0.04	(-) 0.01
	Public Debt	335.76	-	335.76	12175.34	(+) 11839.58
Total Charged		1648.14	0.85	1648.99	13303.63	(+) 11654.64
Grand Total:		13600.65	1043.96	14644.61	25792.02[◇]	(+) 11147.41

The overall excess of Rs. 11,147.41 crore was due to the net effect of excess of Rs. 12,954.06 crore (Revenue: Rs. 722.23 crore; Capital: Rs. 12,231.83 crore) and saving of Rs. 1,806.65 crore (Revenue: Rs. 904.90 crore; Capital: Rs. 901.75 crore) in respect of fifteen grants and two appropriations, and twenty eight grants and seven appropriations, respectively.

Results of Appropriation Audit

2.3 Excess Expenditure requiring regularisation

In the revenue section, there was an excess expenditure of Rs. 722.23 crore in eight grants and one appropriation, while in the capital section, excess expenditure amounted to Rs. 12,231.83 crore in eight grants and one appropriation as detailed below:

[#] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs. 115.58 crore) and Capital (Rs. 506.87 crore).

[◇] Includes an amount of Rs. 520.36 crore drawn on Abstract Contingent bills and awaiting adjustment

Table 2.2

(Rupees in crore)

S. No	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess	Percentage of excess
I-Revenue (Voted)					
1.	3-Planning and Development Department	16.03	58.88	42.85	267
2.	5-Ladakh Affairs Department	161.21	540.71	379.50	235
3.	8-Finance Department	792.49	1031.84	239.35	30
4.	15-Consumer Affairs and Public Distribution Department	2.59	3.36	0.77	30
5.	18-Social Welfare Department	155.78	166.77	10.99	7
6.	25-Labour, Stationery and Printing Department	23.74	34.95	11.21	47
7.	27-Higher Education Department	157.96	178.90	20.94	13
8.	28-Rural Development Department	82.00	97.94	15.94	19
	Total Revenue (Voted)	1391.80	2113.35	721.55	-
II-Revenue (Charged)					
9.	10-Law Department	7.45	8.13	0.68	9
	Total Revenue (Charged)	7.45	8.13	0.68	-
	Total Revenue Section	1399.25	2121.48	722.23	-
III-Capital (Voted)					
10.	5-Ladakh Affairs Department	108.30	380.00	271.70	251
11.	12-Agriculture Department	58.66	61.92	3.26	6
12.	16-Public Works Department	426.75	457.80	31.05	7
13.	17-Health and Medical Education Department	79.07	87.11	8.04	10
14.	20-Tourism Department	40.25	49.09	8.84	22
15.	21-Forest Department	35.65	42.95	7.30	20
16.	23-Public Health Engineering Department	284.00	344.31	60.31	21
17.	26-Fisheries Department	7.00	8.74	1.74	25
	Total Capital (Voted)	1039.68	1431.92	392.24	-
IV-Capital (Charged)					
18.	8- Finance Department	335.76	12175.35	11839.59	3526
	Total Capital (Charged)	335.76	12175.35	11839.59	-
	Total Capital Section	1375.44	13607.27	12231.83	-
	Grand Total	2774.69	15728.75	12954.06	-

The excess expenditure of Rs. 12,954.06 crore over the provision was mainly due to part clearance of overdraft of Rs. 11,269.95 crore obtained by the State Government from Jammu and Kashmir Bank Limited during the current year.

In case of 2 grants, (*Appendix-2.1*) there was excess expenditure of Rs. 270.40 crore despite obtaining supplementary grants of Rs. 72.10 crore. This was on account of the failure of the Departments in correctly assessing the requirement of additional funds even at the close of the year and also because of inadequacy of the system to monitor the trend of expenditure under various heads of account.

2.4 Non-regularisation of excess over Grants

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by

the State Legislature. However, excess expenditure of Rs. 53,706.66 crore for the years 1980-81 to 2004-05 as per details at *Appendix-2.2* was pending with the Finance Department for regularisation.

Savings under various Grants/Appropriations

2.5 Unnecessary/excessive Supplementary Provisions

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided.

In 12 cases, involving ten Grants and two Appropriations (*Appendix-2.3*), supplementary provision of Rs. 51.96 crore was obtained in anticipation of higher expenditure. However, the final expenditure of Rs. 1,213.24 crore was even less than the Original Grant of Rs. 1,372.07 crore. The savings of Rs. 210.79 crore thus exceeded the entire supplementary provision amounting to Rs. 51.96 crore, indicating unnecessary allotment of additional funds in these cases.

In three other cases relating to three grants, supplementary grants aggregating Rs. 919.14 crore were obtained against the requirement of Rs. 615.34 crore resulting in saving of Rs. 303.80 crore (*Appendix-2.4*).

Apart from these cases, savings in eighteen cases exceeded 10 *per cent* of the budget provision and were more than Rupees one crore in each case as detailed in *Appendix-2.5*. Large-scale savings indicated over-estimation of requirement of funds.

2.6 Flow of Expenditure

Financial Rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is regarded as breach of financial rules. Quarter-wise expenditure (net) during 2005-06 as also expenditure in the month of March 2006 under both Revenue and Capital sections incurred by the State Government is detailed below:

Table 2.3

(Rupees in crore)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	1550.18	11.98
Second quarter	2324.06	17.96
Third quarter	2499.59	19.32
Fourth quarter	6566.65 (3050.90)	50.74 (23.58)
Total	12940.48	

(Figures in brackets represent expenditure in the month of March)

As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Senior Deputy Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2006 constituted 23.58 *per cent* of the total expenditure.

Persistent Excesses/Savings

2.7 Persistent Excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2003-04, 2004-05 and 2005-06 in five Grants as detailed below:

Table 2.4

S. No.	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		2003-04	2004-05	2005-06
I. Revenue-Voted				
1.	3- Planning and Development Department	16.62	43.78	42.85
2.	115-Consumer Affairs and Public Distribution Department	0.35	0.63	0.77
3.	25-Labour, Stationery and Printing Department	6.40	4.27	11.20
II. Capital-Voted				
4.	26-Fisheries Department	1.16	0.84	1.74
III-Capital Charged				
5.	8-Finance Department	9189.65	1585.89	11839.59

2.8 Persistent Savings

Persistent savings of 10 *per cent* and above were noticed during the years 2003-04, 2004-05 and 2005-06 in 10 grants as detailed in *Appendix-2.6*.

Budgetary Control

2.9 Expenditure without Budget Provision

No expenditure is to be incurred, unless it has been provided in the Budget Estimates. However, during the year 2005-06, an expenditure of Rs. 189.78 crore was incurred under 38 Major Heads of account (20 grants) without any provision for such expenditure having been made in the Budget for which reasons were not intimated by the Departments concerned (September 2006). Expenditure in the absence of budget provision reflects financial indiscipline and lax monitoring system of the Departments/Controlling Officers concerned. Details of cases covered under this category are given in *Appendix-2.7*.

2.10 Deficiency in Budget Documents

Plan provisions aggregating Rs. 10,863.42 crore were invariably indicated in lump sum form below each Major Head of Account. This deprived Audit in making Minor and Sub head-wise comparison of savings/excesses.

2.11 Unutilised Provisions and surrender thereof

Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen, given the trend of expenditure. Savings should also not be held in reserve for possible future excesses. It was, however, noticed that in 37 cases, against the available savings of Rs. 1,792.51 crore (involving savings of Rs. one crore and above in each case), savings aggregating Rs. 1,786.79 crore were not surrendered. In two cases, the amount surrendered exceeded the overall

savings (Rs. 12.67 crore) by Rs. 6.73 crore. Further, in three cases, Rs. 66.98 crore were surrendered although expenditure exceeded the grants by Rs. 92.46 crore and no savings were available for surrender. Relevant details are indicated in *Appendix-2.8*. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.12 Recoveries as reduction of Expenditure

The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of expenditure to other Departments concerned. These anticipated recoveries and credits are separately shown in the budget estimates and actuals adjusted in the accounts as reduction of expenditure. Appropriation audit, however, is done by comparing gross expenditure with gross amount of grant.

In the revenue section, against the estimated recoveries of Rs. 115.81 crore, the actual recoveries were Rs. 115.58 crore only. Similarly, in the capital section, against the estimated recoveries of Rs. 539 crore, actual recoveries were Rs. 506.87 crore. The shortfall in capital section occurred mainly under Grant No. 5-Ladakh Affairs Department (Rs. 1.11 crore), 12-Agriculture Department (Rs. 3.64 crore) and 15-Consumer Affairs and Public Distribution Department (Rs. 27.40 crore). Reasons for the shortfall though called for, were awaited. Grant-wise details of deviations from the original estimates are given in the *Appendix-II* to the Appropriation Accounts.

2.13 Non-reconciliation of departmental figures of expenditure

Standing Instructions of the Government require that expenditure booked by the Departmental Controlling Officers should be reconciled periodically with the expenditure figures booked by the Senior Deputy Accountant General (A&E). Such reconciliation enables the Departmental Officers to exercise proper control over the expenditure. As of 31 August 2006, out of 226 controlling officers, only 113 controlling officers had completed the reconciliation in full and 37 controlling officers had conducted reconciliation partly. Expenditure of Rs. 8034.52 crore, which constituted 62.08 *per cent* of the total net revenue and capital expenditure thus remained un-reconciled.