

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 2002-03 against 62 grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-) /Excess (+)
Voted	I. Revenue	18,380.89	1,722.50	20,103.39	15,667.70	(-)4,435.69
	II. Capital	3,348.45	366.84	3,715.29	3,043.23	(-)672.06
	III. Loans & Advances	482.34	298.63	780.97	*627.57	(-)153.40
Total Voted		22,211.68	2,387.97	24,599.65	19,338.50	(-)5,261.15
Charged	IV. Revenue	3,357.75	8.24	3,365.99	3,350.14	(-)15.85
	V. Capital	6.68	1.70	8.38	2.16	(-)6.22
	VI. Public Debt	2,208.93	2,501.81	4,710.74	5,789.24	(+)1,078.50
Total Charged		5,573.36	2,511.75	8,085.11	9,141.54	(+)1,056.43
Grand Total		27,785.04	4,899.72	32,684.76	**28,480.04	(-)4,204.72

** The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under revenue Rs.203.34 crore and capital Rs.109.39 crore and also include a sum of Rs.10.94 crore being the amount of equity converted as loan.

* Differs from the figure shown in Statement-II of Chapter I by Rs.0.01 crore due to rounding.

The total expenditure stands inflated atleast to the extent of Rs.309.93 crore as under.

- A sum of Rs.31.84 crore drawn through NIL payment vouchers in March 2003 transferred to Deposit Accounts without actual expenditure.
- A sum of Rs.216.77 crore being the amount of cess collected for purpose of development of infrastructure within the State was transferred through book adjustment to Public Account under the major head 8229 – Development and Welfare Funds, Infrastructure Initiative Fund. The said amount as well as the infrastructure cess of Rs.121.85 crore, Rs.148.27 crore, Rs. 178.31 crore and Rs.192.80 crore collected during

1998-99, 1999-2000, 2000-01 and 2001-02 respectively were also retained in this account.

- *A sum of Rs.49.23 crore relating to Karnataka Power Transmission Corporation Limited (KPTCL) and Bangalore Mass Rapid Transport Limited (BMRTL) transferred from the Consolidated Fund through book adjustment was retained in the public account of the State without being released to the said concerns.*
- *An amount of Rs.12.09 crore drawn on abstract contingent bills for which detailed contingent bills were not received as of March 2003.*

The overall savings of Rs.4,204.72 crore mentioned above were the net result of savings of Rs.5,295.68 crore in 62 grants and appropriations offset by excess of Rs.1,090.96 crore in eight grants/appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; explanations were not received.

2.3 Analysis of savings

2.3.1 Out of overall savings of Rs.4,204.72 crore (13 per cent of the total provision) saving of Rs.1,294.49 crore (31 per cent) under various grants was mainly due to:

- Provision for vacant posts under salaries (Rs.91.64 crore-14 Grants)
- Economy measures (Rs.23.82 crore-16 Grants)
- Decrease in demand for EBPL food-grains (Rs.18.74 crore-One Grant)
- Short/non-release of funds/letter of credit (Rs.133.45 crore-Four Grants)
- Delays in approval/issue of sanction order/implementation orders etc. (Rs.11.16 crore- Five Grants)
- Non-transfer of amount to Personal Deposit account (Rs.10.78 crore – One Grant)
- Failure to complete technical/tender formalities (Rs.18.09 crore - Four Grants)
- Less receipt of pension cases (Rs.268.68 crore – One Grant)
- Withdrawal/reduction in subsidy payments (Rs.18.80 crore – Three Grants)
- Non/less release of funds by Government of India (Rs.12.63 crore - Four Grants)
- Non-establishment of High Court bench/new offices (Rs.11.22 crore – Three Grants)
- Treatment of Grant-in-aid amount released by Government of India as loan to State Government for Accelerated Power Development Programme (Rs.50.40 crore – One Grant)
- Work of printing of lottery tickets having been taken up by sales agents (Rs.15.00 crore – One Grant)
- Payment of prize money only from August to March (Rs.225.00 crore – One grant)
- Due to payment of 34 per cent commission on sales of lottery tickets (Rs.82.92 crore – One Grant)
- Due to less availment of overdrafts than anticipated from Reserve Bank of India (Rs.302.16 crore –One Grant)

In 60 grants, explanations for savings in 801 cases and excess in 455 cases were not furnished by the Departmental Officers.

Further, scrutiny of surrender orders issued by Finance Department revealed that there were savings due to non-release of funds/non/short release of LOC in respect of six grants amounting to Rs.146.08 crore. Illustrative cases exceeding Rs.one crore in each case is listed in **Appendix 2.1**.

In 30 grants, expenditure fell short by more than Rs.10 crore and also by more than 10 per cent of the total provision in each case as indicated in **Appendix 2.2**. Savings under various sub-heads in these grants amounted to Rs.3,121.59 crore of which Rs. 674.18 crore were anticipated.

2.3.2 Excess requiring regularization

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, the excess expenditure amounting to Rs.1,104.19 crore for the years 1989-90 to 2001-02 had not been regularised so far (November 2003). This was breach of Legislative control over appropriations:

(Rupees in crore)

Year	Number of grants/ Appropriation	Grant/Appropriation numbers	Amount of excess required to be regularised as commented in the Appropriation Accounts/Audit Reports	Real excess	Remarks
1989-90	12/5	7,8,10,24,27,46,47,49,53,20,35,56,23,45, 12, Interest payments	25.89	25.89	
1990-91	13/4	6,7,10,13,20,32,45,46,47,52,27,33,35,47,4	35.73	35.68	Excess reduced on account of reconciliation of expenditure
1991-92	13/3	7,11, 14,22,23,36,45,46,47,51,57,27,24, 41, 43	58.99	58.47	-do-
1992-93	12/3	6,9,27,32,34,41,43,44,45,46,50,52,25,33, 34,48	107.47	107.47	
1993-94	7/3	22,36,46,49,54,13,29,49,24,43, Internal debt, Loans and advances from Central Government and Inter State Settlements	57.47	57.47	
1994-95	4/6	21,35,3,48,15,24,46,47,55	8.35	7.95	Due to erroneous budget provision
1995-96	9/2	2,33,39,43,45,49,1,46,52,21,44	27.79	27.79	
1996-97	9/3	2,16,33,43,49,51,8,24,25,45,1,21,43,44	104.40	104.40	
1997-98	11	12,33,37,39,43,49,51,24,27,32,55	84.01	84.01	
1998-99	12	9,17,33,37,39,40,4,25,46,43,52	35.86	34.74	Excess reduced on account of reconciliation of expenditure
1999-2000	11/2	10, 16, 19, 33, 34, 39, 48, 49, 65, 66, 8, 43.	333.22	333.22	
2000-2001	11	5, 15, 24, 35, 38, 49, 7, 10, 42, 30, 44	114.46	114.46	
2001-2002	10	5, 10, 13, 15, 24, 30, 35, 42, 44, 50	112.64	112.64	
Total			1,106.28	1,104.19	

Excess over provision during 2002-03 requiring regularisation

The excess of Rs.1,090.49 crore under seven grants and appropriations (excluding Rs.47 lakh under Grant No.32 Home (excluding Police Department)) which is not real excess due to shift of expenditure to this grant from grant No. 44 Public Works (excluding Ports and Inland Transport where allocation was provided) during the year requires regularisation under Article 205 of the Constitution. Details are given below:

Sl. No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
<i>Amount in Rupees</i>				
<i>Revenue (Voted)</i>				
1.	53-Sugar	36,79,000	39,81,519	3,02,519
<i>Capital (Voted)</i>				
1.	13-Kannada and Culture	1,50,00,000	1,58,72,792	8,72,792
2.	60-City Municipal Councils, Town Municipal Councils and Town Panchayats	10,91,83,000	16,83,15,000	5,91,32,000
<i>Revenue (Charged)</i>				
1.	15-Pension and Other Retirement Benefits.	1,30,89,000	2,55,34,079	1,24,45,079
2.	30-Forest, Ecology and Environment	12,24,38,000	16,71,13,355	4,46,75,355
3.	44-Public Works (excluding Ports and Inland Transport)	47,30,000	56,79,686	9,49,686
<i>Capital (Charged)</i>				
1.	44-Public Works (excluding Ports and Inland Transport)	41,00,000	56,03,431	15,03,431
2.	55-Internal Debt, Loans and Advances from Central Government and Inter State Settlements.	47,10,74,18,000	57,89,24,43,749	10,78,50,25,749
TOTAL		47,37,96,37,000	58,28,45,43,611	10,90,49,06,611

The main reasons for the excess expenditure were;

- Grant No.15 - Receipt of more pension debit accounted under States Re-organisation Act 1956, in respect of the State of Maharashtra (Rs.1.28 crore).
- Grant No.30 – Transfer of more receipts under compensatory plantations to Karnataka Forest Development Fund (Rs.3.99 crore).
- Grant No.44 - Incurring of more expenditure under Public Works-General –Maintenance and Repairs – Buildings- Special Repairs – Governor (Rs.0.11 lakh) and Capital outlay on Public Works –General-Construction-Governor-Construction (Rs.14 lakh).
- Grant No.55 – More transactions under Ways and Means Advances from RBI (Rs.201.19 crore) and adjustment of high cost borrowings under small savings loans under Debt Swap Scheme during the year (Rs.831.02 crore).
- Grant No.60 - Due to error in obtaining the provision under the relevant grant the excess being technical in nature (Rs.5.91 crore).

The excess under grant nos.15, 30 and 44 had occurred during 2001-02 also for the same reasons, but no action was initiated by the concerned departments for obtaining the supplementary provision to cover the excess.

Government stated (December 2003) that the reasons for excesses were mainly due to delayed inter Government adjustments, unanticipated exigencies under Ways and Means Advances and uncertainty of amount of repayment under Debt Swap Scheme and budgeting error.

2.3.3 Original budget and supplementary provisions

Supplementary provision (Rs.4,899.72 crore) made during this year constituted 18 per cent of the original provision (Rs.27,785.04 crore) as against seven per cent in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provision of Rs.91.65 crore made in 25 grants involving 59 detailed/object heads proved unnecessary in view of aggregate saving of Rs.181.83 crore as detailed in **Appendix 2.3**.

Few cases where supplementary provision obtained proved wholly unnecessary are indicated below:

(Rupees in crore)

Sl. No.	Number and name of the Grant	Detailed/Object Heads where supplementary provision were obtained	Amount	Purpose for which obtained
1.	36 – Housing (Revenue-Voted)	2216-03-800-03-422- Special Component Plan (SCP)	16.67	For release of GOI Grants received under SCP
2.	39 – Minor Irrigation (Excluding ground water) (Capital-voted)	4702-00-101-1-02-139 and 4702-00-101-1-08-139 – Major works	10.07	Supplementary provision obtained for major works
3.	44 – Public Works (Excluding Ports and Inland Transport) (Capital-Voted)	5054- 03-337-02-172- Roads	19.62	For third stage work – Special package programme for Bellary district

In 22 grants involving 52 detailed/object heads, supplementary provision of Rs.152.25 crore obtained proved insufficient leaving an aggregate uncovered excess expenditure of Rs.147.35 crore (**Appendix 2.4**)

In 31 grants involving 59 detailed/object heads, as against additional requirement of Rs.337.76 crore, supplementary grant for Rs.629.30 crore was obtained resulting in saving of Rs.291.54 crore (**Appendix 2.5**).

A few cases where supplementary provision obtained proved excessive are indicated below:

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Detailed/object Heads where Supplementary provision were obtained	Amount	Purpose for which obtained
1.	32 - Home (Excluding Police Intelligence) (Revenue-Voted)	2055-00-115-0-00-125- Modernisation	45.21	Modernisation of Police force
2.	42 - Revenue (Excluding Wakf, Haj and Muzarai) (Revenue-Voted)	2245-80-800-01-104- Contributions	63.78	Release of funds received from GOI
3.	44 - Public Works (Excluding Ports and Inland Transport) (Capital-Voted)	5054-04-800-1-04-172 – Roads	6.20	Development of Roads in Sugar factory areas

2.3.5 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 95 cases, re-appropriation of funds was made injudiciously resulting in final excess/savings in each case by more than Rs.25.00 lakh (listed in **Appendix 2.6**) of which:

In 14 cases, additional funds of Rs.415.43 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.214.04 crore.

In 33 cases, additional funds of Rs.30.53 crore provided by re-appropriation resulted in final savings of Rs.95.69 crore and the re-appropriation proved unnecessary.

In 37 cases, the savings were not properly assessed as there was a final savings of Rs.48.24 crore even after the withdrawal of Rs.25.51 crore through re-appropriation.

In 11 cases, the withdrawal of Rs.60.66 crore through re-appropriation proved injudicious as the final expenditure exceeded the net provision by Rs.55.66 crore.

2.3.6 Anticipated savings not surrendered

According to rules framed by Government, the spending departments are required to surrender the grants/Appropriation or portion thereof to the Finance Department as and when the savings are anticipated. However, out of total saving of Rs.5,271.28 crore in 86 cases involving 57 grants/appropriation, Rs.892.86 crore (16.94 *per cent*) only was surrendered on the last day of the financial year leaving a balance of Rs.4,378.42 crore unsurrendered (**Appendix 2.7**).

In the following cases against a total saving of Rs.13.89 crore, the amount actually surrendered was Rs.15.95 crore resulting in excess surrender of Rs.2.06 crore (14.83 *per cent*) indicating injudicious surrender of savings.

(Rupees in crore)			
Grant No.	Total savings	Amount surrendered	Excess surrender
22 – Governor, Ministers and Public Service Commission (Revenue-Voted)	1.35	1.43	0.08
25 – Power Projects (Revenue-Charged)	1.02	1.04	0.02
30 – Forest, Ecology and Environment (Capital-Voted)	6.86	8.70	1.84
34 – Tourism and Haj (Revenue-Voted)	4.66	4.78	0.12
	13.89	15.95	2.06

2.3.7 Un-reconciled 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 by them with those recorded in the books of the Accountant General (Accounts and Entitlement).

During 2002-03, out of 420 Controlling Officers, 117 had not reconciled expenditure of Rs.174.23 crore (0.80 *per cent* of the total expenditure of Rs.21,750.50 crore) and 131 Controlling Officers had reconciled their expenditure figures for part of the year, leaving an expenditure of Rs.1,369.42 crore un-reconciled. Similarly, 19 Controlling Officers who had disbursed Rs.627.45 crore of loans and advances had not reconciled their expenditure figures.

Failure to reconcile the expenditure figures by the departments would result in cases of frauds and defalcations, if any, remaining undetected.

2.3.8 Errors in Budgeting

In two grants Rs.6.50 crore were inadvertently obtained under the grants other than to which they were related as detailed below:

Sl.No.	Number and Name of the Grant under which provision was made	Amount (Rupees in Crore)	No. and Name of the Grant under which provision was to be made
1	37 – Urban Development Authorities (Excluding Bangalore Development Projects) City Corporations (excluding Bangalore City Corporation), Town Planning Department	6.00	60 – City Municipal Councils, Town Municipal Councils and Town Panchayats
2	49 – Women and Child Welfare	0.50	44- Public Works (Excluding Ports and Inland Transport)

Such errors in budgeting resulted in saving or excess under the grants concerned as expenditure was accounted for correctly under the relevant grants.

2.4 Defective Re-appropriation

During 2002-03, 325 re-appropriation orders involving an amount of Rs.735.02 crore were issued. Of these, 125 orders aggregating Rs 698.36 crore were issued on 31 March 2003, the last day of the fiscal year. 119 re-appropriation orders of the value of Rs 121.79 crore were not considered in accounts as those either exceeded the power of sanction, involved item of new service, not signed by competent authority, or not having prior approval of Finance Department. Illustrative cases are listed in *Appendix 2.8*.

2.5 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 (Revenue) for the four quarters and also for the month of March 2003 is depicted in **Appendix 2.9** which shows that the expenditure incurred in March 2003 in 17 cases ranged between 26 and 89 *per cent* of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.6 Budgetary Control

A review of budgetary procedures and control over expenditure was conducted in respect of the following grants.

Grant No	Name of the Grant
15	Pension and other Retirement Benefits
29	Food and Civil Supplies
46	Rural Development & Panchayat Raj

The review revealed the following:

2.6.1 Grant No. 15 - Pensions and Other Retirement Benefits (All Departments)

Pensions and other retirement benefits form a major chunk of expenditure for the Government of Karnataka. The Budget Provision, actual disbursement and unspent provision under the Voted and Charged portion of the Grant during the last three years (2000-03) were as shown below:

(Rupees in lakh)				
Year	Total Provision	Actual disbursement	Unspent provision	Excess over Budget Provision
2000-01	Voted – 1,56,980.00	1,58,223.00	--	1,243(0.79)
	Charged- 133.00	3.34	129.66(97)	--
2001-02	Voted – 1,80,950.46	1,63,673.75	17,276.71(9.55)	--
	Charged –121.95	324.07	--	202.12(166)
2002-03	Voted – 1,93,843.07	1,77,005.19	16,837.88(8.69)	--
	Charged – 130.89	255.34	--	124.45(95)

Note: Figures in brackets indicate percentage.

The unspent provision under Voted heads ranged between 8.69 *per cent* and 9.55 *per cent*, during 2002-03 and 2001-02 respectively while in 2000-01, there was an excess of 0.79 *per cent*. Under Charged heads there was an unspent provision of 97 *per cent* in 2000-01 and for the other years there was an excess over Budget Provision ranging from 95 *per cent* to 166 *per cent*. No portion of the savings was anticipated and surrendered.

A scrutiny of the Appropriation Accounts for the years 2000-03 revealed that the Department ended with large unspent provisions and large excesses indicative of unrealistic budgeting and slackness. The unspent provisions ranged between four and 100 *per cent* during the last three years. The Sub-heads where large unspent provisions were noticed are listed in **Appendix 2.10**. The Sub-heads under which large excesses occurred are listed in **Appendix 2.11**.

There were persistent unspent provisions under three Sub-heads as detailed in **Appendix 2.12**.

There were persistent excesses under two Sub-heads as detailed below:

(Rupees in lakh)			
Sub-Head	2000-01	2001-02	2002-03
2071-01-115-1 General Services	111.53	218.40	873.19
2071-01-115-2 Social Services	873.79	88.83	371.72

2.6.2 Grant No.29 - Food and Civil Supplies

The supply and distribution of food grains and enforcement of related activities are the main core areas of the Department of Food and Civil Supplies and Consumer Affairs and the main source of revenue of the Department of Food and Civil Supplies and Consumer Affairs is the budget allocation made by the Government.

The budget provision, actual disbursement and unspent provision under Voted portion of the grant during the last three years are shown below:

(Rupees in lakh)			
Year	Total Provision	Actual disbursement	Unspent provision
2000-01	32,132.41	31,565.33	567.08 (2)
2001-02	31,749.68	22,765.52	8,984.16 (28)
2002-03	32,624.28	20,338.45	12,285.83 (38)

Note: Figures in brackets indicate percentage

The unspent provision under revenue heads during the last three years ranged between two and 38 percent.

As per para 264 of the Karnataka Budget Manual the unspent provision in a grant or appropriation are to be surrendered to the Government as soon as they are foreseen without waiting for the end of the financial year. However, contrary to this, the department surrendered unspent provisions on the last working day of the respective financial year as shown in **Appendix 2.13**.

A scrutiny of the Appropriation Accounts for the years 2000-03 revealed that the department ended with large unspent provisions indicative of unrealistic budgeting and slackness in implementing the schemes/activities of the department. Schemes/Sub-heads under which large unspent provisions occurred during the last three years are listed in **Appendix 2.10** and the unspent provisions ranged between 1.5 and 100 *per cent*. In addition, there were persistent unspent provision during 2000-03 under three sub-heads as shown in **Appendix 2.12**.

2.6.3 Grant No.46 – Department of Rural Development and Panchayat Raj

The Department of Rural Development and Panchayat Raj implements schemes for generation of self employment, provision of housing and minor irrigation assets to the rural poor as also social assistance schemes. The department also provides support services and other quality inputs such as assistance for strengthening of DRDA Administration, Panchayat Raj institutions, training and research, human resources development, development of voluntary action etc., for the proper implementation of the programme.

The main source of revenue of the Department of Rural Development and Panchayat Raj is the budget allotment made by the Government of Karnataka.

The budget provision, actual disbursements and unspent provisions under Voted portion of the grant under capital heads during the last three years are shown below:

(Rupees in lakh)

Year	Total Provision	Actual Disbursement	Unspent Provision
2000-01	11,839.00	11,598.52	240.48 (2)
2001-02	11,160.00	5,270.74	5,889.26 (53)
2002-03	7,570.50	3,760.78	3,809.72 (50)

Note: Figures in brackets indicate percentage

The unspent provision under capital heads during the last three years ranged between two and 53 *per cent*.

As per para 264 of the Budget Manual, the unspent provision in a grant or appropriation should be surrendered to Government as soon as they are foreseen without waiting for the end of the year. However, contrary to this, surrenders were made on the last working day of the financial year as indicated in *Appendix 2.13*.

It is also seen that there was a rush of expenditure as detailed below:

(Rupees in lakh)

Head of Account	Year	Total Expenditure	Expenditure in March	Percentage of Expenditure in March
4215-01-102-1-80	2000-01	1,852.63	850.00	46
424-Rural Water Supply schemes-Danida Assisted	2001-02	906.53	436.53	48
	2002-03	200.00	124.95	62
4515-00-103-1-01 Rural Development-1-Payments under Karnataka Land Reforms Act 1961 Payments in cash to landlords for lands vested in Govt-100-Financial assistance/relief-110-Compensation.	2000-01	96.17	96.17	100
4515-00-103-1-04 Payments to landlord through small savings certificates-100-financial assistance/relief-110-compensation.	2000-01	60.71	60.71	100
4215-01-102-1-84 Integrated Rural Water supply and Environmental Sanitation Project-Jalanirmala-426-Rural Sanitation	2002-03	1,637.00	898.00	55

A scrutiny of the appropriation accounts for the years 2000-03 revealed that the department ended with large unspent provisions indicating unrealistic budgeting assumptions and slackness in implementing the schemes/activities of the department. Schemes/heads under which large unspent provision occurred are shown in *Appendix 2.10* and that the percentage of unspent provision ranged between 26 to 100 *per cent* during the last three years. There were persistent unspent provisions during 2000-03 under one detailed head given in *Appendix 2.12*.

During 2001-02, under the Head of Account 4215-01-102-1-82 Rural Water supply scheme- Netherlands, there was a provision of Rupees one crore. Supplementary provision of Rs.7.33 crore was made making the total provision to Rs.8.33 crore. Final expenditure was only Rs.6.17 crore leaving a balance of Rs.2.16 crore. Thus the supplementary provision of Rs.7.33 crore was excessive by Rs.2.16 crore. These observations were pointed out to the department in August 2003 and no reply was received (November 2003).

2.7 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 have 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 36 cases involving 13 grants, expenditure totaling Rs.138.21 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

2.8 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.27.06 crore was incurred without provision either in original or in supplementary demand in 161 cases involving 25 grants test-checked in audit.

A few significant cases where expenditure was incurred without budget provision are indicated below:

Sl. No.	Grant No. & Name	Head of Account	Amount (Rs. in crore)
1.	7 Small Scale Industries	2851 Village and Small Industries 102 Small Scale Industries 80 Grant for establishment of Laser Technology at Mysore (Government Tool room Training Centre-French aided) 101 Grants-in-aid	0.38
2.	7 Small Scale Industries	6851 Loans for Village and Small Industries 102 Small Scale Industries 1 Loans to Karnataka State Small Scale Industries Development Corporation Limited 80 Loans to Government Tool room Training Centre	0.89
3.	8 Sericulture and Textiles	2852 Industries 08 Consumer Industries 202 Textiles 3 Government Silk Filature, Chamarajanagar 02 Raw materials	0.88
4.	8 Sericulture and Textiles	2852 Industries 08 Consumer Industries 202 Textiles 4 Government Silk Filature, Mamballi 02 Raw materials	1.02

It was observed that expenditure in respect of items 1 and 2 above, represented grant/loan portion of the additional central assistance for externally aided projects which had been debited in 'civil deposits for purchases abroad' in the accounts of Controller of Aid Accounts, Department of Economic Affairs. Similar excess was noticed under the grant portion during earlier years also. However, Government failed to take notice of the observations and to make provision to carry out adjustment in the book of accounts.

2.9 Advances from Contingency Fund

The Contingency Fund of the State of Karnataka was established under the Karnataka Contingency Fund Act, 1957, in terms of provisions of Articles 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, the postponement of which, till its authorisation by the Legislature would be undesirable. The Fund is in the nature of an imprest and its corpus is Rs.80 crore at present.

The Budget Manual lays down that proposals for sanctioning advances from the Contingency Fund may be made by the Administrative Departments of the State Government when they are in a position to justify the circumstances under which (a) provisions could not be made in the annual or supplementary budget (b) the expenditure could not be foreseen and (c) the expenditure could not be postponed till the necessary approval of the Legislature is obtained. The Controlling Officers are required to reconcile the expenditure booked by the Accountant General (Accounts & Entitlement) in the accounts. During the year 2002-03, 27 sanctions were issued for withdrawal of total amount of Rs.79.87 crore.

A review of the operation of Contingency Fund disclosed that sanctions for advances were issued though the money was not needed and in respect of eight sanctions amounting to Rs.10.03 crore, amount to the extent of Rupees four crore only were drawn leaving an amount of Rs.6.03 crore un-drawn.

Few cases where the advances sanctioned from Contingency Fund were not at all utilised in full are indicated below:

Cases of non-drawal of advances from Contingency Fund

Sl.No.	Amount of sanction (Rupees in crore)	Purpose
1.	0.23	Construction of additional cattle pass at Giriyal Road of Hubli-Dharwad Bypass Road
2.	2.99	Establishment of software technology park in Hubli
3.	0.35	Safety measures of retired employees of Public Sector Undertakings
4.	0.28	Budget Provision for Swayamsiddha Yojane Scheme

Cases of partial drawal of advances from Contingency Fund

(Rupees in crore)

Sl.No.	Amount sanctioned	Amount drawn	Amount not drawn
1.	0.20	0.27	0.18
2.	0.25		
3.	5.00	3.08	1.92
4.	0.73	0.65	0.08
Total	6.18	4.00	2.18

The practice of sanctioning advances from Contingency Fund as above continued inspite of instructions issued by the Finance Department to avoid indiscriminate resort to advances from Contingency Fund.

