

CHAPTER II : ALLOCATIVE PRIORITIES AND APPROPRIATION

Introduction

2.1 In accordance with the provisions 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 certain 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 the Government *vis-a-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 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.

Summary of expenditure

2.2 The summarised position of actual expenditure during 2003-04 against 56 grants/appropriations is as follows:

Summary of Appropriation Accounts – 2003-2004

APPROPRIATION ACCOUNTS : 2003-04
Total number of grants : 56 Grants/Appropriations

Total provision and actual expenditure:

<i>(Rupees in crore)</i>			
Provision	Amount	Expenditure	Amount
Original	3219.39		2962.03
Supplementary	410.70		
Total gross provision	3630.09	Total gross expenditure	2962.03
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	185.01	<i>Deduct</i> -Actual recoveries in reduction of expenditure	135.62
Total net provision	3445.08	Total net expenditure	2826.41

Voted and Charged provision and expenditure:

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	2069.55	347.10	1826.51	337.56
Capital	1128.34	85.10	484.29	313.67
Total Gross	3197.89	432.20	2310.80	651.23
Deduct-recoveries in reduction of expenditure	185.01	-	135.62	-
Total : Net	3012.88	432.20	2175.18	651.23

Total provision and actual expenditure classified according to nature of expenditure:

(Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I.Revenue	1921.25	148.30	2069.55	1826.51	(-) 243.04
	II.Capital	867.07	249.12	1116.19	478.42	(-) 637.77
	III.Loans and Advances	11.88	0.27	12.15	5.87	(-) 6.28
Total Voted		2800.20	397.69	3197.89	2310.80	(-) 887.09
Charged	IV.Revenue	341.59	5.51	347.10	337.56	(-) 9.54
	V Capital	-	-	-	-	-
	VI.Public Debt	77.60	7.50	85.10	313.67	(+) 228.57
Total Charged		419.19	13.01	432.20	651.23	(+) 219.03
Appropriation to Contingent Fund (if any)		-	-	-	-	-
Grand Total		3219.39	410.70	3630.09	2962.03	(-) 668.06

Excess over provision relating to previous years requiring regularisation

2.3 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 of Rs. 673.40 crore for the years from 1987-88 to 1999-2000 has been regularised by State Legislature in May 2004. However, the excess expenditure amounting to Rs. 857.81 crore for the years from 2000-01 to 2003-2004 has not yet been regularised (September 2004).

(Rupees in crore)

Year	Number of grants	Number of Appropriation	Amount of excess	Amount for which explanations not furnished to PAC
2000-01	5	7	81.92	81.92
2001-02	10	4	275.57	275.57
2002-03	6	4	266.77	266.77
2003-04	2	3	233.55	233.55
Total				857.81

Fulfillment of Allocative Priorities

2.4 **Appropriation by Allocative Priorities:** The overall savings of Rs. 668.06 crore were the result of savings of Rs. 901.61 crore in 56 grants and appropriations, offset by excess of Rs. 233.55 crore in two grants and three appropriations. Out of overall savings of Rs. 668.06 crore, major savings of Rs. 508.76 crore (76 per cent) occurred in ten grants as mentioned below.

(Rupees in crore)

Grant No.	Grant			Actual expenditure	Saving
	Original	Supplementary	Total		
	Capital Voted				
14	Power Department				
	89.13	30.14	119.27	57.87	61.40
19	Tribal Welfare Department				
	43.00	26.05	69.05	46.88	22.17
20	Welfare of Scheduled Castes Department				
	17.77	12.78	30.55	16.27	14.28
21	Food and Civil Supplies Department				
	53.87	0.23	54.10	23.45	30.65
31	Rural Development Department				
	1.63	70.82	72.45	11.47	60.98
34	Planning and Coordination Department				
	103.89	-	103.89	2.91	100.98
40	Education (School) Department				
	31.19	3.31	34.50	17.14	17.36
43	Finance Department				
	177.41	0.63	178.04	6.52	171.52
52	Family Welfare and Preventive Medicine				
	6.36	9.55	15.91	3.01	12.91
	Revenue voted				
52	Family Welfare and Preventive Medicine				
	54.39	7.10	61.49	44.98	16.51
	Total				508.76

Reasons for final savings of the above ten grants have not been intimated by the departments (August 2004).

Areas in which major savings occurred in these ten grants are given in the **Appendix - I**.

Supplementary provision of Rs.125.99 crore made during the year in 39 cases proved unnecessary or excessive in view of aggregate savings of Rs. 541.47 crore in these cases as detailed in **Appendix – II**.

In 20 cases, against additional requirement of Rs.36.57 crore, supplementary grants of Rs. 210.00 crore were obtained resulting in savings of Rs.10 lakh and above in each case, aggregating Rs.173.43 crore. Details of these cases are given in **Appendix – III**.

The excess of Rs. 233.55 crore in 5 grants/appropriations require regularisation under Article 205 of the Constitution. Details of these are given in **Appendix – IV**.

In 55 cases, saving was more than Rs. 10 lakh and above in each case and also over 10 *per cent* of the total provision as indicated in **Appendix – V**.

In 18 cases, there were persistent savings in excess of Rs. 10 lakh in each case and 10 *per cent* of the total provision during last three years ending 2003-2004 as detailed in **Appendix – VI**.

In two cases, expenditure exceeded the approved provisions by more than Rs. 50 lakh and also by more than 10 *per cent* of the total provision. Details are given in **Appendix – VII**.

Excessive/unnecessary re-appropriation of funds

2.5 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. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs. 25 lakh in each case under 22 grants and appropriations are indicated in **Appendix – VIII**.

Expenditure without provision

2.6 As envisaged in the Budget Manual, expenditure should not be incurred on a scheme /service without provision of funds thereof. It was noticed that expenditure of Rs. 72.15 crore was incurred in seven cases under five grants/appropriations as detailed in **Appendix–IX**, although no budget provisions were made in the original estimates/supplementary demands, and no re-appropriation orders were issued.

Anticipated savings not surrendered

2.7 According to Financial 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 2003-04, there were 60 cases in which savings amounting to Rs. 453.33 crore had not been surrendered. In 45 cases out of 60, the available savings of Rs. 50 lakh and above for surrender in each case were not surrendered, which aggregated to Rs. 450.08 crore. Details are given in **Appendix – X**.

Surrender in excess of actual savings

2.8 The amount surrendered in excess of actual savings indicates inadequate budgetary control. As against the total amount of actual savings of Rs.33.77 crore in seven cases, the amount surrendered was Rs.53.71 crore, resulting in excess surrender of Rs. 19.94 crore. Details are given in **Appendix- XI**.

Trend of recoveries and credits

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

In seven grants/appropriations, the actual recoveries of Rs.135.62 crore (Revenue: Rs.101.15 crore; Capital: Rs.34.47 crore) against the estimated recoveries of Rs.185.01 crore (Revenue: Rs.140.00 crore; Capital: Rs.45.01 crore) were less by Rs. 49.39 crore. The details are given in **Appendix** to the Appropriation Accounts 2003-04.

Unreconciled expenditure

2.10 Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General (Accounts and Entitlement). Out of 61 Controlling Officers, two Controlling Officers (Secretary, General Administration and Secretary, Law Department) did not reconcile expenditure of Rs.21.21 lakh (General Administration: Rs.21.11 lakh; Law: Rs. 10,260) pertaining to the year 2003-04.

Rush of expenditure

2.11 The Financial Rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. In 12 cases, the expenditure in March 2004 was found to have been 20 *per cent* and above of the total expenditure for the year. Details are given in **Appendix – XII**.