

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 Accounts 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 Accounts 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 2006-07 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	10058.83	785.05	10843.88	7432.63	(-) 3411.25
	II. Capital	2734.38	43.62	2778.00	1528.84	(-) 1249.16
	III. Loans & Advances	1429.46	-	1429.46	410.81	(-) 1018.65
Total Voted		14222.67	828.67	15051.34	9372.28	(-) 5679.06
Charged	IV. Revenue	798.36	3.80	802.16	1631.31	(+) 829.15
	V. Capital	-	-	-	-	-
	VI. Public Debt	373.82	50.00	423.82	836.10	(+) 412.28
Total Charged		1172.18	53.80	1225.98	2467.41	(+)1241.43
Grand Total		15394.85	882.47	16277.32	11839.69	(-) 4437.63

*These are gross figures without taking into account the recoveries adjusted in the accounts as reduction of revenue expenditure (Rs 67.49 crore)

The overall saving of Rs 4437.63 crore mentioned above were the net result of saving of Rs 5683.50 crore in 48 grants and appropriations offset by excess of Rs 1245.87 crore in three cases of grants and appropriations.

As per rule 318 and Form-38 of BTC Volume-I & II as adopted by Jharkhand, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. The total amount of D.C. bills received pertaining to the period 1999-2007 was only Rs 290.69 crore against the amount of A.C. bills of Rs 5411.64 crore leading to an outstanding balance of D.C. bills of Rs 5120.95 crore as on 31.10.2007.

2.3 Fulfillment 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 5683.50 crore, the major savings of Rs 3865.24 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
10-Energy Department	(Revenue Voted)	437.86	246.76	191.10
	(Capital Voted)	1317.33	387.45	929.88
20-Health, Medical Education and Family Welfare Department	(Revenue Voted)	840.15	390.53	449.62
	(Capital Voted)	147.49	53.03	94.46
41-Road Construction Department	(Revenue Voted)	127.81	107.70	20.11
	(Capital Voted)	520.10	129.5	390.60
42-Rural Development Department	(Revenue Voted)	1295.86	531.61	764.25
	(Capital Voted)	603.43	472.99	130.44
44-Secondary, Primary and Mass Education Department	(Revenue Voted)	1852.62	1465.52	387.10
	(Capital Voted)	32.50	0	32.50
48-Urban Development & Housing Department	(Revenue Voted)	334.51	154.82	179.69
	(Capital Voted)	132.20	66.69	65.51
51-Welfare Department	(Revenue Voted)	745.26	538.55	206.71
	(Capital Voted)	63.87	40.60	23.27
Total		8450.99	4585.75	3865.24

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

According to Bihar Financial Rules Vol-I (BFR), as adopted by the Government of Jharkhand, the responsibility for the preparation of estimates of expenditure vests in the Finance Department. Further, the Head of Department and other subordinate authorities are responsible for submission of correct detailed estimates. Review of Appropriation Accounts showed that the failure to comply with the rules and unrealistic budgeting resulted in savings of 25 per cent to 100 per cent (Rs 4411.20 crore) of the total provision under revenue and capital section in 27 out of 52 Departments as detailed in **Appendix 2.2**.

In 55 cases, savings exceeded Rs one crore in each case and also by more than 10 per cent of total provision, amounting to Rs 5644.36 crore as indicated in **Appendix 2.3**.

Of the excess of Rs 1245.87 crore under three grants and appropriations requiring regularization by the Legislature, the excess under Grant No. 13 amounted to Rs 833.58 crore and under Grant No. 14 amounted to Rs 412.28 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. As a result of the same, there was either excess or short allotment of fund to number of units. In 32 cases, different departments surrendered Rs 108.47 crore on the ground of excess provision of fund as detailed in **Appendix 2.4** which is illustrative and

not exhaustive. In 31 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 as detailed in *Appendix 2.5*. There were 12 grants under the revenue heads where there were persistent savings of Rs 10 crore or more in each of the years since 2001-02 as detailed below:

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	2006-07
REVENUE VOTED						
1-Agriculture Department	23.99 (25)	44.89 (33)	40.57 (28)	49.26 (33)	31.55 (19)	47.02 (24)
2- Animal Husbandry Department	17.80 (31)	23.32 (36)	15.17(26)	19.94 (27)	17.54 (22)	67.42 (49)
19-Forest and Environment Department	98.06 (39)	132.27 (47)	96.78 (39)	23.33 (12)	33.64 (17)	34.73 (16)
20-Health, Medical Education and Family Welfare Department	123.24 (34)	133.53 (36)	128.10 (37)	82.63 (18)	359.07 (43)	449.62 (54)
22-Home Department	206.72 (31)	206.09 (32)	140.77 (22)	160.71 (20)	275.13 (24)	248.30 (22)
23-Industry Department	52.23 (47)	116.60 (86)	54.81 (47)	96.47 (58)	39.97 (26)	48.89 (29)
26-Labour Employment & Training Department.	24.56 (37)	24.79 (35)	23.82 (27)	33.04 (26)	17.10 (11)	33.02 (15)
40-Revenue and Land Reform Department	32.32 (26)	43.29 (32)	31.52 (27)	27.62 (23)	19.69 (16)	47.73 (30)
42-Rural Development Department	149.43 (35)	655.11 (64)	643.56 (65)	746.33 (60)	564.20 (53)	764.26 (59)
43-Science and Technology Department	30.67 (47)	32.39 (41)	26.19 (48)	79.77 (60)	32.57 (25)	69.05 (59)
44-Secondary, Primary and Mass Education Department	223.64 (20)	712.92 (44)	272.90 (24)	230.84 (16)	148.00 (10)	387.10 (21)
51-Welfare Department	126.83 (25)	132.01 (32)	159.99 (36)	145.16 (27)	100.87 (17)	206.71 (28)

Further, there were persistent savings of Rs 10 crore or more since 2001-02 against the following capital heads:

Grant - Department	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
36-Drinking Water and Sanitation Department	80.44 (57)	63.97 (36)	154.71 (70)	89.84 (43)	67.63 (26)	159.56 (52)
41-Road Construction Department	79.68 (43)	39.30 (19)	45.38 (22)	17.62 (7)	56.92 (19)	390.95 (75)
42-Rural Development Department	247.81 (48)	305.24 (56)	197.12 (37)	234.01 (30)	101.87 (15)	130.44 (22)
48-Urban Development & Housing Department	59.85 (41)	116.38 (64)	56.86 (51)	67.03 (51)	25.00 (19)	65.51 (50)
49-Water Resources Department	158.97 (50)	88.21 (30)	19.64 (7)	137.19 (30)	81.62 (21)	141.06 (39)
50-Minor Irrigation Department	27.91 (46)	32.16 (61)	15.48 (32)	44.11 (62)	25.84 (38)	88.45 (64)

2.3.3 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 5876.32 crore up to 2005-06 was yet to be regularised (September 2007).

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	360369	Not received
2002-03	4	10,13,14,32	12414915374	Not received
2003-04	5	10,13,14,39,46	9372467723	Not received
2004-05	5	13,14,23,39,40	5760731585	Not received
2005-06	3	10,13,29	31214739842	Not received
Total			58763214893	

Excess over provisions during 2006-07 requiring regularisation

Similarly, excess expenditure amounting to Rs 1245.87 crore for 2006-07 under three grants and appropriations was yet to be regularised (September 2007) as detailed hereunder. Reasons for the excesses were yet to be furnished by the Government as of September 2007.

(Amount in Rupees)

Sl. No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
Revenue (Charged)				
1	13-Interest Payment	779793434000	16133766388	8335832388
2	38-Registration Department	98564500	98646165	81665
Capital (Voted)				
1	14-Repayment of Loan	4238177000	8360951764	4122774764
Total		784130175500	24593364317	12458688817

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 882.47 crore) made during the year constituted 5.73 per cent of the original provision (Rs 15394.85 crore) as against 13.62 per cent in the previous year.

2.3.5 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 429.93 crore made in 41 cases during the year proved to be of no use and the aggregate saving rose to Rs 3273.85 crore as detailed in **Appendix 2.6**.

In seven cases, against additional requirement of only Rs 158.58 crore, supplementary grants of Rs 388.80 crore were obtained, resulting in savings in each case exceeding Rs 10 crore, aggregating Rs 230.22 crore as detailed in **Appendix 2.7**.

In two cases, supplementary provision of Rs 56.24 crore proved to be insufficient by more than Rs one crore in each case leaving an uncovered excess expenditure of Rs 1245.87 crore as detailed in **Appendix 2.8**.

2.3.6 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 39 cases against the available saving of Rs 4969.04 crore (saving of Rs one crore and above in each case), savings aggregating Rs 2851.69 crore were either partially surrendered or not surrendered at all resulting in un-surrendered saving of Rs 2117.35 crore as detailed in **Appendix 2.9**.

Besides, out of total surrender of Rs 3571.58 crore in 55 cases during 2006-07, an amount of Rs 3406.94 crore in 31 cases exceeding Rs one crore in each

case were surrendered during March 2007. Of these, in 45 cases Rs 3330.50 crore was surrendered on 31.3.2007 indicating inadequate financial control over expenditure. Details are given in **Appendix 2.10 and 2.11.**

2.4 Excess surrender than Savings

In six cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 189.91 crore, the amount surrendered was Rs 199.21 crore resulting in excess surrender of Rs 9.30 crore. Details are given in **Appendix 2.12.**

In three cases, Rs 3.72 crore was surrendered in spite of expenditure exceeding the approved provision by Rs 1245.87 crore. Details are given in **Appendix 2.13.**

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 2.14.**

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 numbers of Controlling Officers who did not reconcile their figures and year-wise unreconciled amounts are as under:

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	No. of units	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
2006-07	85	1984	6258.97
Total	451	11802	29347.27

Details of unreconciled amount for 2006-07 are given in **Appendix 2.15.**

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. According to the criteria laid down by the Legislature, cases in respect of which the increase over the grant previously voted exceeds by two times of the previous grants or Rupees two lakh whichever is more are to be treated as 'New Service'. In eight cases, expenditure aggregating Rs 733.02 crore as detailed in **Appendix 2.16** was incurred in violation of the aforesaid provisions.

2.8 Unrealistic Budgeting

The Grant/Appropriation specified in the schedule to an Appropriation Account is a single total sum appropriated for the purposes set out in it. Its distribution among various subheads and items is given in the detailed budget estimates. In the following cases, the sub-head wise distribution of the amount was less than the amounts specified in the schedule appended to the Appropriation Account relating to the original/supplementary grants/appropriations.

Sl. No.	Number and Name of Grant/Appropriations	Excess Distributed over subheads	
		Original	Supplementary
(Rupees in lakh)			
1	39-Disaster Management Department	12971.00	--
2	41-Road Construction Department	40.00	--

2.9 Rush of Expenditure

The expenditure during last quarter and also for the month of March 2007 as depicted below showed that more than 50 per cent expenditure was incurred either during the last quarter or 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 2007	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2015-Election	9.19	6.22	68	5.68	62
2	2030-Stamp and Registration	9.86	6.21	63	5.76	58
3	2047-Other Fiscal Services	3.13	2.11	67	1.76	56
4	2217-Urban Development	43.43	42.24	97	40.84	94
5	2401-Crop Husbandry	76.42	58.32	76	54.46	71
6	2402-Soil and Water Conservation	27.71	23.04	83	19.78	71
7	2515-Other Rural Development Programmes	359.62	269.92	75	197.95	55
8	2801-Power	211.45	200.15	95	200.15	95
9	2852-Industries	75.12	44.26	59	41.89	56
10	3604-Panchayati Raj Institution	2.05	1.05	51	1.05	51
11	4055-Capital Outlay on Police	35.99	29.18	81	24.81	69
12	4202-Capital Outlay on Education, Sports, Art & Culture	196.71	196.71	100	195.24	99
13	4210-Capital Outlay on Medical and Public Health	53.03	43.82	83	33.55	63
14	4217-Capital Outlay on Urban Development	11.07	10.07	91	9.89	89
15	4401-Capital Outlay on Crop Husbandry	3.00	3.00	100	3.00	100
16	4425-Capital Outlay on Co-operation	8.96	8.96	100	8.96	100
17	4701-Capital Outlay on Medium Irrigation	165.49	111.55	67	85.68	52
18	5452-Capital Outlay on Tourism	15.84	11.26	71	9.05	57
Total		1308.07	1068.07		939.50	

Uniform flow of expenditure during the year is a primary requirement of budgetary control which was not maintained. This is indicative of deficient financial management.