

## 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 2007-08 against grants/appropriations was as follows:

*(Rupees in crore)*

	Nature of Expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings (-)/ Excess (+)
<b>Voted</b>	I. Revenue	10495.18	1121.57	11616.75	9068.77	(-) 2547.98
	II. Capital	2976.93	778.81	3755.74	2583.54	(-) 1172.20
	III. Loans & Advances	998.54	-	998.54	597.66	(-) 400.88
<b>Total Voted</b>		<b>14470.65</b>	<b>1900.38</b>	<b>16371.03</b>	<b>12249.97</b>	<b>(-) 4121.06</b>
<b>Charged</b>	IV. Revenue	1827.04	181.12	2008.16	1780.65*	(-) 227.51
	V. Capital	-	211.63	211.63	-	(-) 211.63
	VI. Public Debt	306.10	-	306.10	747.37	(+) 441.27
<b>Total Charged</b>		<b>2133.14</b>	<b>392.75</b>	<b>2525.89</b>	<b>2528.02</b>	<b>(+) 2.13</b>
<b>Grand Total</b>		<b>16603.79</b>	<b>2293.13</b>	<b>18896.92</b>	<b>14777.99</b>	<b>(-) 4118.93</b>

*Note:*

1. The expenditure under revenue (voted and charged) are gross figures without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (Rs 17.43 crore) and revenue charged expenditure (Rs 0.02 crore).

2. The expenditure was overstated to the extent of Rs 1454.38 crore drawn as advanced in abstract contingent bills and shown as expenditure during the year for which the detailed bills were not submitted.

The overall savings of Rs 4118.93 crore mentioned above were the net result of savings of Rs 4453.37 crore in 49 grants and appropriations offset by excess of Rs 334.44 crore in two grants and appropriations.

#### 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 4453.37 crore, the major savings of Rs 3115.15 crore (70 per cent) occurred in 10 grants as mentioned below:

(Rupees in crore)

Number and Name of the Grant	(Voted)	Total Grant	Actual Expenditure	Savings
1- Agriculture Department	Revenue	377.34	211.97	165.37
	Capital	4.10	1.00	3.10
10- Energy Department	Revenue	704.91	128.73	576.18
	Capital	898.33	514.30	384.03
20- Health, Medical Education and Family Welfare Department	Revenue	689.67	387.75	301.92
	Capital	226.42	133.54	92.88
22- Home Department	Revenue	1108.56	992.44	116.12
	Capital	126.55	69.14	57.41
36- Drinking Water and Sanitation Department	Revenue	123.34	115.31	8.03
	Capital	444.01	260.56	183.45
41- Road Construction Department	Revenue	117.61	102.28	15.33
	Capital	542.47	301.23	241.24
42- Rural Development Department	Revenue	1039.01	695.31	343.70
	Capital	711.79	591.40	120.39
44- Secondary, Primary and Mass Education Department	Revenue	2162.51	1977.40	185.11
	Capital	28.20	25.80	2.40
48- Urban Development & Housing Department	Revenue	159.38	156.62	2.76
	Capital	329.70	178.81	150.89
49- Water Resources Department	Revenue	150.16	133.40	16.76
	Capital	749.93	601.85	148.08
<b>Total</b>		<b>10693.99</b>	<b>7578.84</b>	<b>3115.15</b>

The major heads of Accounts and area in which huge savings (Rs 10 crore and above) occurred under the ten 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* and above in each case, total savings (Rs 3329.88 crore) of the total provision under revenue and capital section in 27 out of 52 Grants/Appropriations were as detailed in **Appendix- 2.2**.

In 45 cases, savings exceeded Rs one crore in each case and also by more than 10 *per cent* of total provision amounting to Rs 3949.47 crore were as indicated in **Appendix- 2.3**.

### 2.3.2 Persistent savings

In 24 cases, there were persistent savings in the last three years of more than Rs 2 crore in each case and 10 *per cent* or more of the provision as detailed in **Appendix 2.4**. There were 12 grants under the revenue heads and six grants under capital heads where persistent savings of Rs 10 crore or more occurred in each case during 2002-03 to 2007-08, as detailed in the following table:

**Cases of persistent savings exceeding Rs 10 crore in each case**

Grant No.	Department	Savings (Amount in crore of rupees and its percentage to provision in bracket)					
		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
REVENUE VOTED							
1	Agriculture	44.89 (33)	40.57 (28)	49.26 (33)	31.55 (19)	47.02 (24)	165.37 (44)
2	Animal Husbandry	23.32 (36)	15.17 (26)	19.94 (27)	17.54 (22)	67.42 (49)	70.40 (39)
19	Forest and Environment	132.27 (47)	96.78 (39)	23.33 (12)	33.64 (17)	34.73 (16)	29.60 (14)
20	Health, Medical Education and Family Welfare	133.53 (36)	128.10 (37)	82.63 (18)	359.07 (43)	449.62 (54)	301.92 (44)
22	Home	206.09 (32)	140.77 (22)	160.71 (20)	275.13 (24)	248.30 (22)	116.12 (11)
23	Industry	116.60 (86)	54.81 (47)	96.47 (58)	39.97 (26)	48.89 (29)	62.70 (40)
26	Labour Employment & Training	24.79 (35)	23.82 (27)	33.04 (26)	17.10 (11)	33.02 (15)	46.10 (10)
40	Revenue and Land Reform	43.29 (32)	31.52 (27)	27.62 (23)	19.69 (16)	47.73 (30)	24.74 (15)
42	Rural Development	655.11 (64)	643.56 (65)	746.33 (60)	564.20 (53)	764.26 (59)	343.70 (33)
43	Science and Technology	32.39 (41)	26.19 (48)	79.77 (60)	32.57 (25)	69.05 (59)	50.00 (34)
44	Secondary, Primary and Mass Education.	712.92 (44)	272.90 (24)	230.84 (16)	148.00 (10)	387.10 (21)	185.11 (9)
51	Welfare	132.01 (32)	159.99 (36)	145.16 (27)	100.87 (17)	206.71 (28)	112.62 (15)
CAPITAL VOTED							
36	Drinking Water and Sanitation	63.97 (36)	154.71 (70)	89.84(43)	67.63 (26)	159.56 (52)	183.45 (41)
41	Road Construction	39.30 (19)	45.38 (22)	17.62 (7)	56.92 (19)	390.95 (75)	241.24 (44)
42	Rural Development	305.24 (56)	197.12 (37)	234.01 (30)	101.87 (15)	130.44 (22)	120.39 (17)
48	Urban Development & Housing	116.38 (64)	56.86 (51)	67.03 (51)	25.00 (19)	65.51 (50)	150.89 (46)
49	Water Resources	88.21 (30)	19.64 (7)	137.19 (30)	81.62 (21)	141.06 (39)	148.08 (20)
50	Minor Irrigation	32.16 (61)	15.48 (32)	44.11 (62)	25.84 (38)	88.45 (64)	65.20 (39)

**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, recommendation of PAC of the State is required before such regularization. Excess expenditure amounting to Rs 7122.19 crore up to 2006-07 was not regularized as of September 2008, as detailed in the following table:

Year	No. of grants/ Appropriation	Grants/ Appropriation Nos.	Amount excess for regularisation (in Rupees)	Reasons for excess
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
2006-07	3	13,14,38	12458688817	Not received
<b>Total</b>			<b>71221903710</b>	

### ***Excess over provisions during 2007-08 requiring regularisation***

Excess expenditure amounting to Rs 334.44 crore for 2007-08 occurred under two grants and appropriations as detailed below. Reasons for the excesses were not furnished by the Government (September 2008). The excess amounts should be regularised under Article 205 of the Constitution of India.

(Amount in Rupees)

Sl. No.	No. and name of Grant/appropriation	Total Grant/appropriation	Actual expenditure	Excess
<b>Revenue (Charged)</b>				
1	15-Pension	7135202000	8183207856	1048005856
<b>Capital (Voted)</b>				
1	14-Repayment of Loan	5177296345	7473726345	2296430000
<b>Total</b>		<b>12312498345</b>	<b>15656934201</b>	<b>3344435856</b>

### ***2.3.4 Original budget and supplementary provisions***

Supplementary provisions (Rs 2293.13 crore) made during the year constituted 13.81 *per cent* of the original provisions (Rs 16603.79 crore) as against 5.73 *per cent* in the previous year.

### ***2.3.5 Unnecessary/excessive/inadequate supplementary provisions***

Supplementary provisions of Rs 633.56 crore made in 28 cases during the year proved to be of no use and the aggregate savings rose to Rs 2526.33 crore as detailed in *Appendix 2.5*.

In eight cases, against additional requirement of only Rs 546.16 crore, supplementary grants of Rs 1249.89 crore were obtained, resulting in savings in each case exceeding Rs 10 crore, aggregating Rs 703.73 crore as detailed in *Appendix-2.6*.

In two cases, supplementary provision of Rs 217.63 crore proved to be insufficient by more than Rs one crore in each case leaving an uncovered excess expenditure of Rs 334.44 crore as detailed in *Appendix-2.7*.

### ***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 28 cases against the available savings of Rs 2964.05 crore (savings of Rs one crore and above in each case), savings were partially surrendered (aggregating Rs 1652.69 crore) resulting in un-surrendered savings of Rs 1311.36 crore as detailed in *Appendix-2.8*.

During 2007-08, total surrender was Rs 3352.77 crore in 64 cases; of which in 50 cases savings aggregating to Rs 2868.78 crore were surrendered on 31 March 2008 as shown in *Appendix-2.9*. This indicated inadequate financial control over expenditure.

## **2.4 Excess surrender than savings**

In 10 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 952.13 crore, the amount surrendered was Rs 1125.69 crore resulting in excess

surrender of Rs 173.56 crore. Details are given in **Appendix 2.10**.

In Grant No. 14- Repayment of Loans, Rs 46.77 crore was surrendered in spite of excess expenditure of Rs 229.64 crore against the approved provision of Rs 517.73 crore.

### **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 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 2.11**.

### **2.6 Surrender due to excess provision of funds**

A test check of grant files, grant registers and supporting documents disclosed that preparation of budget was not supported by the budgetary demands/ detailed estimates furnished by the district units. As a result of the same, there was excess allotment of fund to number of units. In 17 cases, different departments surrendered Rs 19.78 crore on the ground of excess provision of fund as detailed in **Appendix 2.12** which is illustrative and not exhaustive.

### **2.7 Defective Budgeting**

Under the system of gross budgeting, the demands of grants placed in the Legislature are for gross amounts required for expenditure. Consequently, the amounts of recoveries which adjusted in the accounts in reduction of expenditure are ignored and are shown as 'recovery below the line' in the budget. According to the budgeting and accounting procedure prescribed in the scheme also, the extent of expenditure to be financed from the fund is to be shown as 'recovery below the line' in the Demand for Grants of the State Government. Contrary to this, the estimated amounts of recovery on the following accounts were taken within the grants.

Sl. No.	Number and Name of Grant/Appropriations	Recoveries taken within grant	
		Original	Supplementary
		(Rupees in lakh)	
1	3-Building Construction Department	20.00	--
2	39-Disaster Management Department	20268.50	--

### **2.8 Rush of Expenditure**

The expenditure during last quarter and also for the month of March 2008 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 2008	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2204-Sports and Youth Services	31.85	26.27	82	21.22	67
2	2205-Art and Culture	5.92	4.39	74	3.39	57
3	2217-Urban Development	25.07	22.43	89	16.18	65
4	2245-Releif on account of Natural Calamities	214.46	144.76	67	140.91	66
5	2402-Soil and Water conservation	21.34	15.36	72	14.15	66
6	2404-Dairy Development	37.36	22.83	61	18.50	50
7	2501-Spl. Programme for Rural Development	37.99	24.11	63	19.74	52
8	2505-Rural Employment	223.18	134.32	60	114.67	51
9	2801-Power	78.62	77.27	98	77.27	98
10	3075-Other Transport Services	158.34	158.34	100	158.34	100
11	3452- Tourism	7.06	4.59	65	3.82	54
12	4055-Capital Outlay on Police	56.94	49.00	86	43.83	77
13	4217-Capital Outlay on Urban Development	107.30	106.78	100	102.32	95
14	5452-Capital Outlay on Tourism	19.54	15.94	82	15.12	77
15	5475-Capital Outlay on Other General and Economic Services	11.97	11.97	100	11.97	100
<b>Total</b>		<b>1036.94</b>	<b>818.36</b>		<b>761.43</b>	

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

## 2.9 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 in the following table:

*(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
2007-08	75	1894	9017.10
<b>Total</b>	<b>526</b>	<b>13696</b>	<b>38364.37</b>

Details of unreconciled amount for 2007-08 are given in **Appendix 2.13**.

## 2.10 Non-submission of DC bills

As per rule 318 and Form-38 of JTC Volume-I & II, 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 DC bills received during the period 1999-2008 was only Rs 1227.59 crore against the amount of AC bills of Rs 7237.46 crore leading to an outstanding balance of DC bills of Rs 6009.87 crore as on 31 March 2008. Year wise details are given in the following table:

*(Rupees in crore)*

Year	Amount of AC bills	Amount of DC bills	DC bills as percentage to AC bills	Outstanding AC bills
1999-00	47.11	Nil	Nil	47.11
2000-01	147.06	0.89	1	146.17
2001-02	503.71	29.01	6	474.70
2002-03	408.58	26.65	7	381.93
2003-04	618.90	52.97	9	565.93
2004-05	1166.86	128.56	11	1038.30
2005-06	1084.47	106.32	10	978.15
2006-07	1465.04	541.84	37	923.20
2007-08	1795.73	341.35	19	1454.38
<b>Total</b>	<b>7237.46</b>	<b>1227.59</b>	<b>17</b>	<b>6009.87</b>