

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate expenditure (capital and revenue) 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 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 29 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Unspent Provision (-/ Expenditure in Excess of Provision (+)
Voted	Revenue	22,016.52	1,488.27	23,504.79	20,771.65	(-) 2,733.14
	Capital	3,969.33	1,240.51	5,209.84	4,732.57	(-) 477.27
	Loans & Advances	665.55	111.94	777.49	611.42*	(-) 166.07
Total Voted		26,651.40	2,840.72	29,492.12	26,115.64	(-) 3,376.48
Charged	Revenue	4,003.54	46.79	4,050.33	3,895.69	(-) 154.64
	Capital	0.15	--	0.15	0.01	(-) 0.14
	Public Debt	3,337.05	500.40	3,837.45	5,492.19	(+) 1,654.74
Total Charged		7,340.74	547.19	7,887.93	9,387.89	(+) 1,499.96
Grand Total		33,992.14	3,387.91	37,380.05	35,503.53**	(-) 1,876.52

* Differs from Statement II of Finance Accounts by Rs. 0.01 crore due to rounding.

** The figures of actual expenditure are gross figures without adjusting recoveries as reduction of expenditure under revenue (Rs.144.49 crore) and capital (Rs.58.89 crore).

The overall unspent provision of Rs.1,876.52 crore mentioned above was the net result of unspent provision of Rs.3,795.54 crore in 29 grants/appropriations partly offset by excess of Rs.1,919.02 crore in five grants/appropriations (details in Appropriation Accounts 2004-05). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (December 2005).

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of unspent provision of Rs.3,795.54 crore, unspent provisions of more than Rs.100 crore occurred in nine grants during 2004-05. Large unspent provisions were in areas like Finance, Education, Urban Development, Public works, etc as detailed in the table below:

(Rupees in crore)

Sl. No	Grant	Total Provision	Expenditure	Unspent Provision
1	1-Agriculture and Horticulture Revenue – Voted	896.15	786.94	109.21
	Capital – Voted	100.30	0.10	100.20
2	3-Finance Revenue – Voted	5,517.31	4,176.39	1,340.92
3	7-Rural Development & Panchayat Raj Revenue - Voted	1,212.96	1,101.39	111.57
4	17-Education Revenue-Voted	4,649.80	4,394.98	254.82
5	19-Urban Development Revenue – Voted	1,073.76	949.09	124.67
	Capital – Voted	377.94	277.91	100.03
6	20-Public Works Revenue – Voted	1,032.02	704.99	327.03
	Capital-Voted	1,155.91	1,046.37	109.54
7	22-Health & Family Welfare Revenue-Voted	1,098.17	991.66	106.51
8	24-Energy Revenue Voted	1,873.29	1,749.95	123.34
9	29-Debt Servicing Revenue-Charged	3,965.50	3,794.05	171.45
Total		22,953.11	19,973.82	2,979.29

Departments did not intimate reasons for unspent provisions. Heads of account under which major part of the provisions remained unspent in these nine grants are detailed in **Appendix 2.1**.

2.3.2 There were unspent provisions (Rs.2.99 crore) due to non-release of funds and non/short release of Letter of Credit in four grants (**Appendix 2.2**).

2.3.3 Persistent unspent provision

In 18 cases involving four grants there were persistent unspent provisions exceeding Rs.0.20 crore and 10 per cent or more of the provision (**Appendix 2.3**).

2.3.4 Surrender of unspent provisions

According to rules framed by the Government, the departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, out of unspent provision of

Rs.3,733.20 crore[‡] in 28 grants/appropriations, Rs.1,228.18 crore (33 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs.2,505.02 crore (67 per cent) remained un-surrendered (**Appendix 2.4**).

2.4 Excesses requiring regularisation

2.4.1 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, the excess expenditure amounting to Rs.5,012.54[♥] crore for the years 1989-90 to 2003-04 was yet to be regularised (December 2005) (**Appendix 2.5**).

2.4.2 The excess of Rs.1, 919.02 crore under five grants/ appropriations during 2004-05 requires regularisation. Details are given below:

(Amount in Rupees)

Sl. No.	Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
1	Revenue -Voted 18- Commerce and Industries	5,98,92,76,000	8,15,71,16,800	2,16,78,40,800
2	Capital -Voted 17-Education	2,90,00,000	3,95,91,308	1,05,91,308
3	Revenue -Charged 8 – Forest, Ecology & Environment	15,10,32,000	61,47,07,420	46,36,75,420
4	20 - Public Works	--	6,35,291	6,35,291
5	Capital -Charged 29 –Debt Servicing	38,37,44,49,000	54,92,19,05,525	16,54,74,56,525
TOTAL		44,54,37,57,000	63,73,39,56,344	19,19,01,99,344

Significant excesses occurred during the year under the following heads of account:

- Grant 18 – ‘3475’-Other General Economic Services - transfer of cess to Infrastructure Initiative Fund (Rs.295.24 crore).
- Grant 17 – ‘4202’-Capital outlay on Education, Sports, Art & Culture- General Education – University and Higher Education – State Plan Schemes – Major works (Rs.1.47 crore).
- Grant 8 – ‘2406’- Forestry and Wild Life – Forestry-Transfer to Reserve Funds and Deposit accounts – Transfer of Forest Development Tax (Rs.1.18 crore) and receipts from compensatory plantations (Rs.45.19 crore) to Karnataka Forest Development Fund.

[‡] Excluding Rs.62.34 crore surrendered in excess

[♥] The amount of excess required to be regularised for 2003-04 as in the Audit Report for the year 2003-04 was Rs.2,817.82 crore. However on account of reconciliation of expenditure under 2235-Social Security and Welfare during 2004-05 the excess requiring regularisation increased by Rs.0.04 crore.

- Grant 29 – ‘6004’- Loans and Advances from the Central Government – Loans for State/Union Territory Plan schemes – Block loans – Normal Assurances (Rs.2,251.51 crore).

The departments did not furnish reasons for the above excesses.

2.4.3 Persistent excesses

There were persistent excesses exceeding Rs.0.30 crore during last three years in 12 cases involving five grants as detailed in **Appendix 2.6**.

2.5 Original and supplementary budget provisions

Supplementary provision (Rs.3,387.91 crore) made during the year constituted 10 *per cent* of the original provision (Rs.33,992.14 crore) as against 28 *per cent* in the previous year.

2.5.1 Unnecessary/insufficient/excessive supplementary provisions

Supplementary provision of Rs.205.38 crore made in 13 grants involving 35 detailed/object heads proved unnecessary in view of aggregate unspent provision of Rs.255.54 crore (**Appendix 2.7**).

In seven grants involving 15 detailed heads, supplementary provision of Rs.35.09 crore obtained proved insufficient leaving uncovered excess expenditure of Rs.56.08 crore (**Appendix 2.8**).

In 13 grants involving 36 detailed heads, as against additional requirement of Rs.765.75 crore, supplementary grant for Rs.899.38 crore was obtained resulting in unspent provision of Rs.133.63 crore (**Appendix 2.9**).

2.5.2 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed.

In 21 cases, re-appropriation of funds was made injudiciously resulting in final excess/unspent provisions of more than Rs.0.25 crore in each case (**Appendix 2.10**). Of these:

- In five cases, additional funds of Rs.4.03 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.5.26 crore.
- In eight cases, the unspent provision were not properly assessed, as there was a final unspent provision of Rs.138.27 crore even after the withdrawal of Rs.47.16 crore through re-appropriation.

- In eight other cases, additional funds of Rs.9.48 crore provided by re-appropriation resulted in final unspent provision of Rs.17.36 crore and the re-appropriation proved excessive/unnecessary.

2.5.3 Unreconciled expenditure

To enable departmental officers to exercise proper control over expenditure, there are standing instructions of Government that expenditure recorded in their books should be reconciled with those recorded in the books of the Accountant General (Accounts and Entitlement).

During 2004-05, out of 159 Chief Controlling Officers, 64 officers had not reconciled expenditure of Rs.12,074.21 crore (41 *per cent* of the expenditure of Rs.29,196.93 crore incurred by them) while two officers had reconciled their expenditure figures for part of the year, leaving an expenditure of Rs.159.77 crore unreconciled. 14 Controlling Officers who disbursed Rs.375.51 crore of loans and advances had not reconciled expenditure figures.

2.5.4 Errors in budgeting

In two grants, supplementary provision aggregating Rs.28 crore was obtained under the grants other than those under which the original provisions were made (**Appendix 2.11**).

These errors in budgeting resulted in supplementary grants remaining unspent, as expenditure was accounted for correctly under the relevant grants.

2.6 Defective reappropriation

During 2004-05, 137 re-appropriation orders involving an amount of Rs.373 crore were issued. Twenty three re-appropriation orders for Rs.124.65 crore were not considered in accounts as these were found either exceeding the power of sanction or involving items of new service or not signed by competent authority or not having prior approval of Finance Department *etc.* Illustrative cases are listed in **Appendix 2.12**.

2.7 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure for the four quarters and also for the month of March 2005 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2005 in 18 cases ranged between 20 and 100 *per cent* of the total expenditure during the year indicating tendency to utilise the budget at the close of the financial year.

2.8 New service/New instrument of service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government has issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. These, *inter alia*, stipulate that the expenditure over the grant/appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of 'New Service'.

In 64 cases involving 11 grants, expenditure totalling Rs.514.79 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

2.9 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.8.55 crore was incurred without provision either in original or in supplementary demand in 41 cases involving seven grants test-checked in audit (**Appendix 2.15**).

