

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 appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisations 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 2004-05 against 140 grants and 83 appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I. Revenue	37566.23	9031.54	46597.77	39615.09	(-)6982.68
	II. Capital	6496.44	5462.52	11958.96	10636.62	(-)1322.34
	III. Loans and Advances	2656.13	1662.03	4318.16	2825.50	(-)1492.66
Total (Voted)		46718.80	16156.09	62874.89	53077.21	(-)9797.68
Charged	IV. Revenue	16498.51	501.89	17000.40	15129.68	(-)1870.72
	V. Capital	0.36	3.15	3.51	4.76	1.25
	VI. Public debt	15697.73	9075.73	24773.46	14531.86	(-)10241.60
	VII. Loans and Advances	--	--	--	--	--
Total (Charged)		32196.60	9580.77	41777.37	29666.30	(-)12111.07
Appropriation to Contingency Fund		300.00	--	300.00	300.00	--
Grand Total		79215.40	25736.86	104952.26	83043.51	(-)21908.75*

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure: Rs 3,698.12 crore and capital expenditure: Rs 2,839.23 crore.

The overall savings of Rs 21,908.75 crore was the net result of savings of Rs 22,316.09 crore in 189 cases of grants/appropriations offset by excess of Rs 407.34 crore in 26 cases of grants/appropriations. Detailed Appropriation

* Higher rounding

Accounts were sent to the Controlling Officers and reasons for savings/excesses were called for, which were not received.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities brought out the following:

In 34 cases, savings exceeded Rs 10 crore in each case and also by more than 20 *per cent* of total provision (**Appendix XIV**).

Excess requiring regularisation

2.3.2 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. The excess expenditure amounting to Rs 11,377.27 crore for the years 1999-2000 to 2003-04 was, however, yet to be regularised.

(Rupees in crore)

Year	No. of grants/ appropriation	Amount of excess	Reasons for excess
1999-2000	83	1837.90	Not received
2000-01	67	2298.80	Not received
2001-02	57	3682.45	Not received
2002-03	29	2542.88	Not received
2003-04	25	1015.24	Not received
Total	261	11377.27	

2.3.3 Excess over provisions during 2004-05 requiring regularisation

The excess of Rs 355.96 crore under nine grants and Rs 51.38 crore under 17 appropriations requires regularisation (**Appendix XV**).

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 25,736.86 crore) made during the year constituted 32.49 *per cent* of the original provision (Rs 79,215.40 crore) as against 28.28 *per cent* in the previous year.

Unnecessary/excessive/inadequate supplementary provisions

2.3.5 Supplementary provisions of Rs 1,448.31 crore made in 47 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs 7,023.95 crore as detailed in **Appendix XVI**.

2.3.6 In 41 cases, against additional requirement of Rs 11,322.79 crore, supplementary grants and appropriations of Rs 14,959.45 crore were obtained resulting in each case savings exceeding Rs 1 crore, aggregating Rs 3,636.66 crore. Details of these are given in **Appendix XVII**.

2.3.7 In eight cases, supplementary provision of Rs 169.40 crore proved insufficient by more than Rs 1 crore each leaving an aggregate uncovered excess expenditure of Rs 370.76 crore (**Appendix XVIII**).

2.3.8 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. Cases where the re-appropriation of fund proved injudicious in view of final excess/saving over grant by over Rs 1 crore are detailed in **Appendix XIX**.

2.3.9 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. At the close of the year 2004-05, there were, however, 22 grants/appropriations in which savings occurred but no part of which had been surrendered by the departments concerned. The amount involved in these cases was Rs 277.32 crore (1.24 *per cent* of the total savings) (**Appendix XX**).

Similarly, out of total savings of Rs 19,521.17 crore under 41 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 2,442.01 crore (10.94 *per cent* of total savings). Details are given in **Appendix XXI**. Thus, in these cases, Government could not utilise the unspent funds for other activities where more funds could be utilised.

2.3.10 Besides, in 49 cases, (surrender of funds in excess of Rs 10 crore), Rs 5,043.99 crore were surrendered on the last two days of March 2005 indicating inadequate financial control over expenditure. Details are given in **Appendix XXII**.

2.3.11 In 46 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 2,121.46 crore, the amount surrendered was Rs 3,572.30 crore, resulting in excess surrender of Rs 1,450.84 crore. Details are given in **Appendix XXIII**.

2.4 Unreconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlement) every month. The reconciliation had, however, remained in arrears in several departments. In respect of 17 departments, expenditure of Rs 2,900.38 crore pertaining to 2004-05 remained unreconciled till April 2005. Details are given in **Appendix XXIV**.

2.5 Budgetary Control

2.5.1 In five cases, expenditure aggregating Rs 1,281.49 crore exceeded the approved provisions by Rs 25 lakh or more in each case and also by more than 10 *per cent* of the total provisions. Details are given in **Appendix XXV**.

2.5.2 As per Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 211.82 crore was incurred in nine cases as detailed in **Appendix XXVI** without any provision in original estimates/supplementary demands and without any re-appropriation orders to this effect.

2.6 Advances from Contingency Fund

The Contingency Fund is in the nature of an imprest and its corpus is Rs 150 crore which was temporarily increased to Rs 300 crore twice on 17 May 2004 and 15 September 2004 by issue of ordinance. The balance at the beginning of the year was Rs 102.50 crore with an unrecouped balance of Rs 47.50 crore. During 2004-05, advances drawn but not recouped to the Fund amounted to Rs 104.52 crore. The closing balance of the Fund as on 31 March 2005 was Rs 45.48 crore.

The details of expenditure incurred by the Controlling officers (COs) from the advances sanctioned from the Contingency Fund were not sent by the COs and reconciliation was not done with the Accountant General's books.

During 2004-05, 168 sanctions were issued for withdrawal of Rs 556.86 crore from the Contingency Fund. A review of the operation of Contingency Fund disclosed that (i) three sanctions amounting to Rs 0.10 crore were subsequently reduced to Rs 0.03 crore, (ii) two sanctions amounting to Rs 11.32 crore were increased to Rs 92.91 crore and (iii) two sanctions amounting to Rs 3.75 crore were subsequently cancelled.

A few illustrative cases detailed in **Appendix XXVII** show that advances from Contingency Fund were obtained (for Rs 45.61 crore in 10 cases) though the expenditure was foreseeable.

Scrutiny of nine sanctions from the Contingency Fund issued between 24 August 2004 and 28 September 2004 amounting to Rs 24.36 crore as detailed in **Appendix XXVIII** revealed that they did not warrant drawal from the Contingency Fund as in five cases the amount was never drawn and in remaining four cases the amount was drawn in part between October 2004 and March 2005. This action violated Rule 2(1) of the conditions attached for drawal of the Contingency Fund stipulated in the Bombay Contingency Fund Rules, 1957.

On being pointed out, the Additional Chief Secretary, Finance, while accepting the facts of unwarranted drawal from Contingency Fund addressed all Heads of Departments reiterating existing instructions regarding drawal from Contingency Fund for strict compliance.

2.7 Unspent balance on Non Payable Detailed Contingent bills

Provisions of Rule 282 (2) and 303 of Maharashtra Treasury Rules, 1968 prohibit drawal of money unless required for immediate use. Further detailed contingent (DC) bills are to be submitted within one month of drawal of abstract contingent (AC) bills. Following instances of violation of relevant rules were, however, noticed.

Amount of Rs 3.36 crore was lying unutilised as of September 2005 out of the amount Rs 4.44 crore drawn by 12 drawing and disbursing officers (DDOs) during 2004-05.

Out of the 501 AC bills (Rs 22.90 crore) drawn between January 2004 and March 2005, 308 DC bills (Rs 12.90 crore) were submitted late (one to 15 months), 154 DC bills were not submitted.

Fifty DDOs drew Rs 10.76 crore on 213 AC bills after recording false certificate of submission of DC bills for AC bills drawn in previous month.

2.8 Drawal of fund to avoid lapse of budget grants

Maharashtra Treasury Rules, 1968 (MTR) prohibit drawal of money from treasury in anticipation of demands or to prevent the lapse of budget grants.

Collectors, Buldhana, Gondia, Jalna, Nagpur and Osmanabad drew Rs 3.09 crore in March 2004. The amounts were, however, not spent for the specific purpose even after close of the financial year 2004-05 for the reasons mentioned as follows:

(Rupees in lakh)

Collector	Amount drawn	Purpose	Reasons for non utilisation
Buldhana	112.50	Construction of land records room	Due to Parliamentary Election land was not allotted.
Gondia	18.45	Computerisation of land record	Non availability of arrangements for installation of computer hardware.
Jalna	62.23	Infrastructure development	Proposal for utilisation were not ready.
Nagpur	65.85	Construction of administrative building	Proposal for utilisation were not ready.
Osmanabad	50.43	Administrative expenses for social security scheme	Proposal for utilisation were not ready.

This indicated that none of the District Collectors was in a position to fruitfully utilise the funds released by the Government before 31 March 2004. The decision to draw the amounts by the Collectors lacked justification and was indicative of the fact that the amount was drawn by the Collectors to avoid lapse of budget provision.

2.9 Personal Ledger Accounts

2.9.1 In all 4,389 Personal Ledger Accounts (PLAs) were in operation in 2004-05; flow of funds in respect of these PLAs during the year was as under:

(Rupees in crore)

Opening balance as on 1 April 2004	791.07
Amount transferred to PLAs during the year	3979.77
Amount disbursed from PLAs during the year	3317.55
Closing balance as on 31 March 2005	1453.29

Records relating to 66 PLAs maintained by selected educational institutions, courts, Special Land Acquisition Officers (SLAO), District Collectors, District Forums, District Deputy Registrars of Co-operative Society, Hospitals, Sports Officers, Jails and Motor Accident Claims Tribunals (MACT) were reviewed in Audit (between April 2005 and August 2005). Following important points were noticed:

2.9.2 Retention of compensation amount in Post Office instead of PLA

As per Government Resolution (March 1996) all SLAOs were required to open PLA in the District Treasury by 30 April 1996 for depositing and disbursing the compensation amount.

It was noticed from the records of four* SLAOs that inspite of opening PLA in treasury, Rs 5.45 crore was lying in Post Office as per cash book (Rs 5.68 crore as per pass book) as of July 2005.

In respect of SLAO 9 and 12, Sangli, interest of Rupees one crore was not credited to the account upto March 2005.

2.9.3 Non-recovery/credit of measurement fee and establishment cost to the Government account

As per Government Resolution (December 1975), cost of establishment and service charges at the rate of three *per cent* of award amount was to be recovered in advance from the acquiring body.

In respect of Mumbai Pune Express Highway, 61 awards amounting to Rs 26.12 crore was declared during 1997-2005 by two SLAOs*, in favour of Maharashtra State Road Development Corporation, of which an amount of Rs 25.36 crore was credited to PLA leaving 3 *per cent* cost of establishment charges of Rs 76 lakh unrecovered.

In respect of SLAO 4, Solapur, an amount of Rs 25 lakh (15 cases) though recovered on account of establishment cost were not finally credited to Government account and was lying in PLA.

2.9.4 Retention of undisbursed/unutilised amount in PLA

In respect of six PLAs, compensation payable for acquisition of land for Industrial Project, construction of dam and Kolhapur Type weir amounting to Rs 7.56 crore remained to be disbursed to land owners for periods ranging from one to nine years.

An amount of Rs 41 lakh received during 2003-05 from 21 MLAs, under Local Area Development Programme, for construction of Yatri Niwas at Pandharpur under Pilgrimage Development Centre programme was lying in PLA.

As per Government Resolution (November 1999), PLA was opened in Treasury by Civil Surgeon, Ratnagiri to credit the Out Patient Department/In Patient Department fees and to utilise the same on the items such as maintenance and repairs to machinery, vehicles and computers. It was, however, noticed that due to ban ordered (May 2002) by the Deputy Director of Health Services, Thane, no expenditure was incurred from the PLA. This resulted in defeating the purpose of PLA and increase in the unutilised balance of Rs 1.14 crore.

* SLAO 4,5,6 and 12, Sangli

* SLAO, Mumbai - Pune Express Highway, Alibag and SLAO 2, Alibag District Raigad

As per Government Resolution (November 2001), fees amounting to Rs 1.98 crore and Rs 1.14 crore were credited by the Superintendent, St. Georges Hospital and Dean, Government Dental College, Mumbai during the period 2001-05 against which amounts of Rs 60 lakh and Rs 27 lakh were only incurred, leaving balances of Rs 1.38 crore and Rs 87 lakh respectively in the PLAs.

In respect of Director of Small Savings, an amount of Rs 26 lakh was lying in the PLA since August 2002.

2.9.5 Retention of excess funds of tentative or final award

As per Government Resolution (June 2001), the acquiring body should submit the certificate regarding provision of funds with land acquisition proposal and two-third amount of estimated compensation should be deposited with the Collectorate before publication of notice under section 4 as 'interest free deposit' and balance before declaration of final award under section 11 of the Land Acquisition Act, 1894.

In three cases, against Rs 11 crore demanded by the SLAO 1, Ratnagiri, the acquiring body deposited Rs 23.31 crore between August 2003 and March 2005 resulting in excess of two-third amount by Rs 12.31 crore. This amount was drawn from the treasury in advance of requirement and was lying idle in the PLA.

In respect of three* SLAOs, though two-third amount of compensation of Rs 6.54 crore was deposited with the Collectorate by the acquiring body, notice under section 4 of the Act was not issued by the SLAO so far. Thus the amount was lying in the PLAs for periods ranging from eight to 15 months.

In SLAO 9, Sangli, Rs 12.35 crore was received from Maharashtra Krishna Valley Development Corporation during July 1997 to November 2003 against the final award of Rs 10.53 crore resulting in excess receipt of compensation of Rs 1.82 crore. The excess amount was lying in the PLA.

2.9.6 Irregular retention of Government money in PLA

Government sanctioned Rs 1.50 crore for construction of Talathi training center at Panvel under 50 *per cent* centrally sponsored scheme vide Government Resolution of March 2004. The funds were to be utilised through Public Works Department before March 2004. It was, however, noticed that Rs 1.50 crore was drawn by the Collector, Raigad on abstract contingent bill and was wrongly kept in the PLA from April 2004 to March 2005. Thus, drawal of Government funds of Rs 1.50 crore at the fag end of the financial year and keeping in the PLA for a period of one year was irregular.

* SLAO, Minor Irrigation, Raigad, SLAO 11, Solapur and SLAO 3, Solapur

2.9.7 Non-surrender of surplus amount lying in PLA

The National Social Assistance Programme (NSAP) started with effect from 15 August 1995 included three schemes such as National Old Pension Scheme, National Family Benefit Scheme and National Maternity Benefit Scheme. The Government in Housing and Special Assistance Department started the implementation of the NSAP vide Government Resolutions dated 14 November 1995 and 1 July 1996. The amount received at Collectorate level from Government of India (GOI) was deposited in PLA.

Scrutiny revealed that by the end of March 2005 surplus amounts of Rs 1.81 crore, Rs 1.75 crore and Rs 1.08 crore lying in the PLAs of Collector and Chairman District Level Committee, Ratnagiri, Raigad and Mumbai city respectively were not credited or surrendered. Besides, out of Rs 19.80 crore transferred to the PLAs during the period 1996-2004 on account of publicity expenses, an amount of Rs 6.09 crore was only incurred leaving a balance of Rs 13.71 crore in the PLAs.

2.9.8 Non-recoupment of PLA funds

Scrutiny of PLAs of Dean, Vasantrao Naik Government Medical College and Hospital, Yavatmal and SLAO, Upper Wardha Project No. II, Amravati revealed that expenditure of Rs 78.39 lakh and Rs 7.34 lakh (out of Rs 24.58 lakh) incurred from the respective PLAs during 2003-05 for payment of pending bills of book suppliers and purchase of equipment and establishment charges has not been recouped, as required under the Rules, as of July 2005.

2.9.9 Non-closure / Non-operation of PLA

As per provision contained in Rule 495 of MTR, balances lying in the PLAs which were credited by debit to the Consolidated Fund of the State were required to be closed at the end of the financial year by minus debit to the service head and the PLAs not in operation for more than three complete years should be closed and balance credited to Government Account.

Scrutiny of records revealed that this was not done in test-checked 14 PLAs. This resulted in irregular retention of amount to Rs 37.80 crore out of the Consolidated Fund.

Scrutiny revealed that out of 2,092 PLAs, 88 PLAs involving closing balance of Rs 31.26 lakh were not in operation for the last three years and were not closed as of March 2005.

2.9.10 Improper/Non-maintenance of PLA cash book

PLA maintained by the Dean Government Dental College, Mumbai (Dean) revealed that heavy cash balance ranging from Rs 3 lakh to Rs 22 lakh was kept in hand during the period from August 2003 to March 2005. Monthly and surprise verification of cash balance was also not carried out by the Dean.

Cash book was not signed daily under the seal and signature of the Dean during the above period.

In respect of SLAOs 5 and 1, Solapur, PLA cash books were not maintained in the prescribed form No. 1 for the period from 7 August 1996 to 31 March 2005 and also not attested by the SLAOs during November 2004 and January 2004 onwards respectively.

Director of Small Savings, Mumbai has not at all maintained the PLA cash book. SLAO 4, Karmala, Solapur has not maintained PLA cash book in the prescribed form No. 1 for the period from 13 February 1997 to 11 January 1999 and no cash book has been maintained during 12 January 1999 to 31 March 2003. SLAO 3, Solapur has not maintained PLA cash book from September 2004 onwards.

2.9.11 Non-reconciliation

Rule 515 of MTR provides that the balances shown in PLA Cash Book of department should be reconciled with Treasury Pass Book at the close of each month.

Scrutiny of records of 27 PLAs revealed that the difference of Rs 14.33 crore between the PLA Cash Books and Treasury Pass Books from March 2001 onwards was not reconciled as of March 2005.