

## 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 the 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 2005-06 against grants/appropriations was as follows:

*(Rupees in crore)*

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
<b>Voted</b>					
I Revenue	16882.56	1390.73	18273.29	14908.37	(-) 3364.92
II Capital	600.40	515.35	1115.75	816.04	(-) 299.71
III Loans and Advances	583.82	64.21	648.03	287.12	(-) 360.91
<b>Total Voted</b>	<b>18066.78</b>	<b>1970.29</b>	<b>20037.07</b>	<b>16011.53</b>	<b>(-) 4025.54</b>
<b>Charged</b>					
IV Revenue	4080.29	232.46	4312.75	4017.33	(-) 295.42
V Capital	2.54	23.38	25.92	21.70	(-) 4.22
VI Public Debt	5859.45	2247.78	8107.23	7968.70	(-) 138.53
<b>Total Charged</b>	<b>9942.28</b>	<b>2503.62</b>	<b>12445.90</b>	<b>12007.73*</b>	<b>(-) 438.17</b>
<b>Grand Total</b>	<b>28009.06</b>	<b>4473.91</b>	<b>32482.97</b>	<b>28019.26**</b>	<b>(-) 4463.71</b>

\* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 502.01 crore and Capital: Rs 20.80 crore, Total: Rs 522.81 crore).

\*\* The total expenditure was inflated at least to the extent of Rs 8.35 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received and was understated to the extent of Rs 2.15 crore on account of advances drawn from Contingency Fund remaining unrecouped at the end of the year.

The overall saving of Rs 4463.71 crore was the result of saving of Rs 4484.98 crore in 43 grants and 18 appropriations (89 cases) offset by excess of Rs 21.27 crore in one grant. Reasons for excess/saving in respect of 83 per cent of sub heads required to be mentioned in the Appropriation Accounts had not been furnished by the Controlling Officers as of August 2006.

## 2.3 Fulfilment of Allocative Priorities

### 2.3.1 Appropriation by Allocative Priorities

Out of the saving of Rs 4484.98 crore, the major saving of Rs 3950.95 crore (88 per cent) occurred in 19 cases as indicated below:

(Rupees in crore)				
Sl. No	Number and name of Grant/Appropriation	Total Grant/Appropriation	Actual expenditure	Amount of saving
<b>Revenue-Voted</b>				
1	II Heads of States, Ministers and Headquarters Staff	214.91	157.09	57.82
2	VI Land Revenue	179.09	140.86	38.23
3	XII Police	709.82	595.07	114.75
4	XV Public Works	1346.04	984.97	361.07
5	XVI Pensions and Miscellaneous	3530.62	3185.20	345.42
6	XVII Education, Sports, Art and Culture	4003.60	3528.58	475.02
7	XVIII Medical and Public Health	1092.11	845.16	246.95
8	XXII Urban Development	508.25	299.43	208.82
9	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	807.97	682.03	125.94
10	XXVI Relief on account of Natural Calamities	426.94	232.77	194.17
11	XXIX Agriculture	642.15	484.09	158.06
12	XXXV Panchayat	1802.22	1186.83	615.39
13	XXXVI Community Development	220.74	181.70	39.04
14	XXXVII Industries	189.51	159.56	29.95
<b>Revenue-Charged</b>				
15	Debt Charges	4245.01	3954.75	290.26
<b>Capital-Voted</b>				
16	XX Water Supply and Sanitation	447.00	96.04	350.96
17	XXVIII Miscellaneous Economic Services	116.42	0.18	116.24
18	XXXVII Industries	134.09	89.76	44.33
<b>Capital Charged</b>				
19	Public Debt Repayment	8107.23	7968.70	138.53
<b>Total</b>		<b>28723.72</b>	<b>24772.77</b>	<b>3950.95</b>

The major heads of account under which huge saving occurred in the above 19 cases are given in **Appendix XII**.

The Departments did not furnish reasons for major saving under the Grants XVI, XVII, XVIII, XXV, XXVIII, XXIX and XXXV. Reasons for major cases of saving under other Grants are given below.

Saving under 'Public Works' was mainly due to non awarding of phase II Upgradation packages and non payment of various work bills under Inland Water Transport Contract.

Saving under 'Urban Development' was mainly due to post budget reclassification of expenditure under appropriate heads of account and enforcement of economy measures.

Saving under 'Water Supply and Sanitation' was attributed to non-release of funds due to slow progress of works under Japan Bank for International Co-operation assisted Water Supply Schemes.

Saving under ‘Relief on Account of Natural Calamities’ was mainly due to post-budget decision to meet certain items of expenditure from the Tsunami Emergency Assistance Project implemented with Asian Development Bank assistance and less requirement of funds for relief measures.

Saving under ‘Debt Charges’ was mainly due to reduction in interest payment and consolidation and rescheduling of outstanding Central loans in terms of the Twelfth Finance Commission.

Saving under ‘Public Debt Repayment’ was mainly due to availing of less ways and means advances and overdraft on account of improved liquidity position.

In 28 cases saving exceeding Rs 5 crore or more in each case and also by more than 10 *per cent* of the total provision, amounted to Rs 3310.40 crore (**Appendix XIII**).

### **2.3.2 Persistent saving**

In 11 cases, there were persistent saving in excess of Rs 50 lakh in each case and also 20 *per cent* or more of the provision during the last three years (**Appendix XIV**).

### **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 7303.28 crore for the years 1985-86, 1988-89, 1990-91 to 2004-05 was yet to be regularised as of July 2006 (**Appendix XV**). Out of the total excess expenditure of Rs 7303.28 crore up to 2004-05 department have not furnished Action Taken Notes (ATN) to PAC for regularisation of the excess expenditure of Rs 7255.23 crore. In addition, excess expenditure of Rs 21.27 crore that occurred in the Grant XIX Family Welfare (Revenue Voted) during 2005-06 requires regularisation.

### **2.3.4 Persistent Excess**

Persistent excess occurred under Grant No.XIX Family Welfare (Revenue – Voted) for the last three years are as shown below.

*(Rupees in crore)*

Year	Expenditure and percentage
2003-04	15.10 (15.6)
2004-05	14.83 (16.0)
2005-06	21.27 (25.38)

The occurrence of excess over Grant continuously for three years shows failure of the department to restrict the expenditure to available provision indicating deficient financial management.

### **2.3.5 Original budget and supplementary provisions**

Supplementary provisions (Rs 4474 crore) made during the year constituted 15.97 per cent of the original provision (Rs 28009 crore) as against 7.32 per cent in the previous year.

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

- Supplementary provision of Rs 1295.56 crore obtained in 35 cases proved unnecessary in view of aggregate saving of Rs 3571.26 crore (**Appendix XVI**).
- In 24 cases, against additional requirement of Rs 2789.78 crore, supplementary grant of Rs 3175.11 crore was obtained resulting in saving in each case exceeding Rs 10 lakh, aggregating Rs 385.33 crore (**Appendix XVII**).

### **2.3.7 Excessive/unnecessary reappropriation of funds**

Reappropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 50 lakh proved excessive or resulted in saving by over Rs 50 lakh in each case are mentioned in **Appendix XVIII**.

### **2.3.8 Anticipated saving not surrendered**

The spending Departments are required to surrender the unspent portion of Grants/Appropriations as and when saving are anticipated, to the Finance Department. However, aggregate saving of Rs 1727.03 crore, in 17 cases when saving was Rs five crore and above in each case, was not surrendered. Failure of these Departments to surrender such huge saving revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in **Appendix XIX**.

Out of the total surrendered amount of Rs 3031.16 crore (82 cases), Rs 2824 crore (74 cases) was surrendered on the last day of the financial year viz., 31 March 2006. Such surrenders serves no useful purpose as the amount surrendered cannot be utilised during the year for any other function.

### **2.3.9 Surrender in excess of actual saving**

In 10 cases the amount surrendered was in excess of actual saving indicating inadequate budgetary control. As against the actual saving of Rs 175.95 crore in these cases the amount surrendered was Rs 955.56 crore, resulting in excess surrender of Rs 779.61 crore (**Appendix XX**).

## **2.4 Budgetary procedure and control over expenditure**

### **Health and Family Welfare/Industries Department**

#### ***Budgetary procedure and control over expenditure***

A review of Budgetary procedure and control over expenditure relating to Grant No. XIX Family Welfare and Grant No. XXXVII Industries revealed

the following.

#### **2.4.1. Variation between provision and expenditure**

There were significant variations between the final grant and actual expenditure in several cases as indicated below:

*(Rupees in crore)*

Sl. No	Head of Account	Final grant	Expenditure	Saving
<b>XIX Family Welfare</b>				
1.	2211-00-001-99	1.97	1.31	0.66
2.	2211-00-003-99	0.85	0.54	0.31
3.	2211-00-104-98	1.00	0.16	0.84
4.	2211-00-105-98	2.35	1.04	1.31
5.	2211-00-800-98	1.00	0.51	0.49
<b>XXXVII Industries</b>				
6.	2851-00-102-86	12.00	9.95	2.05
7.	2852-08-600-96	2.00	Nil	2.00
8.	2852-80-001-99	3.11	2.15	0.96
9.	2852-80-800-94	0.30	Nil	0.30
10.	2852-80-800-75	0.30	0.10	0.20
11.	6885-01-190-99	1.00	Nil	1.00

#### **2.4.2. Expenditure against nil provision**

A new sub head 2211-00-101-96 was opened for booking the expenditure on salaries and other allowances of staff of Rural Family Welfare Centres and Postpartum Centres (Block PHCs) as per orders of Government in July 2004. Eventhough budget proposals under the above head for providing Rs 16 crore during 2005-06 were submitted to Government by the Director of Health Services, no provision was made in the State Budget. However, an expenditure of Rs 3.30 crore was booked under the sub head during 2005-06. Director of Health Services has stated that the non-inclusion of provision under the sub head was intimated to Government in May 2005 and March 2006. However, no funds were made available.

#### **2.4.3. Irregular withdrawal of advance from Contingency Fund**

Government of India (GOI) allotted Rupees two crore to the Kerala Small Industries Development Corporation (SIDCO) under the Japanese Debt Relief Grant Assistance for importing paraffin wax. The amount was to be utilised before 31 March 2006. Administrative sanction for the expenditure was issued by Government in February 2006. Government sanctioned (March 2006) for drawing Rupees two crore from the Contingency fund as SIDCO could not make proposal for including the amount in the Supplementary Demands for grant for the year 2005-06. The Director of Industries and Commerce drew the amount and disbursed it to SIDCO in March 2006. The amount could have been included in the Supplementary Demands for grants for February 2006 and there is no justification for drawal of amount from Contingency Fund as the funds were allotted by GOI in October 2005.

#### **2.4.4. Belated surrenders**

Kerala Budget Manual provide that all anticipated saving should be surrendered to the Finance Department before 25<sup>th</sup> February every year through the Administrative Department explaining the reasons therefor, immediately they are foreseen, without waiting till the end of the year. It was

noticed that the Director of Industries and Commerce surrendered Rs 9.43 crore on the last working day of the financial year as shown below:

*(Rupees in crore)*

XXXVII- Industries Major Head of Account	Amount surrendered on 31 March 2006
2851 (P)	2.31
2852 (P)	3.80
4851 (P)	1.51
6851 (P)	1.67
2851 (NP)	0.12
2852 (NP)	0.02
<b>Total</b>	<b>9.43</b>

#### 2.4.5. Uneven distribution of expenditure

Kerala Budget Manual stipulates that expenditure should be evenly distributed throughout the year. The rush of expenditure during the fag end of the year breaches financial discipline. It was noticed that the percentage of expenditure during March 2006 ranged from 33 to 100 shown as under:

*(Rupees in crore)*

Major Head/Scheme	Total expenditure during 2005-06	Expenditure during March 2006	Percentage of expenditure
<b>XIX Family Welfare</b>			
2211-00-104-97 Maintenance and supply of vehicle in regional family welfare centres	0.13	0.10	77
2211-00-800-98 Grant-in-aid (100 per cent CSS)	0.51	0.17	33
<b>XXXVII Industries</b>			
2851-00-101-96 Strengthening of existing functional industrial estates	0.13	0.13	100
2851-00-102-56 Industry incubators	0.40	0.40	100
2851-00-800-98 Industries resources locator	0.10	0.10	100
4851-00-101-94 small industry cluster development programme	1.50	1.44	96

#### 2.4.6 Delay in sending proposals for re-appropriation

According to the Kerala Budget Manual the latest dates by which proposals from the Chief Controlling Officers for re-appropriation requiring Government's sanction, in the Administrative Department is 15 February and from the Administrative Department in the Finance Department is 25 February every year. However, proposals for reappropriation of Rs 3.98 crore (2851 Plan - Rs 3.64 crore, 2852 Plan – Rs 0.34 crore) were sent to Government by the Director, Industries and Commerce in the end of March 2006 thus depriving allotment to other needy head of accounts.

## 2.5 Transfer of funds to deposit accounts through NIL payment vouchers

According to the provisions in the Kerala Financial Code, a Government servant should not, on any account, reserve or appropriate by transfer to a deposit or any other head any portion of an appropriation remaining unspent during the year in order to prevent it from lapsing and use it for spending after the end of the year. Scrutiny of records in the Directorate of six departments<sup>▼</sup> revealed that a sum of Rs 21.23 crore was drawn by different Drawing and Disbursing Officers (DDOs) during 2005-06 by presenting 'NIL' payment vouchers and transfer credited to Treasury Saving Bank/ Treasury Public /Personal Deposit Accounts and Deposit Head of Public Works Department in violation of codal provisions. The details of utilisation of funds as available with DDOs (upto June 2006) was Rs 3.32 crore only. The department wise details are shown in **Appendix XXI**

The action of the DDOs in transferring the funds to deposit accounts was irregular and tantamounted to defeating the very purpose of Legislative control over public money.

## 2.6 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the Departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many Departments. Out of 156 Controlling Officers, who were required to reconcile their accounts for the year 2005-06, only 32 had reconciled the expenditure for the whole year and 82 have partially reconciled and 42 Controlling Officers have not reconciled the accounts of even a single month of the year. As of June 2006, 2668 monthly reconciliation certificates were due for the period 1997-2000 and 2001-06, as detailed in **Appendix XXII**.

## 2.7 Rush of expenditure

Under 20 Major Heads of accounts, the expenditure incurred during the last quarter of the financial year ranged between 52 *per cent* and 100 *per cent*. In these cases, 38 to 100 *per cent* of the expenditure was incurred only in the last month of the financial year which is indicative of deficient financial management. Details are given in **Appendix XXIII**.

▼ Animal Husbandry, Coir Development, Museums & Zoo, Scheduled Castes Development, Scheduled Tribes Development, Tourism