

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 2004-05 against 56 grants/appropriations is as follows:

Summary of Appropriation Accounts – 2004-2005

APPROPRIATION ACCOUNTS : 2004-05
Total number of grants : 56 Grants/Appropriations

Total provision and actual expenditure:

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	3410.33		3193.88
Supplementary	353.28		
Total gross provision	3763.61	Total gross expenditure	3193.88
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	183.67	<i>Deduct</i> -Actual recoveries in reduction of expenditure	126.84
Total net provision	3579.94	Total net expenditure	3067.04

Voted and Charged provision and expenditure:

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	2133.84	358.90	1933.91	360.82
Capital	1180.86	90.01	653.29	245.86
Total Gross	3314.70	448.91	2587.20	606.68
<i>Deduct</i> -recoveries in reduction of expenditure	183.00	-	126.84	-
Total : Net	3131.70	448.91	2460.36	606.68

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	2035.09	98.75	2133.84	1933.91	(-) 199.93
	II.Capital	942.40	236.23	1178.63	651.24	(-) 527.39
	III.Loans and Advances	2.23	-	2.23	2.05	(-) 0.18
Total Voted		2979.72	334.98	3314.70	2587.20	(-) 727.50
Charged	IV.Revenue	340.61	18.29	358.90	360.82	(+) 1.92
	V. Capital	-	-	-	-	-
	VI.Public Debt	90.00	0.01	90.01	245.86	(+) 155.85
Total Charged		430.61	18.30	448.91	606.68	(+) 157.77
Appropriation to Contingent Fund (if any)		-	-	-	-	-
Grand Total		3410.33	353.28	3763.61	3193.88	(-) 569.73

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 amounting to Rs. 775.89 crore for the years from 2001-02 to 2003-04 has not been regularized so far (September 2005).

(Rupees in crore)

Year	Number of grants	Number of Appropriation	Amount of excess	Amount for which explanations not furnished to PAC
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	775.89

Fulfillment of Allocative Priorities

2.4 Appropriation by Allocative Priorities: The overall savings of Rs. 569.73 crore were the result of savings of Rs. 891.40 crore in 56 grants and appropriations, offset by excess of Rs. 321.67 crore in 11 grants and three

appropriations. Out of total savings of Rs. 891.40 crore, major savings of Rs. 635.27 crore (71 per cent) occurred in ten cases (nine grants) as mentioned below.

(Rupees in crore)

Grant No.	Grant			Actual expenditure	Saving
	Original	Supplementary	Total		
	Revenue - Voted				
13	PW (Roads and Bridges) Department				
	112.18	0.18	112.36	67.42	44.94
43	Finance Department				
	290.81	Nil	290.81	222.22	68.59
	Capital - Voted				
6	Revenue Department				
	7.44	34.86	42.30	7.53	34.77
14	Power Department				
	140.62	27.42	168.04	118.18	49.86
19	Tribal Welfare Department				
	68.95	48.78	117.73	55.03	62.70
20	Welfare of SC Department				
	26.23	13.01	39.24	15.48	23.76
21	Food and Civil Supplies Department				
	53.30	1.33	54.63	12.27	42.36
34	Planning and Co-ordination Department				
	18.95	25.00	43.95	12.20	31.75
42	Education (Sports and Youth Programme) Department				
	1.14	16.65	17.79	0.04	17.75
43	Finance Department				
	260.72	Nil	260.72	1.93	258.79
Total	980.34	167.23	1147.57	512.30	635.27

Reasons for final savings of the above ten cases (nine grants) have not been intimated by the departments (September 2005).

Areas in which major savings occurred in these ten cases (nine grants) are given in the **Appendix VIII**.

Supplementary provision of Rs.172.53 crore made during the year in 41 cases proved unnecessary or excessive in view of aggregate savings of Rs. 393.04 crore in these cases as detailed in **Appendix IX**.

In 12 cases, against additional requirement of Rs. 33.05 crore, supplementary grants of Rs. 125.86 crore were obtained resulting in savings of Rs.10 lakh and above in each case, aggregating Rs.92.80 crore. Details of these cases are given in **Appendix X**.

The excess of Rs. 321.67 crore in 11 grants and three appropriations during 2004-05 requires regularisation under Article 205 of the Constitution. Details of these are given in **Appendix XI**.

In 50 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 XII**.

In 15 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 2004-05 as detailed in **Appendix XIII**.

In four 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 XIV**.

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 34 grants and appropriations are indicated in **Appendix XV**.

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. 149.22 crore was incurred in four cases under three grants/appropriations as detailed in **Appendix XVI**, 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 2004-05, there were 59 cases in which savings amounting to Rs. 378.52 crore had not been surrendered. In 52 cases out of 59, the available savings of Rs. 50 lakh and above in each case were not surrendered. Details are given in **Appendix XVII**.

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.65.73 crore in six cases, the amount surrendered was Rs.101.43 crore, resulting in excess surrender of Rs. 35.70 crore. Details are given in **Appendix XVIII**.

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.126.84 crore (Revenue: Rs.112.10 crore; Capital: Rs.14.74 crore) were made against the estimated recoveries of Rs.183.67 crore (Revenue: Rs.161.67 crore; Capital:

Rs.22.00 crore) which were less by Rs. 56.83 crore. The details are given in **Appendix** to the Appropriation Accounts 2004-05.

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, Printing and Stationery and Secretary, Revenue Department) carried out partial reconciliation of expenditure amounting to Rs.635.73 lakh (Printing and Stationery: Rs. 12.83 lakh; Revenue: Rs. 622.90 lakh) pertaining to the year 2004-05.

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 35 cases, the expenditure in March 2005 was found to have been 20 *per cent* and above of the total expenditure for the year. Details are given in **Appendix XIX**.