

CHAPTER II: ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services *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.

2.2 Appropriation Accounts at a glance

The summarised position of expenditure during 2006-07 against 56 grants/appropriations are indicated in Table 2.1

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I. Revenue	2554.61	145.28	2699.89	2222.21	(-) 477.68
	II. Capital	1066.04	345.31	1411.35	731.46	(-) 679.89
	III. Loans and Advances	4.52	0.02	4.54	0.68	(-) 3.86
Total Voted		3625.17	490.61	4115.78	2954.35	(-) 1161.43
Charged	IV. Revenue	388.08	18.46	406.54	394.34	(-) 12.20
	V Capital	-	-	-	-	-
	VI. Public Debt	79.16	3.67	82.83	95.78	(+) 12.95
Total Charged		467.24	22.13	489.37	490.12	(+) 0.75
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		4092.41	512.74	4605.15	3444.47	(-) 1160.68

Note: The figures of actual expenditure are gross figures and include the amount of recoveries adjusted as reduction of expenditure under voted Revenue expenditure: Rs. 134.00 crore and Voted capital expenditure of Rs. 9.01 crore.

The total expenditure (Rs. 3444.47 crore) fell short of the provision (Rs. 4605.15 crore) by 25 *per cent* and was less than even the original provision (Rs. 4092.41 crore), rendering the supplementary provision of Rs. 512.74 crore unnecessary during the year 2006-07.

The major grants where the expenditure was less than the provision, pertained to the departments of Finance, Tribal Welfare, Education etc as discussed in para 2.4.1. Similarly, the major grants where the supplementary provisions proved to be unnecessary, in view of the expenditure being less than even the original provision pertained to the departments like Tribal Welfare, SC Welfare, Education (School), Health etc as discussed in para 2.4.2.

Table 2.2

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Total Net Provision	3011.22	3445.08	3579.94	4224.20	4420.15
Total Net Expenditure	2740.10	2826.41	3067.04	3301.42	3301.46
Savings	271.12	618.67	512.90	922.78	1118.69

Table 2.2 gives the time series data of the provision and expenditure during the last five years. It shows that the savings have been a persistent feature since 2002-03, which implies that there were bottlenecks in the programme implementation leading to inability to spend the funds allocated.

2.3 Excess over provision requiring regularisation

2.3.1 Excess over provision relating to previous year

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. 1112.14 crore for the years from 2001-02 to 2005-2006 had not yet been regularised (September 2007) as detailed in Table 2.3:

Table 2.3

(Rupees in crore)

Year	Number of grants	Number of Appropriations	Amount of excess expenditure	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
2004-05	12	3	321.67	321.67
2005-06	5	2	14.58	14.58
Total			1112.14	1112.14

Even the explanation for the excess expenditure had not been furnished to the Public Accounts Committee. Some major departments involved were: Finance, Education (School), Power, Science and Technology, Panchayati Raj etc.

2.3.2 Excess over provision relating to current year

The excess expenditure amounting to Rs. 14.85 crore that occurred in three grants and three appropriations during 2006-07 is required to be regularised by the Legislative Assembly under Article 205 of the Constitution. The details of these are given in **Appendix – 2.1**, which shows that the major departments involved were: Finance (Rs. 11.47 crore), Education (School): Rs. 1.82 crore, and Public Works (Rs. 1.52 crore).

2.4 Achievement of Allocative Priorities

2.4.1 Appropriation by Allocative Priorities: The overall net savings of Rs. 1160.68 crore were the result of savings of Rs. 1175.53 crore in 55 grants and appropriations, partly offset by excess of Rs. 14.85 crore in three grants and three appropriations. About 82 *per cent* (Rs. 965.16 crore) of the total savings of Rs. 1175.53 crore occurred in 12 grants / appropriations (Table 2.4), the highest being in the Finance Department (Rs. 331.40 crore), followed by the Tribal Welfare Department (Rs. 170.98 crore) and Education (School) Department (Rs. 140.19 crore).

Table 2.4

(Rupees in crore)

Grant No.	Grant			Actual expenditure	Saving
	Original	Supplementary	Total		
10	Home (Police) Department				
	330.37	9.68	340.05	306.57	33.48
13	Public Works (Roads and Bridges) Department				
	130.72	65.08	195.80	164.18	31.62
14	Power Department				
	90.64	4.13	94.77	72.42	22.35
15	Public Works (Water Resources) Department				
	30.88	17.55	48.43	36.62	11.81
16	Health and Family Welfare Department				
	70.72	13.43	84.15	53.75	30.40
19	Tribal Welfare Department				
	409.68	98.43	508.11	337.13	170.98
20	Welfare of SC Department				
	105.46	40.24	145.70	50.40	95.30
31	Rural Development Department				
	87.18	0.05	87.23	66.71	20.52
34	Planning and Co-ordination Department				
	58.50	0.00	58.50	13.47	45.03
35	Urban Development Department				
	61.80	1.75	63.55	31.47	32.08
40	Education (School) Department				
	492.37	70.22	562.59	422.40	140.19
43	Finance Department				
	621.15	0.00	621.15	289.75	331.40
Total	2489.47	320.56	2810.03	1844.87	965.16

While the administrative departments did not furnish (September 2007) explanations for the savings, **Appendix – 2.2** shows that these savings affected such areas as water supply and sanitation, programmes of rural and urban development, social security and welfare, medical and public health, welfare of scheduled castes and tribes and education etc.

2.4.2 Unnecessary Supplementary Provisions

(i) Supplementary provision of Rs. 234.34 crore made in 25 cases proved unnecessary or excessive, in view of the aggregate savings of Rs.545.85 crore as detailed in **Appendix –2.3**. The major departments where the savings were substantial, and much in excess of the supplementary provisions, were: Tribal Welfare, Welfare of Scheduled Castes, Health, Education (School), Urban Development and Rural Development.

(ii) In 14 cases, against the additional requirement of Rs. 91.12 crore, supplementary grants of Rs. 195.97 crore were obtained resulting in savings of Rs. 104.85 crore. (**Appendix–2.4**). The major departments where supplementary provisions were substantially higher than the requirement were: Public Works, Tribal Welfare and Revenue.

(iii) In 52 cases, the saving was more than Rs. 10 lakh in each case and also over 10 *per cent* of the total provision as shown in **Appendix – 2.5**.

(iv) In 12 cases, there were persistent savings in excess of Rs. 10 lakh in each case, ranging from 10 to 100 *per cent* of the budget provisions during the last three years ending 2006-07 (**Appendix – 2.6**). The major departments were Tribal Welfare, Welfare of Scheduled Castes, Urban Development, Public Works, Agriculture, Animal Resources Development, Industries and Jail.

(v) In three cases, expenditure exceeded the approved provisions by more than Rs. 50 lakh, ranging from 7 to 23 *per cent* of the provision, which indicated lack of budgetary and expenditure control. The details are given in Table 2.5, which show that the Finance Department accounted for most of this expenditure, reasons for which were not stated.

Table 2.5

(Rupees in crore)

Number and name of grant/appropriation	Total provision	Total expenditure	Excess	Percentage of excess expenditure to the total provision
Revenue - Voted				
42 – Education (Sports and Youth Programme) Department	16.67	18.48	1.81	11
Capital - Charged				
13 – Public Works (Roads and Bridges) Department	22.00	23.50	1.52	7
43 – Finance Department	50.73	62.20	11.47	23

2.5 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. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings over Rs. 50 lakh in each case are indicated in **Appendix – 2.7**, which shows that this happened in case of 28 grants and appropriations involving major departments like Public Works (Roads and Bridges), Power, Tribal Welfare, Education (School), Urban Development, Scheduled Castes Welfare and Finance.

2.6 Expenditure without budget provision

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. 39.41 crore was incurred in 11 cases under eight grants/appropriations, as detailed in **Appendix-2.8**, without any budget provision either in the original estimates or supplementary demands and even without any re-appropriation orders. The departments involved were; Tribal Welfare, Education (Higher), Home (Police), Public Works (Roads and Bridges), Rural Development, Industries and Finance.

2.7 Anticipated savings not surrendered

As per 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 2006-07, there were 58 cases in which savings amounting to Rs.424.80 crore (over 41 *per cent* of the total savings of Rs. 1027.16 crore) had not been surrendered. In 46 out of 58 cases, the savings not surrendered were of Rs.50 lakh and above. The details are given in **Appendix – 2.9**.

2.8 Surrender in excess of actual savings

The amount surrendered in excess of actual savings indicates inadequate budgetary control. As against the actual savings of Rs.10.94 crore in four cases, the amount surrendered was Rs.16.21 crore, resulting in excess surrender of Rs. 5.27 crore (**Appendix- 2.10**). The departments involved were; Tribal Rehabilitation; Science, Technology and Environment; Education (Social); and Horticulture. On the other hand, three departments *viz.*, Education (Social), Education (Sports and Youth) and Finance surrendered Rs. 10.89 crore but ended up incurring excess expenditure of Rs.13.29 crore, as detailed in Table 2.6.

Table 2.6*(Rupees in crore)*

Number and name of grant/appropriation	Total provision	Total expenditure	Excess expenditure	Amount surrendered
41-Education (Social) Department (Capital-Voted)	12.55	12.56	0.01	6.39
42-Education (Sports and Youth Programme) Department (Revenue-Voted)	16.67	18.48	1.81	1.33
43- Finance Department (Capital-Charged)	50.73	62.20	11.47	3.17
Total	79.95	93.24	13.29	10.89

2.9 Trend of recoveries and credits

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 estimates.

In five grants¹, the actual recoveries of Rs. 143.01 crore (Revenue: Rs. 134 crore; Capital: Rs.9.01 crore) fell short of the estimated recoveries of Rs 185 crore (Revenue: Rs. 165 crore; Capital: Rs. 20 crore) by Rs. 41.99 crore during 2006-07.

2.10 Unreconciled expenditure

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 60 Controlling Officers, only one *viz.*, Secretary, GA(P&T) carried out partial reconciliation, leaving Rs.0.37 crore unreconciled.

2.11 Rush of expenditure

Financial Rules require that Government expenditure be evenly phased throughout the year as far as practicable as rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. In 40 cases, the expenditure in March 2007 was 10 *per cent* or more of the total expenditure for the year (**Appendix 2.11**).

In some cases, the expenditure in March was in excess of 50 *per cent* of the expenditure during the year (Election; Revenue; Food, Civil Supplies, and Consumers Affairs; Fisheries; and Jail), while in case of Rural Development Department it was as high as 85 *per cent*.

MISCELLANEOUS DEPARTMENTS

2.12 Drawal of AC bills

AC bills were drawn by almost all the departments as a matter of routine without due regard to the Financial Rules. As against drawal of 1328 AC bills during 2006-07, only 64 were adjusted upto March 2007.

Financial rules require that AC bills should be drawn only when absolutely required and in cases where their drawal cannot be avoided, they should be adjusted by submitting DCC bills within 90 days² of the drawal of the AC bill.

¹ 13–Public Works (Roads and Buildings) Department (Rs. 31.52 crore); 15–Public Works (Water Resources) Department (Rs. 36.15 crore); 27–Agriculture Department (Rs. 9.01 crore); 31–Rural Development (Rs. 64.56 crore); 55–Public Works (Public Health Engineering) Department (Rs. 1.77 crore).

² Rule 26 of Delegation of Financial Power Rules, Tripura, 1994.

An analysis of the AC bills drawn during 2006-07 revealed that these were being drawn as a matter of routine, without due regard to their adjustment within the stipulated time of 90 days. At the end of 2006-07, Rs. 13.84 crore as detailed in **Appendix 2.12** remained unadjusted even after six to 11 months from the date of drawal.

Scrutiny revealed that 1328 AC bills were drawn during 2006-07, (upto September 2006) involving Rs. 15.59 crore, of which only 64 bills amounting to Rs. 1.76 crore had been settled as of March 2007. Some of the major departments that drew large number of AC bills involving huge amounts were: Home (Police) (63 bills amounting to Rs. 3.23 crore); Planning & Co-ordination (230 bills amounting to Rs. 1.04 crore); Relief & Rehabilitation (46 bills amounting to Rs. 7.26 crore) and Revenue Department (224 bills amounting to Rs. 1.43 crore).

Further, the AC bills drawn were booked as expenditure. In as much as the DCC bills pertaining to a substantial portion (88.71 *per cent*) remained outstanding, there was no certainty about the expenditure having been incurred and hence the correctness of the accounts was compromised by depicting the amounts drawn on AC bills as final expenditure. Besides, absence of control over the submission of DCC bills weakened the process of financial control, which could lead to financial malpractice, if not properly and adequately monitored.

It was also noticed that the DDOs were routinely violating the orders of the Government limiting the amount of an AC bill to a maximum of Rs. 50,000³. A number of DDOs had drawn large sums of money by splitting the amount into several bills. A few illustrative cases are given below:

Inspector of Schools, Kamalpur, drew Rs. 30 lakh on 120 AC bills of Rs. 25,000 each, for the same purpose (mid-day meal) on 11 August 2006. Additional SDM, Sadar, drew Rs. 66 lakh on 132 AC bills of Rs. 50,000 each for the same purpose (development work under Bidhayak Elaka Unnayan Prakalpa (BEUP)) on 20 May 2006.

The matter was reported to the Government in May 2007; reply had not been received (September 2007).

³ The limits vary from Rs. 15,000 to Rs. 50,000 depending upon the level of the authority.