

## 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 2003-04 against 142 grants and 78 appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I. Revenue	34145.46	5826.88	39972.34	32136.02	(-)7836.32
	II. Capital	6026.03	6581.02	12607.05	10552.52	(-)2054.53
	III. Loans and Advances	2213.19	236.66	2449.85	2465.65	15.80
<b>Total (Voted)</b>		<b>42384.68</b>	<b>12644.56</b>	<b>55029.24</b>	<b>45154.19</b>	<b>(-)9875.05</b>
Charged	IV. Revenue	11980.38	3381.55	15361.93	13652.25	(-)1709.68
	V. Capital	0.26	0.21	0.47	6.51	6.04
	VI. Public debt	14924.76	3700.88	18625.64	17574.54	(-)1051.10
	VII. Loans and Advances	--	107.48	107.48	107.73	0.25
<b>Total (Charged)</b>		<b>26905.40</b>	<b>7190.12</b>	<b>34095.52</b>	<b>31341.03</b>	<b>(-)2754.49</b>
Appropriation to Contingency Fund		850.00	--	850.00	850.00	--
<b>Grand Total</b>		<b>70140.08</b>	<b>19834.68</b>	<b>89974.76</b>	<b>77345.22</b>	<b>(-)12629.54</b>

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 3108.21 crore and capital expenditure Rs 3031.28 crore.

The overall savings of Rs 12629.54 crore was the net result of savings of Rs 13644.78 crore in 183 cases of grants/appropriations offset by excess of Rs 1015.24 crore in 25 cases of grants/appropriations. Detailed Appropriation 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 49 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. However, the excess expenditure amounting to Rs 11480.13 crore for the years 1998-99 to 2002-03 was yet to be regularised.

(Rupees in crore)

<b>Year</b>	<b>No. of grants/ appropriation</b>	<b>Amount of excess</b>	<b>Reasons for excess</b>
1998-99	72	1118.10	Not received
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
<b>Total</b>	<b>308</b>	<b>11480.13</b>	

### **2.3.3 Excess over provisions during 2003-04 requiring regularisation**

The excess of Rs 1001.12 crore under 11 grants and Rs 14.12 crore under 15 appropriations requires regularisation (**Appendix XV**).

### **2.3.4 Original budget and supplementary provisions**

Supplementary provisions (Rs 19834.68 crore) made during the year constituted 28.28 *per cent* of the original provision (Rs 70140.08 crore) as against 16.88 *per cent* in the previous year.

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

**2.3.5** Supplementary provisions of Rs 1574.33 crore made in 56 cases of grant/appropriations during the year proved unnecessary in view of aggregate saving of Rs 7191.60 crore as detailed in **Appendix XVI**.

**2.3.6** In 44 cases, against additional requirement of Rs 11068.90 crore, supplementary grants and appropriations of Rs 16442.76 crore were obtained resulting in each case savings exceeding Rs 1 crore, aggregating Rs 5373.86 crore. Details of these are given in **Appendix XVII**.

**2.3.7** In seven cases, supplementary provision of Rs 1452.91 crore proved insufficient by more than Rs 1 crore each leaving an aggregate

uncovered excess expenditure of Rs 1003.57 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. However, at the close of the year 2003-04, there were 15 grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was Rs 261.82 crore (1.92 *per cent* of the total savings) (**Appendix XX**).

Similarly, out of total savings of Rs 10227.50 crore under 51 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 3295.50 crore (24.15 *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 45 cases, (surrender of funds in excess of Rs 10 crore), Rs 4406.19 crore were surrendered on the last two days of March 2004 indicating inadequate financial control over expenditure. Details are given in **Appendix XXII**.

**2.3.11** In 36 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 2335.36 crore, the amount surrendered was Rs 6538.96 crore, resulting in excess surrender of Rs 4203.60 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 28 departments, expenditure of Rs 2436.44 crore pertaining to 2003-04 remained unreconciled till April 2004. Details are given in **Appendix XXIV**.

## **2.5 Budgetary Control**

**2.5.1** In six cases, expenditure aggregating Rs 897.75 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 24.59 crore was incurred in 22 cases as detailed in **Appendix XXVI** without any provision in original estimates/supplementary demand 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 raised to Rs 750 crore with effect from 13 June 2003 and to Rs 400 crore with effect from 24 October 2003 by issue of ordinance. The balance at the beginning of the year was Rs 113.15 crore with an unrecouped balance of Rs 36.85 crore. During 2003-04, advances drawn but not recouped to the Fund amounted to Rs 47.50 crore. The closing balance of the Fund as on 31 March 2004 was Rs 102.50 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 2003-04, 146 sanctions were issued for withdrawal of Rs 1049.75 crore from the Contingency Fund. A review of the operation of Contingency Fund disclosed that (i) three sanctions amounting to Rs 0.39 crore were subsequently reduced to Rs 0.18 crore, (ii) three sanctions amounting to Rs 11.01 crore were increased to Rs 92.01 crore and (iii) two sanctions amounting to Rs 0.50 crore were subsequently cancelled.

A few illustrative cases detailed in **Appendix XXVII** show that advances from Contingency Fund were obtained (for Rs 563.57 crore in 10 cases) though the expenditure was foreseeable.

A review of sanction of scholarship from Contingency Fund (Sr. No. 5 of Appendix XXVII) revealed that the State Government sanctioned (September 2003) advance of Rs 6.60 crore from the Contingency Fund for payment of scholarship to girl students under Savitribai Phule scholarships scheme since the provision made in budget for 2003-04 was insufficient. This being a regular scheme of the Government, the expenditure was easy to anticipate. The justification for drawal from the Contingency Fund that payment of scholarship was due on 22 September 2003 and the provisions in the budget was not sufficient for the purpose could not be considered satisfactory. Further, despite drawal of amount from Contingency Fund, scholarship was not disbursed on 22 September 2003 in any of the schools. Test-check of

records of four\* districts revealed that concerned Chief Accounts and Finance Officer, Zilla Parishad drew Rs 0.94 crore (between July 2003 and December 2003) from treasury for payment of scholarship to 18479 girl students of 982 schools. The said amount was paid (July 2003 to January 2004) by demand draft to the schools concerned, out of which 204 school authorities have paid an amount of Rs 0.27 crore to 4104 beneficiaries between July 2003 and September 2004, which was delayed by one to nine months. The payment of scholarships to the tune of Rs 0.67 crore was not made upto October 2004 by 778 school authorities in respect of 14375 beneficiaries.

### **2.7 Funds diverted to works other than sanctioned**

The Chief Minister had sanctioned funds of Rs 2.61 crore as Special Central Assistance to Tribal Development Department for construction of a road (36.5 km) in the tribal district, Amravati during 2001-02. During March 2002, grant of Rs 1.01 crore were surrendered. Out of balance of Rs 1.60 crore, the division spent Rs 0.16 crore on the said work and instead of surrendering the balance grant of Rs 1.44 crore, it was diverted to 27 other works. The Chief Minister's office did not monitor progress of the work nor did the Tribal Development Department apprise the Chief Minister of this diversion of money. Physical verification by Audit alongwith Deputy Engineer, Sub-division Dharni revealed that, the work of flush cause ways was in progress. Strengthening and black topping and cross drainage works were not carried out and the road was, therefore, not motorable and the targeted tribal people continued to be deprived of the facility of all weather road.

### **2.8 Personal Ledger Accounts**

**2.8.1** In all 2140 Personal Ledger Accounts (PLAs) were in operation in 2003-04, flow of funds in respect of these PLAs during the year was as under:

		<b>(Rupees in crore)</b>
Opening Balance as on 1 April 2003	:	519.31
Amount transferred to PLAs during the year	:	2325.16
Amount disbursed from PLAs during the year	:	2053.40
Closing balance as on 31 March 2004	:	791.07

Records relating to 82 PLAs maintained by selected educational institutions, courts, Special Land Acquisition Officers (SLAO), District Collectors, District Forums, District Deputy Registrar of Co-operative Society, Hospitals, Sports Officers, Jails and Motor Accident Claims Tribunals (MACT) were reviewed in Audit (between June 2004 and October 2004). Following important points were noticed:

\* Jalgaon, Nashik, Raigad and Thane.

### **2.8.2 Irregular payment for PLA**

Government authorised (October 2001) Inspector General of Registration (IGR), Pune to open PLA for deposit of registration fee and stipulated terms and conditions for expenditure therefrom. The work of entry of stamp duty form is being done by IGR on build, operate and transfer (BOT) basis from different agencies. The terms stipulated that IGR after reconciliation and payment to the agencies concerned shall credit the balance in PLA to the Government Account. In disregard of order, IGR paid Rs 19.04 crore to Non-Government Organisation viz "SETU MAHARASHTRA" on the direction of Information and Technology Department instead of depositing it to the Government Account.

### **2.8.3 Retention of fund in PLA**

Document handling fee (Rs 20 per page) collected at Tahsil level was to be deposited in PLA of Joint District Registrar and Collector of Stamps of each district and monthly collection was to be transferred by fifth of subsequent month to IGR, Pune Office. IGR was required to deposit the balance amount to Government account after payment to private agencies engaged for data entry work of stamp registration. However, IGR, Pune and Joint District Registrar, Thane retained Rs 28.88 crore and Rs 2.04 crore respectively as of 31 March 2004.

### **2.8.4 Non-recoupment of PLA fund**

During the year 2003-04, a Government Hospital\* and three\*\* Government Medical College Hospitals (GMCHs) incurred expenditure of Rs 0.96 crore from PLA against which Rs 0.20 crore was only recouped, balance of Rs 0.76 crore was unrecouped as of August 2004.

### **2.8.5 Non-transfer of balances to PLA**

➤ In the absence of PLA, 29 SLAOs credited the compensation amount under Revenue Deposit head (8443-101). Of these, 23 SLAOs were closed and merged with other four SLAOs\*\*\* but Rs 5.09 crore lying under the Head *ibid* were not transferred to PLA (September 2004).

➤ Similarly, three SLAOs# credited Rs 1.96 crore under "Work done for public bodies" head (8443-117) which was credited to PLA (September 2004).

### **2.8.6 Non-crediting the lapsed deposit to Government Account**

As per Rule 506 of Maharashtra Treasury Rules deposit lying unclaimed for more than three accounting years should be treated as lapsed and credited to Government account at the close of March each year. However, Court of

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\* General Hospital, Amravati.

\*\* Swamy Ramanath Thirth Rural Medical College Hospital, Ambajogai, Government Medical College Hospitals, Aurangabad and Super Speciality Hospital, Nagpur.

\*\*\* SLAO 12, Kolhapur, SLAO 17, Pune and SLAO 12 and 16, Satara.

# SLAO 16, Special unit I and II, Pune.

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Small Causes, Mumbai did not deposit Rs 0.99 crore collected in respect of cases finally decided during 1960 to 1998, though amount was lying unclaimed in PLA for more than three years.

### **2.8.7 Non-crediting of PLA balance to Government account**

Maharashtra State Council of Examinations, Pune was declared an Autonomous Body. The Government issued resolution (March 2004) directing the Commissioner to credit the balance in PLA to Government account. However, balance of Rs 10.10 crore lying in PLA since November 2002 was not credited to the Government account for want of proper head of account for credit.

### **2.8.8 Retention of unspent balance in PLA**

Amount unspent, if any, out of fund received from Consolidated Fund of the State and deposited in PLA were required to be deposited back to the Consolidated Fund. This was not done in nine cases\* resulting in retention of Rs 0.56 crore in the PLAs.

### **2.8.9 Deposit to PLA to avoid lapse of grant**

➤ According to Rule 282 (2) of MTR, no money shall be drawn from the treasury unless it is required for immediate disbursement. An amount of Rs 40 crore sanctioned by the Government (February 2003) for payment towards compensation of land acquisition for Cargo Hub Project was drawn and credited to PLA in March 2003. An amount of Rs 2.11 crore only was disbursed to landowners leaving Rs 37.89 crore unutilised for over one year. Scrutiny further revealed that awards for Rs 22 crore were pending for sanction at Government level whereas cases for Rs 13 crore were under process as of July 2004.

➤ Under Sant Gadagebaba Urban Sanitation Campaign, a proposal was made for supplementary grant of Rs 8 crore by the Water Supply and Sanitation Department for giving prizes to Municipal Corporations/Councils for best administrative and clean wards under them. Maharashtra Jeevan Pradhikaran (MJP), in November 2003 and February 2004 received Rs 3 crore and Rs 5 crore respectively for the above purpose.

Scrutiny of records revealed that out of unutilised grants of Rs 5.85 crore lying with the MJP, Rs 5 crore were transferred (February 2004) to PLA of Deputy Secretary and Director for 'Jalswaraj Project' and balance amount of Rs 0.85 crore was still lying with the MJP. This indicated that amount was drawn in advance of requirement to avoid lapse of grants.

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\* SLAO II, VIDC, Nagpur, SLAO, Kanholi Nala Project, Nagpur, Addl. SLAO, Pench Project, Nagpur, SLAO, Bembla Project, Yavatmal, SLAO IV, Upper Wardha Project, Amravati, SLAO, ZP (works), Amravati, SLAO Purna Project, Latur, SLAO, Swarna Project, Latur, SLAO, Krishna Khore Vikas Mahamandal, Osmanabad.

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**2.8.10 Reconciliation with treasury records**

The balances in PLA cash book at the end of each month are to be reconciled with balances as per treasury records and the differences, if any, are to be cleared. However, it was noticed that in case of 58 PLAs difference of Rs 40.31 crore was not reconciled as of March 2004. Out of above, difference amounting to Rs 6.14 crore in respect of 11 PLAs was due to non-crediting of 308 time barred/unencashed cheques.

**2.8.11 Improper maintenance of PLA cash book**

➤ Month-wise details of receipt and expenditure for the year 2003-04 furnished by Motor Accident Claims Tribunals (MACT), Mumbai showed net difference of Rs 2.49 crore when compared with balances of PLA cash book. This was due to improper booking of receipts, expenditure and carry forward of balances.

➤ Dean, Super Speciality Hospital, Nagpur recovered Rs 0.49 crore during 2003-04 on account of hospital fees and credited Rs 0.09 crore to PLA in May, August and December 2003. Balance amount of Rs 0.40 crore was kept as cash in hand for expenditure of hospital. Retention of PLA amount as cash in hand may lead to misutilisation.