

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 2005-06 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	24,752.44	2,685.74	27,438.18	24,987.23	(-) 2,450.95
	Capital	5,710.54	1,294.39	7,004.93	6,192.64	(-)812.29
	Loans & Advances	343.63	321.70	665.33	391.80	(-)273.53
Total Voted		30,806.61	4,301.83	35,108.44	31,571.67	(-)3,536.77
Charged	Revenue	4,110.35	6.42	4,116.77	3,826.13	(-)290.64
	Capital	0.25	0	0.25	0	(-)0.25
	Public Debt	2,246.17	56.54	2,302.71	810.86	(-)1491.85
Total Charged		6,356.77	62.96	6,419.73	4,636.99	(-)1,782.74
Grand Total		37,163.38	4,364.79	41,528.17	36,208.66	(-)5,319.51

The overall unspent provision of Rs.5,319.51 crore mentioned above was the net result of unspent provision of Rs.6,128.53 crore in 29 grants/appropriations partly offset by excess of Rs.809.02 crore in five grants/appropriations (details vide appropriation accounts 2005-06). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (November, 2006).

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of unspent provision of Rs.6,128.53 crore, unspent provisions of more than Rs.100 crore occurred in eight grants, during 2005-06. Large unspent provisions were in areas like Finance, Agriculture and Horticulture, Debt Servicing, Water Resources, 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	1,063.96	653.87	410.09
2	3-Finance Revenue Voted	5,620.61	4,128.28	1,492.33
3	7- Rural Development & Panchayat Raj Revenue Voted	1,112.59	954.95	157.64
	Capital Voted	786.87	684.34	102.53
4	19-Urban Development Revenue Voted	1,603.69	1,344.94	258.75
	Capital Voted	361.42	243.52	117.90
5	20-Public Works Revenue Voted	1,256.46	981.73	274.73
	Capital Voted	1,327.21	1,218.72	108.49
6	21- Water Resources Capital Voted	3,645.34	3,353.40	291.94
7	22-Health & Family Welfare Revenue Voted	1,295.36	1,094.32	201.04
8	29- Debt Servicing Revenue Charged	4,029.34	3,764.82	264.52
	Capital Charged	2,302.71	810.86	1,491.85
Total		24,405.56	19,233.75	5,171.81

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

2.3.2 There were unspent provisions (Rs. 8.54 crore) due to non-release of funds and non/short release of letter of credit in three grants (**Appendix 2.2**).

2.3.3 Persistent unspent provision

In 33 cases involving seven grants there were persistent unspent provisions exceeding Rs.0.25 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 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 total unspent provision of Rs.6,096.67 crore[♦] in 27 grants/appropriations, Rs.753.63 crore (12 *per cent*) were surrendered on the last day of the financial year. Unspent provision of Rs.5,343.04 crore remained un-surrendered (**Appendix 2.4**).

[♦] Excludes Rs.29.63 crore surrendered in excess in three grants and Rs.2.23 crore surrendered in full in three grants.

2.4 Excess 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.7,210.72* crore for the years 1989-90 to 2004-05 was yet to be regularised (November 2006) (**Appendix 2.5**).

2.4.2 The excess of Rs.809.02 crore under five grants/ appropriations during 2005-06 requires regularisation. Details are given below:

(Amount in Rupees)

Sl. No.	Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
1	3 - Finance Revenue Charged	22,00,000	2,34,10,771	2,12,10,771
2	14- Revenue Revenue Voted Capital Voted	13,67,17,83,000 11,21,00,000	17,46,10,59,416 27,64,20,908	3,78,92,76,416 16,43,20,908
3	18- Commerce and Industries Revenue Voted	7,81,45,35,000	11,62,24,62,970	3,80,79,27,970
4	24- Energy Revenue Voted	21,27,82,51,000	21,57,90,51,055	30,08,00,055
5	25- Kannada and Culture Capital Voted	2,25,00,000	2,92,39,817	67,39,817
	Total	42,90,13,69,000	50,99,16,44,937	8,09,02,75,937

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

- Grant 3 – ‘2071’-Pension and Other Retirement Benefits – Civil – Superannuation and Retirement Allowances – Payment of Pensionary charges to other Governments under the State Re-organisation Act, 1956 (Rs.1.92 crore).
- Grant 14 – ‘2245’ – Relief on account of Natural calamities – Calamity Relief – Transfer to Reserve funds and Deposit Account – Calamity Relief Fund – Centres’ share (Rs.444.85 crore)

‘4059’- Capital Outlay on Public Works – General – Construction (Rs.16.68 crore)

* The amount of excess required to be regularized for 2003-04 mentioned in Audit Report for the year 2004-05 was Rs.2,817.86 crore. However, on account of rectification of misclassification in Grant No.29, the excess requiring regularization decreased by Rs.6.50 crore.

The amount of excess required to be regularized for 2004-05 was Rs.1,919.02 crore. However, due to proforma correction of figures in Grant No.24 under ‘2801- Energy’ on account of book adjustments relating to power subsidy for 2004-05 not shown in annual accounts 2004-05, excess requiring regularization increased by Rs.285.66 crore.

- Grant 18 – ‘3475’ – Other General Economic Services – Transfer to Reserve Funds/Deposit accounts- Transfer of cess to the Infrastructure Initiative Fund (Rs.481.23 crore).
- Grant 24 – ‘2801’ – Power – General – Assistance to Electricity Boards- Karnataka Electricity Board (Rs.65.79 crore)
- Grant 25 – ‘4202’ – Capital outlay on Education, Sports, Art & Culture – Art & Culture – Other Expenditure – Buildings (Rs.0.67 crore).

2.4.3 Persistent excesses

There were persistent excesses exceeding Rs.0.20 crore during last three years in four cases involving two grants (**Appendix 2.6**).

2.5 Original and supplementary budget provisions

Supplementary provision (Rs.4,364.79 crore) made during the year constituted 12 *per cent* of the original provision (Rs.37,163.38 crore) as against 10 *per cent* in the previous year. The overall saving of Rs.5.319.51 crore exceeded the supplementary provision by Rs.954.72 crore (22 *per cent*).

2.5.1 Unnecessary/insufficient/excessive supplementary provisions

Supplementary provision of Rs.328.56 crore made in 18 grants involving 55 detailed/object heads proved unnecessary in view of aggregate unutilised provision of Rs.482.34 crore (**Appendix 2.7**).

In 10 grants involving 16 detailed heads, supplementary provision of Rs.588.05 crore obtained proved insufficient leaving uncovered excess expenditure of Rs.150.18 crore (**Appendix 2.8**).

In 16 grants involving 38 detailed heads, as against additional requirement of Rs.444.35 crore, supplementary grant for Rs.575.78 crore was obtained resulting in unutilised provision of Rs.131.43 crore (**Appendix 2.9**).

2.5.2 Excessive/unnecessary re-appropriation of funds

A grant or appropriation for disbursements is distributed by sub-head or detailed head or object heads under which it is accounted for. The competent executive authorities can approve re-appropriation of funds between the primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

In 68 cases, re-appropriation of funds was made injudiciously resulting in provisions remaining un-utilised/excess over provision of more than Rs.0.25 crore in each case (**Appendix 2.10**). Of these:

- in 13 cases, additional funds of Rs.7.14 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.14.62 crore.
- in 11 cases, the unutilised provisions were not properly assessed as even after the withdrawal of Rs.62.55 crore through re-appropriation, Rs.326.86 crore remained unutilised.
- in 36 cases, additional funds of Rs.57.88 crore provided by re-appropriation resulted in unutilised provision of Rs.45.82 crore and the re-appropriation proved excessive.
- in eight cases, the withdrawal of Rs.19.65 crore through re-appropriation proved injudicious as the final expenditure exceeded the net provision by Rs.18.02 crore.

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 2005-06, out of 224 Chief Controlling Officers, 46 officers had not reconciled expenditure of Rs.14,508.36 crore (41 *per cent* of the expenditure of Rs.35,600.31 crore incurred by them), while one officer had reconciled his expenditure figures for a part of the year.

2.5.4 Errors in budgeting

Errors in budget such as obtaining supplementary provisions under the grants other than to which the original provisions were made, including net amount as gross amount in the 'Appropriation Act', etc involving an amount of Rs.53.85 crore were noticed. Details are in **Appendix 2.11**.

2.6 Defective reappropriation

During 2005-06, 159 re-appropriation orders involving an amount of Rs.420.19 crore were issued. Thirty one re-appropriation orders for Rs.126.74 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. 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 2006 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2006 in 25 cases ranged between 21 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 12 cases involving 04 grants, expenditure totalling Rs.71.26 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 budget 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.11.18 crore was incurred without provision either in original or in supplementary demand in 31 cases involving 12 grants test-checked in audit (**Appendix 2.15**).

2.10 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act, 1957 in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is Rs.80 crore.

During the year 2005-06, 25 sanctions aggregating to Rs.54.56 crore were issued. A review of the operation of the Contingency Fund disclosed the following:

- Three sanctions involving an amount of Rs.2.78 crore accorded between July' 2005 and March' 2006 were not acted upon.
- In 10 cases, the actual amount drawn ranged between 13 and 81 *per cent* of the amount sanctioned.
- An amount of Rs.13.33 crore pertaining to 12 sanctions was drawn from Contingency fund after supplementary estimates for its recoupment to the fund were passed by the Legislature.

