

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 2005-06 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 | 8378.09 | 965.47 | 9343.56 | 7056.27 | (-) 2287.29 |
| | II. Capital | 2108.73 | 213.37 | 2322.10 | 1839.03 | (-) 483.07 |
| | III. Loans & Advances | 660.40 | 503.98 | 1164.38 | 3746.84 | (+) 2582.46 |
| Total Voted | | 11147.22 | 1682.82 | 12830.04 | 12642.14 | (-) 187.90 |
| Charged | IV. Revenue | 943.44 | 3.93 | 947.37 | 1434.55 | (+) 487.18 |
| | V. Capital | -- | -- | -- | - | - |
| | VI. Public Debt | 332.66 | 5.19 | 337.85 | 281.08 | (-) 56.77 |
| Total Charged | | 1276.10 | 9.12 | 1285.22 | 1715.63 | (+) 430.41 |
| Grand Total | | 12423.32 | 1691.94 | 14115.26 | 14357.77 | (+) 242.51 |

During the year, an amount of Rs 1072.58 crore was drawn on AC bills, but no detailed contingent bill was submitted to O/o the Accountant General (A&E), Jharkhand, Ranchi till October 2006. Hence, the entire drawal remained outstanding for adjustment. Rs 362.76 crore and Rs 1166.86 crore drawn during 2003-04 and 2004-05 remained outstanding for adjustment as of October 2006.

The overall excess of Rs 242.51 crore mentioned above were the net result of excess of Rs 3121.47 crore in three grants and appropriations offset by savings of Rs 2878.96 crore in 50 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 disclosed that out of savings of Rs 2878.96 crore, the major savings of Rs 1836.00 crore (64 per cent) occurred in seven grants as mentioned below:

(Rupees in crore)

| Number and Name of the Grant | | Total Grant | Actual Expenditure | Saving |
|---|------------------|----------------|--------------------|----------------|
| 12-Finance Department | (Revenue Voted) | 189.36 | 19.99 | 169.37 |
| 15- Pension | (Revenue Voted) | 774.64 | 657.16 | 117.48 |
| 20- Health, Medical Education and Family Welfare Department | (Revenue Voted) | 827.47 | 468.40 | 359.07 |
| 22- Home Department | (Revenue Voted) | 1159.53 | 884.40 | 275.13 |
| 42-Rural Development Department | (Revenue Voted) | 1060.24 | 496.04 | 564.20 |
| | (Capital Voted) | 668.03 | 566.16 | 101.87 |
| 44- Secondary, Primary and Mass Education Department | (Revenue Voted) | 1471.74 | 1323.74 | 148.00 |
| 51- Welfare Department | (Revenue Voted) | 587.56 | 486.68 | 100.88 |
| Total | | 6738.57 | 4902.57 | 1836.00 |

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

In 45 cases, savings exceeded Rs one crore in each case and also by more than 10 per cent of total provision amounted to Rs 2742.26 crore as indicated in *Appendix 2.2*.

Of the excess of Rs 3121.47 crore under three grants and appropriations requiring regularization by the Legislature, the excess under Grant No. 10 amounted to Rs 2628.94 crore and under Grant No. 13 amounted to Rs 492.53 crore.

2.3.2 Failure of budgetary system

A test check of grant files, grant registers and supporting documents disclosed that in place of budgetary demands based on detailed estimates furnished by the district units, *ad hoc* estimates were prepared which resulted in excess allotment of fund to number of units without requirement. In 25 cases, Rs 148.02 crore was surrendered by the different departments on the ground of excess provision of fund. Details given at *Appendix 2.3* are illustrative and not exhaustive.

2.3.3 Persistent savings

In 28 cases, there were persistent savings in the last three years of more than Rs two crore in each case and 10 per cent or more of the provision. Details are given in *Appendix 2.4*. There were nine grants where under the revenue

heads there were persistent savings of Rs 10 crore or more in each of the years since 2001-02.

Cases of persistent savings exceeding Rs 10 crore in each case

| Number and name of Grant/ Appropriation | Saving (Amount in crore of rupees and its percentage to provision in bracket) | | | | |
|--|---|------------|------------|------------|------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
| REVENUE VOTED | | | | | |
| 1- Agriculture Department | 23.99 (25) | 44.89 (33) | 40.57(28) | 49.26(33) | 31.55(19) |
| 19-Forest and Environment Department | 98.06 (39) | 132.27(47) | 96.78(39) | 23.33(12) | 33.64(17) |
| 20-Health, Medical Education and Family Welfare Department | 123.24 (34) | 133.53(36) | 128.10(37) | 82.63(18) | 359.07(43) |
| 22-Home Department | 206.72 (31) | 206.09(32) | 140.77(22) | 160.71(20) | 275.13(24) |
| 23-Industry Department | 52.23 (47) | 116.60(86) | 54.81(47) | 96.47(58) | 39.97(26) |
| 40-Revenue and Land Reform Department | 32.32 (26) | 43.29 (32) | 31.52(27) | 27.62(23) | 19.69(16) |
| 42-Rural Development Department | 149.43 (35) | 655.11(64) | 643.56(65) | 746.33(60) | 564.20(53) |
| 44-Secondary, Primary and Mass Education Department | 223.64 (20) | 712.92(44) | 272.90(24) | 230.84(16) | 148.00(10) |
| 51-Welfare Department | 126.83 (25) | 132.01(32) | 159.99(36) | 145.16(27) | 100.87(17) |

Further, under the capital section, there were persistent saving of Rs 10 crore or more since 2001-02.

| Grant – Department | CAPITAL VOTED (Rupees in crore) | | | | |
|--|---------------------------------|------------|------------|------------|------------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
| 36- Drinking Water and Sanitation Department | 80.44 (57) | 63.97 (36) | 154.71(70) | 89.84(43) | 67.63(26) |
| 42- Rural Development Department | 247.81(48) | 305.24(56) | 197.12(37) | 234.01(30) | 101.87(15) |
| 48- Urban Development and Housing Department | 59.85 (41) | 116.38(64) | 56.86(51) | 67.03(51) | 25.00(19) |
| 49- Water Resources Department | 158.97(50) | 88.21 (30) | 19.64(7) | 137.19(30) | 81.62(21) |

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 2754.85 crore for the years up to 2004-05 was yet to be regularised (October 2006).

| 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 |
| 2004-05 | 5 | 13,14,23,39,40 | 5,76,07,31,585 | Not received |
| Total | | | 27,54,84,75,051 | |

Excess over provisions during 2005-06 requiring regularisation

The excess of Rs 3121.47 crore under three 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 (Charged) | | | | |
| 1. | 13- Interest Payment | 9,27,01,96,000 | 14,19,54,50,176 | 4,92,52,54,176 |
| Capital (Voted) | | | | |
| 2. | 10-Energy Department | 10,52,18,11,000 | 36,81,12,46,996 | 26,28,94,35,996 |
| 3. | 29- Mines and Geology Department | 4,00,00,000 | 4,00,49,670 | 49,670 |
| Total | | 19,83,20,07,000 | 51,04,67,46,842 | 31,21,47,39,842 |

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

2.3.5 Original budget and supplementary provisions

Supplementary provisions (Rs 1691.94 crore) made during the year constituted 13.62 per cent of the original provision (Rs 12423.32 crore) as against 11.88 per cent in the previous year.

2.3.6 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 514.52 crore made in 43 cases during the year proved unnecessary in view of the aggregate saving of Rs 1960.38 crore as detailed in **Appendix 2.5**.

In eight cases, against additional requirement of only Rs 427.04 crore, supplementary grants of Rs 625.31 crore were obtained, resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 198.27 crore. Details of these cases are given in **Appendix 2.6**.

In two cases, supplementary provision of Rs. 494.77 crore proved to be insufficient by more than Rs one crore in each case leaving an uncovered excess expenditure of Rs 3121.47 crore. Details are given in **Appendix 2.7**.

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 31 cases against the available saving of Rs 2251.94 crore (saving of Rs one crore and above in each case), savings aggregating Rs 848.64 crore were either partially surrendered or not surrendered at all being un-surrendered saving of Rs 1403.30 crore as detailed in **Appendix 2.8**.

Besides, out of total surrender of Rs 1610.15 crore in 53 cases during 2005-06 an amount of Rs 1526.86 crore in 36 cases exceeding Rs one crore in each case were surrendered during March 2006 and in 45 cases Rs 1533.23 crore were surrendered on 31.3.2006 indicating inadequate financial control over expenditure. Details are given in **Appendix 2.9 and 2.10.**

2.4 Excess surrender than Savings

In 13 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 375.38 crore, the amount surrendered was Rs 478.39 crore resulting in excess surrender of Rs 103.01 crore. Details are given in **Appendix 2.11.**

In two cases, Rs 39.77 crore were surrendered in spite of expenditure exceeding the approved provision by Rs 3121.47 crore. Details are given in **Appendix 2.12.**

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 proved excessive or resulted in savings by over Rs 20 lakh in each case are mentioned in **Appendix 2.13.**

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:

| Year | Number of Controlling Officers who did not reconcile their figures | No. of units | (Rupees in crore) |
|--------------|--|--------------|------------------------|
| | | | Amounts not reconciled |
| 2000-01 | 24 | 1259 | 903.37 |
| 2001-02 | 27 | 1736 | 3324.83 |
| 2002-03 | 29 | 2452 | 3939.93 |
| 2003-04 | 95 | 1120 | 4067.89 |
| 2004-05 | 95 | 1615 | 5544.76 |
| 2005-06 | 96 | 1636 | 5307.52 |
| Total | 366 | 9818 | 23088.30 |

Details of unreconciled amount for 2005-06 are given in **Appendix 2.14.**

2.7 Expenditure on new service and new instrument of service

As per 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 two cases, expenditure aggregating Rs 2825.97 crore exceeded the approved provisions by Rs five lakh or more in each case and also by double of the total provision vide *Appendix 2.15*. These cases were to be treated as 'New Service/New Instrument of Service'.

2.8 Rush of Expenditure

The Position in respect of expenditure during fourth quarter and also for the month of March 2006 as depicted below shows that under 17 major heads of accounts more than 50 *per cent* expenditure was incurred during the last quarter of the financial year and 51 to 100 *per cent* of the total expenditure incurred only during the last month of the financial year.

(Rupees in crore)

| Sl. No. | Major Head | Total expenditure during the year | Expenditure during last quarter of the year | | Expenditure during March 2006 | |
|---------|--|-----------------------------------|---|---------------------------------|-------------------------------|---------------------------------|
| | | | Amount | Percentage of total expenditure | Amount | Percentage of total expenditure |
| 1 | 2047- Other Fiscal Services | 3.06 | 2.36 | 77 | 2.23 | 73 |
| 2 | 2051- Public Service Commission | 3.65 | 2.79 | 76 | 2.21 | 61 |
| 3 | 2053- District Administration | 304.17 | 215.79 | 71 | 154.11 | 51 |
| 4 | 2204- Sports & Youth Services | 7.11 | 4.62 | 65 | 3.60 | 51 |
| 5 | 2401- Crop Husbandry | 84.09 | 64.81 | 77 | 53.38 | 63 |
| 6 | 2515- Other Rural Development Programmes | 248.89 | 165.19 | 66 | 133.28 | 54 |
| 7 | 2852- Industries | 90.64 | 71.67 | 79 | 71.18 | 79 |
| 8 | 3454-Census Surveys and Statistics | 7.66 | 4.70 | 61 | 4.25 | 55 |
| 9 | 4059- Capital Outlay on Public Works | 22.49 | 15.36 | 68 | 12.41 | 55 |
| 10 | 4202- Capital Outlay on Education, Sports, Art & Culture | 171.28 | 164.20 | 96 | 141.88 | 83 |
| 11 | 4210- Capital Outlay on Medical and Public Health | 59.25 | 52.03 | 88 | 43.19 | 73 |
| 12 | 4215- Capital Outlay on Water Supply and Sanitation | 189.50 | 135.55 | 72 | 110.31 | 58 |
| 13 | 4217- Capital Outlay on Urban Development | 34.77 | 24.91 | 72 | 20.26 | 58 |
| 14 | 4401- Capital Outlay on Crop Husbandry | 4.03 | 4.03 | 100 | 4.03 | 100 |
| 15 | 4702- Capital Outlay on Minor Irrigation | 42.16 | 38.00 | 90 | 34.42 | 82 |
| 16 | 4711- Capital Outlay on Flood Control Projects | 2.12 | 1.52 | 72 | 1.48 | 70 |
| 17 | 4853- Capital Outlay Non-ferrous Mining and Metallurgical Industries | 4.00 | 4.00 | 100 | 3.50 | 88 |
| 18 | 5452- Capital Outlay on Tourism | 19.19 | 16.13 | 84 | 14.82 | 77 |
| | Total | 1298.06 | 987.66 | 76 | 810.54 | 62 |

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 indicating a tendency to utilise the budget at the close of the year.