

## 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 was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, regulations and instructions.

#### 2.2. Summary of Appropriation Accounts

The summarised position of actual expenditure during 2003-2004 against the total of 30 grants/appropriations was as follows:

*(Rupees in crore)*

	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving
Voted	I. Revenue	13288.07	374.12	13662.19	12361.35	1300.84
	II. Capital	4224.40	1455.83	5680.23	1439.13	4241.10
	III. Loans & Advances	124.73	0.00	124.73	80.47	44.26
<b>Total Voted</b>		<b>17637.20</b>	<b>1829.95</b>	<b>19467.15</b>	<b>13880.95</b>	<b>5586.20</b>
Charged	IV. Revenue	3504.77	269.22	3773.99	3744.71	29.28
	V. Capital	0.00	0.08	0.08	0.00	0.08
	VI. Public Debt	8211.96	0.00	8211.96	7554.51	657.45
<b>Total Charged</b>		<b>11716.73</b>	<b>269.30</b>	<b>11986.03</b>	<b>11299.22</b>	<b>686.81</b>
<b>Grand Total</b>		<b>29353.93</b>	<b>2099.25</b>	<b>31453.18</b>	<b>25180.17</b>	<b>6273.01</b>

*Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 404.14 crore and capital expenditure Rs 97.37 crore.*

The overall savings of Rs 6,273.01 crore as mentioned above was the net result of savings of Rs 6,467.47 crore in 68 cases and appropriations offset by excess of Rs 194.46 crore in five<sup>1</sup> cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; these had not been received (August 2004).

<sup>1</sup> One grant '26-State Legislature' with excess of Rs 157 not included.

**2.3. Fulfilment of Allocative Priorities**

**2.3.1. Appropriation by Allocative Priorities**

Out of the savings of Rs 6,467.47 crore, major savings of Rs 2,604.26 crore (40.27 per cent) occurred in nine grants as mentioned below:

*(Rupees in crore)*

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Net Saving <sup>2</sup>
1-Agriculture & Forests - Revenue (Voted)	369.17	0.00	369.17	280.46	88.71
5-Education - Revenue (Voted)	2238.15	98.11	2336.26	2081.55	254.71
5-Education - Capital (Voted)	18.65	144.64	163.29	0.08	163.21
8-Finance - Capital (Charged)	8211.96	0.00	8211.96	7554.51	657.45
11-Health & Family Welfare - Revenue (Voted)	718.12	37.66	755.78	617.05	138.73
13-Industries - Revenue (Voted)	125.84	0.00	125.84	22.95	102.89
15-Irrigation & Power - Revenue (Voted)	2033.47	0.00	2033.47	1935.16	98.31
15-Irrigation & Power - Capital (Voted)	920.37	809.71	1730.08	1140.83	589.25
17-Local Government, Housing & Urban Development - Revenue (Voted)	89.24	26.54	115.78	33.89	81.89
17-Local Government, Housing & Urban Development - Capital (Voted)	172.85	0.00	172.85	0.45	172.40
22-Revenue & Rehabilitation - Revenue (Voted)	442.94	41.34	484.28	311.35	172.93
23-Rural Development & Panchayats - Capital (Voted)	40.78	50.44	91.22	7.44	83.78
<b>Total</b>	<b>15381.54</b>	<b>1208.44</b>	<b>16589.98</b>	<b>13985.72</b>	<b>2604.26</b>

The departments did not intimate reasons for savings. Areas in which major savings occurred in these nine grants are given in *Appendix-IV*.

**2.3.2. Substantial savings in grant/appropriation**

▪ In 56 cases, savings exceeding Rupees one crore in each case and also by more than 10 per cent of total provisions, amounted to Rs 3,301.23 crore as indicated in *Appendix-V*. In 36<sup>3</sup> of these cases, the entire provision totalling Rs 605.77 crore was not utilised.

**2.3.3. Persistent savings**

▪ In seven cases, involving six grants/appropriations, there were persistent savings of more than Rupees one crore in each case and 20 per cent or more of provision. Details are given in *Appendix-VI*. Under three

<sup>2</sup> After absorbing excess expenditure over budget allocation.

<sup>3</sup> Item No. 1, 6 to 9, 13 to 25, 28, 38 to 53, 56 in *Appendix-V*.

Centrally Sponsored Schemes, there were savings of 100 *per cent* during the last two years.

#### 2.3.4. 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 1,242.93 crore for the years 2000-01 to 2002-03 had not been got regularised so far (August 2004). This was breach of legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
2000-2001	7	7,8,14,15,21,26 & 27	566.85	Not received
2001-2002	4	1,15,21 & 26,	386.23	Not received
2002-2003	4	15, 18, 21, & 26	289.85	Not received
<b>Total</b>			<b>1242.93</b>	

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

The excess of Rs 194.46 crore under five grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given below:

Sr.No.	No. and name of Grant/Appropriation	Total Grant/ Appropriation	Actual expenditure	Excess
		(Rupees in crore)		
<b>Revenue (Voted)</b>				
1.	12-Home Affairs and Justice	1207.94	1224.69	16.75
2.	21-Public Works	619.80	797.31	177.51
3.	30-Vigilance	10.12	10.18	0.06
<b>Revenue (Charged)</b>				
4.	11-Health and Family Welfare	0.03	0.11	0.08
5.	18-Personnel and Administrative Reforms	1.84	1.90	0.06
	<b>TOTAL</b>	<b>1839.73</b>	<b>2034.19</b>	<b>194.46</b>

Reasons for the excesses had not been furnished by the Government as of August 2004.

#### 2.3.5. Original budget and supplementary provisions

Supplementary provisions (Rs 2,099.25 crore) made during this year constituted 7.15 *per cent* of the original provision (Rs 29,353.93 crore) as against 2.64 *per cent* in the previous year.

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

- Supplementary provisions of Rs 730.72 crore made in 18 cases during the year proved unnecessary in view of aggregate saving of Rs 1,444.84 crore. Details are given in *Appendix-VII*.

- In 16 cases, against additional requirement of only Rs 528.15 crore, supplementary grants and appropriations of Rs 1,319.25 crore were obtained, resulting in savings in each case exceeding Rupees 10 lakh, aggregating Rs 791.10 crore. Details are given in **Appendix-VIII**.
- In two cases mentioned below, supplementary provision of Rs 45.31 crore proved insufficient leaving an uncovered excess expenditure above Rupees one crore in each case aggregating Rs 194.26 crore.

Sr. No.	No. and name of Grant/Appropriation	Original Grant	Supplementary grant	Total	Expenditure	Excess
<i>(Rupees in crore)</i>						
<b>Revenue Voted</b>						
1.	12-Home Affairs and Justice	1167.63	40.31	1207.94	1224.69	16.75
2.	21-Public Works	614.80	5.00	619.80	797.31	177.51
	<b>Total</b>	<b>1782.43</b>	<b>45.31</b>	<b>1827.74</b>	<b>2022.00</b>	<b>194.26</b>

### **2.3.7. Persistent excesses**

Significant excesses were persistent in six cases involving two grants as detailed in **Appendix-IX**. Persistent excesses require investigation by the Government.

### **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 funds proved injudicious in view of final excess of Rs 6.33 crore in one grant and savings of Rs 150.75 crore in 13 grants by Rupees one crore and above are detailed in **Appendix-X and XI** respectively.

### **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 28 cases in which savings above Rupees one crore in each case amounting to Rs 2,635.35 crore had not been surrendered. In 18 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating to Rs 1,144.29 crore (71.54 per cent of total savings) were not surrendered. This included savings of Rs 73.36 crore (64 per cent) under Grant No. 8 – Finance, (Revenue-Voted), Rs 251.91 crore (99 per cent) under Grant No. 5 – Education, (Revenue-Voted) and Rs 130.94 crore (94 per cent) under Grant No. 11-Health and Family Welfare, (Revenue-Voted). Details are given in **Appendix-XII and XIII** respectively.

### **2.3.10. Unreconciled expenditure**

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlement) (AG(A&E)) every month. The reconciliation, however, had remained in arrears in several departments. The

number of Controlling Officers who did not reconcile their figures, year for which reconciliation was in arrear and the amounts involved were as under:

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	Amount not reconciled
1993-94	31	585.03
1994-95	08	84.52
1995-96	02	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	04	27.82
2000-01	02	1,147.74
2001-02	08	1,387.56
2002-03	05	31.00
<b>Total</b>	<b>95</b>	<b>5571.40</b>

Break-up of the amount that was pending reconciliation for the year 2003-04 by the various Controlling Officers with the figures of AG(A&E) are given below:

(Rupees in crore)

Sr. No.	Name of the Controlling Officers who did not reconcile their figures	Amount not reconciled
1.	Director Local Government (Municipal Elections)	0.05
2.	Treasurer, Charitable Endowment (Freedom Fighter)	20.14
3.	Secretary to Government of Punjab, Finance Department (Ex-Gratia)	9.91
4.	Secretary to Government of Punjab, Finance Department (DLIS)	0.96
	<b>Total</b>	<b>31.06</b>

### 2.3.11. Defective Re-appropriation

During 2003-2004, 41 re-appropriation orders of Rs 3,774.88 crore were issued. Of these, 40 orders aggregating Rs 3,774.87 crore were issued on 31st March 2004, the last day of the fiscal year. Thirteen re-appropriation orders of the value of Rs 631.44 crore (16.73 per cent) were not considered in accounts as either these were not signed by the competent authority or were arithmetically wrong or did not have prior approval of Finance Department. Details are given in *Appendix-XIV*.

### 2.4. Rush of Expenditure

The financial rules require that Government funds should be evenly spent throughout the year. The rush of expenditure, particularly at the fag end of the financial year, is regarded as a breach of financial rules. Scrutiny revealed that Rs 2,631.35 crore i.e. 15 per cent of the total expenditure (Rs 17,626 crore) was incurred in March 2004. Expenditure on the last day of the year was Rs 298.90 crore. It was also noticed that in 14 cases, expenditure incurred during the fourth quarter of the year ranged between 53 and 100 per cent of

total expenditure under those Heads of Accounts. Expenditure incurred during March 2004 was 42.56 *per cent* of the total expenditure in these cases. Details are given in *Appendix-XV*.

## **2.5. Budgetary Control**

**2.5.1.** A review of budgetary procedure and control over expenditure in case of four grants (5-Education, 9-Food and Supplies, 17-Local Government, Housing and Urban Development, 19-Planning) covering 15 offices and 11 departments revealed that budget estimates for the year 2003-04 due as on 31<sup>st</sup> October 2002 were sent by the Administrative Departments to the Finance Department after delays ranging from 32 to 53 days.

The Departments were to maintain Liability Register to keep watch over the undischarged liabilities. It was noticed that no such register was maintained by the Drawing and Disbursing Officers operating the Grants. As a result, the Budget Estimates were prepared by the Controlling Officers without considering the liabilities of the Department.

**2.5.2.** In 12 cases (Education, Planning and Local Government, Housing and Urban Development), there were persistent savings exceeding Rs 10 lakh in each case and 20 *per cent* or more of the provision during the last three years. Details are given in *Appendix-XVI*. In six of the above cases, entire provision totalling Rs 40.46 crore remained unutilised.

**2.5.3** As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that in Local Government, Housing and Urban Development Department, expenditure of Rs 2.35 crore (Voted) was incurred in two cases as detailed in *Appendix-XVII* without any provision in the original estimates/supplementary demand and without any re-appropriation ordered to this effect.

**2.5.4.** A detailed scrutiny of the records of Director Public Instructions (Secondary) (Grant No.5) revealed the following irregularities:

- Budget Manual prescribes that while framing estimates for sanctioned staff whether permanent or temporary, no provision should be made for vacant posts. Funds should be obtained either by supplementary grants or by reappropriation whenever the vacant posts are filled up. Scrutiny revealed that in General Education Department (Major Head-2202), provision of Rs 25.83 crore for 1,762 vacant posts was made in contravention of the rules. This resulted in inflated budgetary provisions and consequent savings in the grant.

- In eight cases, provision of funds aggregating Rs 6.23 crore for the schemes awaiting sanction was made without prior approval of the competent authority. Non-implementation of schemes by State Government resulted in non-utilisation of funds. Details are given in *Appendix -XVIII*.

- In five cases, there were savings of Rs 7.84 crore due to non-release of funds by the State Government/Government of India. Details are given in *Appendix-XIX*.

- Head of Department is required to prepare Budget Estimates based on actual expenditure of the two years preceding the year just closed, the last six months of the previous year and first six months of the current year. It was noticed in audit that Budget Estimates of the Department were framed on the basis of expenditure for the preceding one year. Thus, prescribed norms for preparing the budget were flouted.
- In two cases in the Education Department, supplementary grants sanctioned proved entirely unnecessary in view of the savings under each head, as detailed in *Appendix-XX*. Supplementary grant obtained was either excessive or unnecessary. The reasons for non-utilisation of grants were stated to be non-release of funds by the Government.

#### **2.6. Retention of funds outside budgetary control of State Legislature**

Articles 266 and 283 of the Constitution of India provide that all receipts of the State should be credited to the Consolidated Fund of the State and withdrawal of money therefrom should be regulated by law made by the Legislature of the State. Accordingly, fees/cess levied through Acts of Legislature of the State and sale proceeds of Government land should be credited to the Consolidated Fund of the State.

Scrutiny of three funds revealed that during 2003-04, a total amount of Rs 260.30 crore was realised from the Funds 'Cattle Fair Fund' (Rs 3.73 crore), the Punjab Infrastructure Development Fund (Rs 161.49 crore) and the Punjab Infrastructure Fund (Rs 95.08 crore) on account of fee in cattle fair, cess on sale of petrol and agricultural produces and sale of land respectively. The receipts were directly credited to the Funds rather than into the Consolidated Fund of the State. This resulted in reduction in receipts deposited in the Consolidated Fund. Transfer of substantial money to various funds resulted in incurring of expenditure without budgetary control of the State Legislature. From 19 August 2002, the receipts under Cattle Fair Fund were deposited into the Saving Bank Account in the Bank; on this interest of Rs 7.85 lakh has been earned upto March 2004.

#### **2.7. Non-implementation of programmes for Animal Health**

The Government of India, Ministry of Agriculture, Department of Animal Husbandry and Dairying, New Delhi released funds to Punjab Government for implementation of certain programmes in the State through Department of Animal Husbandry. Scrutiny revealed that the following seven programmes/schemes could not be implemented in the State and the entire funds released by the Government remained unutilised upto 31 March 2004 due to late/non-receipt of administrative approval from the State Government.

<b>Sr. No.</b>	<b>Name of the scheme</b>	<b>Available unutilised funds (Rupees in lakh)</b>
1.	Assistance to State for Integrated Piggery Development (100 % GOI)	8.55
2.	Assistance to State for Control of animal diseases (75:25)	59.28
3.	Livestock Census (100% GOI)	104.39
4.	Modernisation/improvement of slaughter houses & establishment of Carcass Utilisation Centres	100.00
5.	Professional efficiency development-Strengthening of Punjab Veterinary Council (50:50)	12.00
6.	Centrally sponsored scheme-Integrated sample survey & cost of production of milk & egg (50:50)	14.85
7.	Conservation of threatened breeds of small ruminants, pigs, pack animals and equines	6.70
	<b>Total</b>	<b>305.77</b>

Non-implementation of various programmes resulted in savings under the Grants. Late receipt/non-receipt of administrative approval from State Government was stated to be the reasons for non-utilisation of funds (August 2004).

**2.8. Non-utilisation of Central funds under Pradhan Mantri Gramodaya Yojana (PMGY) – Rs 8.20 crore**

Pradhan Mantri Gramodaya Yojana (PMGY) was an initiative to expand outreach and coverage in the provisioning of basic minimum services in rural areas, with a view to improving the quality of lives that people lead. As per Government of India guidelines, scheme funds were to be utilised for strengthening Primary Health Care Institutions, and for repair and maintenance of the infrastructure in Sub-Centres, Primary Health Centres and Community Health Centres. For this purpose, the Planning Commission allocated additional central assistance to the States.

Scrutiny of records of Health and Family Welfare Department revealed that Government of India released Rs 16.45 crore during the years 2001-02 to 2003-04 under the above programme. Against this, an expenditure of Rs 8.25 crore was incurred and Rs 8.20 crore were not utilised owing to release of funds by the State Government at the fag end of the year and non-passing of bills by the Treasury Officer. Thus, the State Government failed to utilise the funds though available from the Government of India thereby defeating the very purpose and denial of intended benefits to the beneficiaries.

The matter was reported (May 2004) to the Government, reply is awaited (August 2004).