

CHAPTER - II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

2.1.1 In accordance with the provision of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act, includes the expenditure which has been voted by the Legislature on various grants, in terms of Articles 204 and 205 of the Constitution of India, and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year, indicating the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act, and ensure that the expenditure require 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

2.2.1 The summarised position of original and supplementary Grants/Appropriations and expenditure thereagainst is given below:-

**Total number of Grants : 78 (75 Grants and 3 Appropriations)
Total Provision and Actual Expenditure**

Table No.2.1 (Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	3031.46	Revenue	1697.70
Supplementary	180.49	Capital ¹	932.40
Total gross provision	3211.95	Total gross expenditure	2630.10
Deduct estimated recoveries in reduction of expenditure	19.29	Deduct actual recoveries in reduction of expenditure	13.07
Total net provision	3192.66	Total net expenditure	2617.03

¹ Capital includes Loans and Advances and Public Debt.

Voted and Charged Provision and Expenditure

Table No.2.2 *(Rupees in crore)*

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1561.80	305.89	1443.06	254.64
Capital ²	642.65	701.61	379.77	552.63
Total Gross	2204.45	1007.50	1822.83	807.27
Deduct recoveries in reduction of expenditure	19.29	---	13.07	---
Total : Net	2185.16	1007.50	1809.76	807.27

The summarised position of actual expenditure, excess and savings during 2004-2005 against Grants/Appropriation was as follows:-

Table No.2.3 *(Rupees in crore)*

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual Expenditure ³	Saving (-) Excess (+)
Voted	I Revenue	1467.20	94.60	1561.80	1443.06	(-) 118.74
	II Capital	554.54	85.39	639.93	379.43	(-) 260.50
	III Loans and Advances	2.71	---	2.71	0.34	(-) 2.37
	Total Voted	2024.45	179.99	2204.44	1822.83	(-) 381.61
Charged	IV Revenue	305.40	0.50	305.90	254.64	(-)51.26
	V Capital	---	---	---	---	---
	VI Public Debt.	701.61	---	701.61	552.63	(-)148.98
Total Charged		1007.01	0.50	1007.51	807.27	(-)200.24
	Appropriation to Contingency Fund	---	---	---	---	---
Grand Total		3031.46	180.49	3211.95	2630.10	(-)581.85

(Source: Appropriation Accounts)

The overall saving of Rs.581.85 crore was the net result of excess of Rs.28.82 crore in 19 cases of grants and one case of appropriation and saving of Rs.610.67 crore in 56 cases of grants and two cases of appropriations.

2.3 Fulfilment of Allocative Priorities

Appropriation by Allocative Priorities

2.3.1 Out of overall savings of Rs.581.85 crore, major savings of Rs.551.80 crore (95 per cent) occurred in 29 Grants/Appropriations as mentioned below:

² Capital includes Loans and Advances and Public Debt.

³ These are gross figures before adjustment of recoveries in reduction of expenditure viz. Revenue expenditure Rs.13.07 crore and Capital expenditure NIL.

Table No.2.4

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Actual expenditure	Savings
1.	12-Treasuries and Accounts Administration (Capital-Voted)	5.00	---	5.00	---	5.00
2.	18-Pensions and other Retirement Benefits (Revenue-Voted)	176.45	3.00	179.45	133.83	45.62
3.	27-Planning Machinery (Capital-Voted)	23.32	---	23.32	11.17	12.15
4.	28-Civil Police (Capital-Voted)	13.23	---	13.23	---	13.23
5.	28-Civil Police (Revenue-Voted)	252.56	---	252.56	248.00	4.56
6.	33-Youth Resources and Sports (Capital-Voted)	13.08	9.19	22.27	7.95	14.32
7.	34-Art and Culture and Gazetteers Unit (Revenue-Voted)	3.91	4.71	8.62	3.44	5.18
8.	35-Medical, Public Health and Family Welfare (Capital-Voted)	55.16	---	55.16	42.43	12.73
9.	36-Urban Development (Capital-Voted)	21.16	2.99	24.15	13.95	10.20
10.	37-Assistance to Municipalities and Development works in Towns (Revenue-Voted)	7.46	0.75	8.21	0.88	7.33
11.	39-Tourism (Capital-Voted)	---	16.68	16.68	7.12	9.56
12.	43-Social Security and Welfare (Revenue-Voted)	29.11	16.72	45.83	33.78	12.05
13.	50-Animal Husbandry and Dairy Development (Revenue-Voted)	25.66	5.67	31.33	26.73	4.60
14.	53-Industries (Revenue-Voted)	25.02	7.96	32.98	21.62	11.36
15.	54-Mineral Development (Capital-Voted)	4.49	2.50	6.99	3.21	3.78
16.	55-Power Projects (Capital-Voted)	58.81	22.09	80.90	44.42	36.48
17.	56-Road Transport (Capital-Voted)	13.84	---	13.84	7.54	6.30
18.	58-Roads and Bridges (Capital-Voted)	128.17	---	128.17	76.37	51.80
19.	59-Irrigation and Flood Control (Capital-Voted)	5.64	0.50	6.14	1.24	4.90
20.	60-Water Supply Schemes (Revenue-Voted)	17.83	2.99	20.82	17.78	3.04
21.	60-Water Supply Schemes (Capital-Voted)	63.30	1.14	64.44	43.86	20.58
22.	64-Housing (Capital-Voted)	30.35	0.75	31.10	18.07	13.03
23.	65-SCERT (Revenue-Voted)	5.40	2.40	7.80	3.91	3.89
24.	66-Sericulture (Revenue-Voted)	5.30	5.64	10.94	5.37	5.57
25.	72-Wasteland Development (Revenue-Voted)	31.21	---	31.21	17.66	13.55
26.	75-Servicing of debt (Revenue-Charged)	300.91	---	300.91	249.62	51.29
27.	75-Servicing of debt (Capital-Charged)	701.61	---	701.61	552.63	148.98
28.	77-Development of under Developed Areas (Capital-Voted)	15.36	10.42	25.78	12.58	13.20
29.	78-Information Technology and Technical Education (Capital-Voted)	4.52	3.00	7.52	---	7.52
		2037.86	119.10	2156.96	1605.16	551.80

Reasons for savings were not intimated by the departments except for the following two grants.

The saving under 60-Water supply scheme was stated to be due to (i) ban imposed by the Government in release of medical reimbursement bills and leave encashments, (ii) utilisation of funds for clearance of pending bills, charging to stock, (iii) non-receipt of materials from suppliers before closing of March supplementary accounts and (iv) deduction of departmental charges by the Finance Department.

The saving under 72-Wasteland Development was stated to be due to (i) non-receipt of sanction from the Government and (ii) short receipt of State share.

Areas in which major savings occurred in the above grants/appropriations are given in the **Appendix-VIII**.

In 57 cases, savings exceeded Rs.50 lakh in each case and also by more than 10 per cent of the total provision. Details are given in **Appendix-IX**.

Excess over provision during 2004-05 requiring regularisation

2.3.2 The excess of Rs.25.45 crore under Revenue Section and Rs.3.37 crore under Capital Section as detailed in **Appendix-X** require regularization under Article 205 of the Constitution.

Excess over grants in previous years not regularised

2.3.3 According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularised by the State Legislature. However, it was noticed that excess expenditure of Rs.2011.27 crore reported during 1991-92 to 2003-04 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of November 2005. Details of such excess *eg*, number of Grants/Appropriations and amount involved therein requiring regularisation are given below:

Table No. 2.5 *(Rupees in crore)*

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	Amount involved
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63,65,69,70,35,36,72	152.27
2.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
3.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47,48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
4.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40,46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
5.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48,55,60,64,65,67,71,74,76,36,53,62,68,75	241.09

6.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43,44,46,47,49,5 5,57,58,60,62,64,66,76	263.80
7.	1999- 2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42,45,46,51,58,60, 64,67,68,69,74,75,76	167.14
8.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
9.	2001-02	16	18,38,40,43,49,52,58,62,64,72,75,14,32,34,68,70	27.98
10.	2002-03	19	16,18,22,28,35,38,42,43,49,58,61,62,64,65,67,69,73, 74,76	723.75
11.	2003-04	32	1, 4, 7, 8, 9, 10, 12, 14, 19, 22, 27, 29, 31, 32, 34, 35, 38, 42, 44, 47, 48, 51, 55, 56, 58, 62, 64, 69, 74, 76, 77, 78	230.79
Total:-				2011.27

(Source: Appropriation Accounts)

Original budget and supplementary provisions

2.3.4 Supplementary provisions (Rs.180.49 crore) made during the year constituted 6 *per cent* of the original provision (Rs.3031.46 crore) as against 11 *per cent* in the previous year.

Unnecessary/excessive/insufficient supplementary grants

2.3.5 Supplementary provision of Rs.82.26 crore made in 30 Grants/Appropriations during the year proved unnecessary in view of aggregate savings of Rs.218.05 crore as detailed in **Appendix - XI**.

In 40 Grants/Appropriations, supplementary grants and appropriation of Rs.126.91 crore were obtained without any additional requirement, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.246.35 crore. Details of these cases are given in **Appendix - XII**.

In 9 Grants/Appropriations supplementary provisions of Rs.15.17 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.16.11 crore as per details given in **Appendix - XIII**.

Persistent savings

2.3.6 In 24 grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in **Appendix-XIV**.

Significant excess

2.3.7 In six Grants/Appropriations the expenditure exceeded the approved provision by more than Rs.50 lakh in each case and also by more than 10 *per cent* of the total provision. Details are given in **Appendix - XV**.

Expenditure without provision

2.3.8 According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of

Rs.47.96 crore was incurred in seven cases as detailed in *Appendix - XVI* without provision having been made in the original estimates/supplementary demands.

Anticipated savings not surrendered

2.3.9 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. In 17 Grants/Appropriation, the amount of available savings of Rs.1 crore and above in each Grant/Appropriation not surrendered aggregated Rs.264.85 crore. Details are given in *Appendix-XVII*.

Surrender in excess of savings

2.3.10 In 27 Grants/Appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.85.91 crore, the amount surrendered was Rs.125.21 crore resulting in excess surrender of Rs.39.30 crore. Details are given in *Appendix-XVIII*. The irregularities persisted in the absence of any action taken by the Government departments on similar instances of budgetary irregularities which have been reported from year to year in Chapter II of the Audit Reports.

Trend of Recoveries and Credits

2.3.11 Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and all credits and recoveries are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

During 2004-05, the actual recoveries (Rs.13.07 crore) were less than the estimated recoveries (Rs.19.29 crore) by Rs.6.22 crore. This was the net result of less recoveries of Rs.7.19 crore in 10 grants, and excess recovery of Rs.0.97 crore in two grants. Details are given in *Appendix* to the Appropriation Accounts.

Non-receipt of explanations for savings/excess

2.3.12 After the closure of accounts each year, the detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the Controlling Officers (COs) who are required to explain the variation in general and those under important sub-heads in particular. The COs were to furnish promptly all such information to the Sr. Deputy Accountant General (A&E) for preparation of Appropriation Accounts.

During the year out of 78 Grants/Appropriations, explanations for savings/excess were received for twenty grants only.

Non-reconciliation of departmental figures of expenditure

2.3.13 Financial rules require that the departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud, defalcation, etc. Out of 78 controlling officers, the expenditure in respect of six aggregating Rs.136.26 crore pertaining to 2004-05 remained unreconciled.

The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from eight *per cent* in 2002-03 to five *per cent* of the total expenditure in 2004-05 as shown below:

Table No.2.6 (Rupees in crore)

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved
2002-03	76	8	8	252.40
2003-04	79	9	12	294.71
2004-05	78	6	5	136.26

(Source: Appropriation Accounts)