

CHAPTER- II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure 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 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 2004-05 against grants/appropriations was as follows:

(Rupees in crore)

| | Nature of expenditure | Original grants/ appropriation | Supplementary grant/ appropriation | Total | Actual expenditure | Saving(-)/ Excess(+) |
|--------------------|-----------------------|-----------------------------------|---------------------------------------|-----------------|--------------------|-------------------------|
| Voted | I. Revenue | 7058.10 | 1040.20 | 8098.30 | 5819.25 | (-) 2279.05 |
| | II. Capital | 2015.89 | 98.31 | 2114.20 | 1333.43 | (-) 780.77 |
| | III. Loans & Advances | 451.55 | 155.10 | 606.65 | 576.80 | (-)29.85 |
| Total Voted | | 9525.54 | 1293.61 | 10819.15 | 7729.48 | (-) 3089.67 |
| Charged | IV. Revenue | 786.14 | 6.21 | 792.35 | 1156.66 | (+) 364.31 |
| | V. Capital | - | - | - | - | |
| | VI. Public Debt | 664.33 | 4.11 | 668.44 | 801.88 | (+) 133.44 |
| Total Charged | | 1450.47 | 10.32 | 1460.79 | 1958.54 | (+) 497.75 |
| Grand Total | | 10976.01 | 1303.93 | 12279.94 | 9688.02 | (-) 2591.92 |

During the year an amount of Rs 1166.86 crore was drawn on AC bills*, but no detailed contingent bill was submitted to AG (A&E) till September 2005. Hence the entire drawal remained outstanding for adjustment.

* A.C.bill: Abstract Contingency bill.

The overall savings of Rs 2591.92 crore mentioned above were the net result of savings of Rs 3167.99 crore in 48 grants and appropriations offset by excess of Rs 576.07 crore in five cases of grants and appropriations.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities revealed that out of savings of Rs 3167.99 crore, the major savings of Rs 1968.90 crore (62 per cent) occurred in six grants as mentioned below:

(Rupees in crore)

| Number and Name of the Grant | Total Grant | Actual Expenditure | Saving |
|--|--------------------|---------------------------|----------------|
| 15- Pension (Revenue Voted) | 927.79 | 620.08 | 307.71 |
| 22- Home Department (Revenue Voted) | 795.90 | 635.19 | 160.71 |
| 42- Rural Development Department (Revenue Voted) | 1236.63 | 490.30 | 746.33 |
| (Capital Voted) | 775.18 | 541.17 | 234.01 |
| 44- Secondary, Primary and Public Education Department (Revenue Voted) | 1417.72 | 1186.88 | 230.84 |
| 49- Water Resources Department (Revenue Voted) | 22.35 | 15.40 | 6.95 |
| (Capital Voted) | 367.10 | 229.91 | 137.19 |
| 51- Welfare Department (Revenue Voted) | 530.93 | 385.77 | 145.16 |
| Total | 6073.60 | 4104.70 | 1968.90 |

Analysis of savings under Grant No.22-Home Department and Grant No.51-Welfare Department revealed as under:

2.3.2 Lack of Budget Efficiency

Test check of records (September 2005) relating to preparation of budget estimates for 2004-05 in these two departments showed that in place of realistic budgetary demands based on detailed estimates furnished by districts units, ad-hoc estimates were proposed separately for plan and non-plan expenditure as many districts units did not submit the detailed estimates to the Controlling Officer. The Controlling Officers also did not insist on submission of the detailed estimates from units promptly. The department did not have information on the details of expenditure during the previous financial years, which should have been an essential input for preparation of the budget estimates. It was also observed that the funds were released late in respect of various schemes and development works.

The major heads of Accounts and area in which huge savings occurred under the six grants mentioned above are given in *Appendix 2.1*.

- In 45 cases, savings exceeding Rs one crore in each case and also by more than 10 *per cent* of total provision amounted to Rs 3106.87 crore as indicated in **Appendix 2.2**.
- Of the excess of Rs 576.07 crore under five grants and appropriations requiring regularisation by the Legislature, the excess under Appropriation No. 13 amounted to Rs 365.80 crore and under Appropriation No. 14 amounted to Rs 133.44 crore.

2.3.3 Persistent savings

In 33 cases, there were persistent savings in the last three years of more than Rupees two crore in each case and 10 *per cent* or more of the provision. Details are given in **Appendix 2.3**. There were 10 grants where under the revenue heads there were persistent savings of Rs five crore or more in each of the years since the creation of the new State.

Cases of persistent savings exceeding Rs five crore in each case

| Number and name of Grant/ Appropriation | Saving (Amount in crore of rupees and its percentage to provision in bracket) | | | | |
|--|---|-------------|-------------|------------|------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
| REVENUE VOTED | | | | | |
| 1- Agriculture Department | 13.59 (45) | 23.99 (25) | 44.89 (33) | 40.57(28) | 49.26(33) |
| 19-Forest and Environment Department | 60.68 (59) | 98.06 (39) | 132.27 (47) | 96.78(39) | 23.33(12) |
| 20-Health, Medical Education and Family Welfare Department | 51.17 (46) | 123.24 (34) | 133.53 (36) | 128.10(37) | 82.63(18) |
| 22-Home Department | 35.53 (18) | 206.72 (31) | 206.09 (32) | 140.77(22) | 160.71(20) |
| 23-Industries Department | 14.43 (85) | 52.23 (47) | 116.60 (86) | 54.81(47) | 96.47(58) |
| 36-Public Health and Engineering Department | 17.39 (48) | 19.34 (19) | 13.47 (13) | 9.10(9) | 18.23(17) |
| 40-Revenue and Land Reforms Department | 12.27 (34) | 32.32 (26) | 43.29 (32) | 31.52(27) | 27.62(23) |
| 42-Rural Development Department | 181.31 (64) | 149.43 (35) | 655.11 (64) | 643.56(65) | 746.33(60) |
| 44-Secondary, Primary and Public Education Department | 98.75 (28) | 223.64 (20) | 712.92 (44) | 272.90(24) | 230.84(16) |
| 51-Welfare Department | 50.96 (55) | 126.83 (25) | 132.01 (32) | 159.99(36) | 145.16(27) |

Further, under the capital section, there were persistent saving of Rs 10 crore or more in four grants in all the five years since creation of the State.

| CAPITAL VOTED | | | | | |
|--|-------------|-------------|-------------|------------|------------|
| <i>(Rupees in crore)</i> | | | | | |
| Grant – Department | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
| 36- Public Health and Engineering Department | 23.70 (100) | 80.44 (57) | 63.97 (36) | 154.71(70) | 89.84(43) |
| 42- Rural Development Department | 10.41 (12) | 247.81 (48) | 305.24 (56) | 197.12(37) | 234.01(30) |
| 48- Urban Development Department | 15.69 (82) | 59.85 (41) | 116.38 (64) | 56.86(51) | 67.03(51) |
| 49- Water Resources Department | 61.90 (52) | 158.97 (50) | 88.21 (30) | 19.64(7) | 137.19(30) |

2.3.4 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 a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 2178.77 crore for the years up to 2003-04 was yet to be regularised (September 2005).

| Year | No. of grants/ Appropriation | Grants/ Appropriation Nos. | Amount excess for regularisation (in Rupees) | Reasons for excess |
|---------|---------------------------------|----------------------------------|--|-----------------------|
| 2000-01 | Nil | Nil | Nil | Nil |
| 2001-02 | 3 | 3, 25, 32 | 3,60,369 | Not received |
| 2002-03 | 4 | 10,13,14,32 | 12,41,49,15,374 | Not received |
| 2003-04 | 5 | 10,13,14,39,46 | 9,37,24,67,723 | Not received |

Excess expenditure over provisions during 2004-05 requiring regularisation

The excess expenditure of Rs 576.07 crore under five grants and appropriations during the year requires regularisation by the Legislature under Article 205 of the Constitution of India as under:

(Amount in Rupees)

| Sl. No. | No. and name of Grant/appropriation | Total Grant/ appropriation | Actual expenditure | Excess |
|--------------------------|--|-------------------------------|------------------------|-----------------------|
| Revenue (Voted) | | | | |
| 1. | 39-Relief and Rehabilitation Department | 79,54,26,000 | 1,48,88,19,838 | 69,33,93,838 |
| Revenue (Charged) | | | | |
| 2. | 13- Interest Payment | 7,75,52,22,899 | 11,41,32,40,715 | 3,65,80,17,816 |
| Capital (Voted) | | | | |
| 3. | 23- Industries Department | 25,01,00,000 | 32,50,00,000 | 7,49,00,000 |
| 4. | 40- Revenue and Land Reforms Department | 1,000 | 2,072 | 1,072 |
| Capital (Charged) | | | | |
| 5 | 14. Repayment of Loans | 6,68,43,90,760 | 8,01,88,09,619 | 1,33,44,18,859 |
| Total | | 15,48,51,40,659 | 21,24,58,72,244 | 5,76,07,31,585 |

Reasons for the excesses had not been furnished by the Government as of September 2005.

2.3.5 Original budget and supplementary provisions

Supplementary provisions (Rs 1303.93 crore) made during the year constituted 11.88 per cent of the original provision (Rs 10976.01 crore) as against 3.96 per cent in the previous year.

2.3.6 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provisions of Rs 608.51 crore made in 36 cases during the year proved unnecessary in view of the aggregate saving of Rs 2321.98 crore as detailed in **Appendix 2.4**.
- In 10 cases, against additional requirement of only Rs 482.12 crore, supplementary grants and appropriations of Rs 676.53 crore were obtained, resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 194.41 crore. Details of these cases are given in **Appendix.2.5**.
- In three cases, supplementary provision of Rs 18.69 crore proved to be insufficient by more than Rs one crore in each case leaving an uncovered excess expenditure of Rs 568.58 crore. Details are given in **Appendix 2.6**. Further in the case of 23- Industries Department (Capital), though the expenditure exceeded the budget provision by Rs 7.49 crore, no supplementary grant was provided.

2.3.7 Anticipated savings not surrendered

- According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. It was however, noticed that in 35 cases against the available saving of Rs 2846.51 crore (saving of Rs one crore and above in each case), savings aggregating Rs 2056.88 crore were either partially surrendered or not surrendered at all as detailed in **Appendix 2.7**.
- Besides, out of total surrender of Rs 1150.23 crore in 61 cases during 2004-05 an amount of Rs 908.14 crore in 33 cases exceeding Rs one crore in each case were surrendered during March 2005 and in 44 cases Rs 836.53 crore were surrendered on 31.3.2005 indicating inadequate financial control over expenditure. Details are given in **Appendix 2.8 and 2.9**.

2.4 Excess surrender than Savings

- In 11 cases the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 246.24 crore, the amount surrendered was Rs 272.93 crore resulting in excess surrender of Rs 26.69 crore. Details are given in **Appendix-2.10**.
- In three cases Rs 17.06 crore were surrendered in spite of expenditure exceeding the approved provision by Rs 442.63 crore. Details are given in **Appendix 2.11**.

2.5 Excessive/unnecessary re-appropriation/withdrawal of funds

Re-appropriation is transfer of fund within a grant from one unit of appropriation where savings are anticipated to other units where additional funds are needed. Details of cases where injudicious augmentation or withdrawal of provision of funds by surrenders in excess of Rs 20 lakh proved excessive or resulted in saving by over Rs 20 lakh in each cases are mentioned in **Appendix 2.12**.

2.6 Unreconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The number of Controlling Officers who did not reconcile their figures and year-wise amounts involved are as under. Details of unreconciled amount for 2004-05 are given in *Appendix 2.13*.

(Rupees in crore)

| Year | Number of Controlling Officers who did not reconcile their figures | No. of units | Amounts not reconciled |
|--------------|--|--------------|------------------------|
| 2000-2001 | 24 | 1259 | 903.37 |
| 2001-2002 | 27 | 1736 | 3324.83 |
| 2002-2003 | 29 | 2452 | 3939.93 |
| 2003-2004 | 95 | 1120 | 4067.89 |
| 2004-2005 | 95 | 1615 | 5544.76 |
| Total | 270 | 8182 | 17780.78 |

Further, some persistent and major cases of un-reconciled expenditure exceeding Rs 100 crore during 2003-04 and 2004-05 in each department are given below:

| Name of Department | 2003-04 | | 2004-05 | |
|----------------------------------|--------------|----------------------|--------------|----------------------|
| | No. of units | Amount (Rs in crore) | No. of units | Amount (Rs in crore) |
| Finance Deptt. | 74 | 180.85 | 67 | 1765.70 |
| Human Resources Deptt. | 635 | 1919.74 | 850 | 1410.60 |
| Social Security & Welfare Deptt. | 20 | 470.47 | 23 | 499.21 |
| Water Resources Deptt. | 17 | 310.84 | 22 | 486.90 |
| Medical & Public Health Deptt. | 66 | 178.63 | 111 | 427.07 |

2.7 Expenditure on new service and new instrument of service

As per the Budget Manual, expenditure should not be incurred on a 'New Service' without provision of funds therefore. According to the criteria laid down by the Legislature, cases in respect of which the increase over the grant previously voted exceeds two times the previous grants or Rs two lakh whichever is more are to be treated as 'New Service'. In 10 cases expenditure aggregating Rs 134.71 crore exceeded the approved provisions by Rs 10 lakh or more in each case and also by two times the total provision vide *Appendix 2.14*. Similarly, in four cases the expenditure exceeding Rs 25 lakh in each case amounting to Rs 11.15 crore was incurred without budget provision vide *Appendix 2.15*. These cases were to be treated as 'New Service/New Instrument of Service' and had not done so.

2.8 Rush of Expenditure

The position in respect of expenditure during the fourth quarter and also for the month of March 2005 as depicted below shows that under 15 major heads of accounts more than 50 per cent expenditure was incurred during the last

quarter of the financial year and 41 to 86 *per cent* of the total expenditure incurred only during the last month of the financial year.

| Sl No. | Major Head | Total expenditure during the year | Expenditure during last quarter of the year | | Expenditure during March 2005 | |
|--------|---|-----------------------------------|---|---------------------------------|-------------------------------|---------------------------------|
| | | | Amount | Percentage of total expenditure | Amount | Percentage of total expenditure |
| | | (Rupees in crore) | | (Rupees in crore) | | |
| 1. | 2051- Public Service Commission | 5.30 | 4.62 | 87 | 4.37 | 82 |
| 2. | 2056- Jails | 53.60 | 32.18 | 60 | 27.32 | 51 |
| 3. | 2203- Technical Education | 52.69 | 40.24 | 76 | 24.05 | 46 |
| 4. | 2204- Sports & Youth Services | 5.20 | 2.98 | 57 | 2.29 | 44 |
| 5. | 2205- Art & Culture. | 6.24 | 5.52 | 88 | 5.37 | 86 |
| 6. | 2225- Welfare of S.C/S.T. and other Backward Classes | 263.56 | 132.58 | 50 | 107.12 | 41 |
| 7. | 2401- Crop Husbandry | 46.19 | 29.87 | 65 | 21.91 | 47 |
| 8. | 2402- Soil & Water Conservation | 16.10 | 11.46 | 71 | 9.36 | 58 |
| 9. | 3452- Tourism | 19.72 | 18.23 | 92 | 12.10 | 61 |
| 10. | 4210- Capital Outlay on Medical & Public Health | 38.42 | 25.78 | 67 | 23.75 | 62 |
| 11. | 4215- Capital outlay on Water Supply & Sanitation | 118.86 | 100.62 | 85 | 67.59 | 57 |
| 12. | 4216- Capital Outlay on Housing | 6.76 | 4.66 | 69 | 3.91 | 58 |
| 13. | 4217- Capital Outlay on Urban Development | 22.35 | 11.74 | 53 | 11.13 | 50 |
| 14. | 4225- Capital Outlay on Schedule Cast/ Schedule Tribe | 5.45 | 4.30 | 79 | 4.13 | 76 |
| 15. | 5055- Capital Outlay on Road Transport. | 1.19 | 1.01 | 85 | 1.01 | 85 |
| | Total | 661.63 | 425.79 | 64 | 325.41 | 49 |

Uniform flow of expenditure during the year is a primary requirement of budgetary control. The drawal/release of fund at the fag end of the financial year is indicative of deficient financial management.