

## 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 2007-08 against 56 Grants/Appropriations is 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	2791.89	194.57	2986.46	2550.51	(-) 435.95
	II. Capital	1332.31	354.14	1686.45	932.41	(-) 754.04
	III.Loans and Advances	4.14	-	4.14	0.30	(-) 3.84
<b>Total Voted</b>		<b>4128.34</b>	<b>548.71</b>	<b>4677.05</b>	<b>3483.22</b>	<b>(-) 1193.83</b>
Charged	IV. Revenue	396.46	0.44	396.90	415.11	(+) 18.21
	V Capital	-	-	-	-	-
	VI.Public Debt	98.94	18.12	117.06	116.93	(-) 0.13
<b>Total Charged</b>		<b>495.40</b>	<b>18.56</b>	<b>513.96</b>	<b>532.04</b>	<b>(+) 18.08</b>
Appropriation to Contingency Fund (if any)		-	-	-	-	-
<b>Grand Total</b>		<b>4623.74</b>	<b>567.27</b>	<b>5191.01</b>	<b>4015.26</b>	<b>(-) 1175.75</b>

The total expenditure (Rs. 4015.26 crore) fell short of the provision (Rs. 5191.01 crore) by 23 *per cent* and was less than even the original provision (Rs. 4623.74 crore), rendering the supplementary provision of Rs. 567.27 crore unnecessary and resulted in an overall savings of Rs. 1175.75 crore during the year 2007-08.

The major Grants where the expenditure was less than the provision, pertained to Finance, Tribal Welfare and Education departments 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 departments like Tribal Welfare, SC Welfare, Education (School), Health etc as discussed in para 2.4.2.

**Table 2.2**

*(Rupees in crore)*

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Net Provision	3445.08	3579.94	4224.20	4420.15	5001.01
Total Net Expenditure	2826.41	3067.04	3301.42	3301.46	3834.54
Savings	618.67	512.90	922.78	1118.69	1166.47

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 2003-04, which implies that there were bottlenecks in 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. 851.42 crore for the years from 2002-03 to 2006-2007 had not yet been regularised (September 2008) 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 Public Accounts Committee
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
2006-07	6	-	14.85	14.85
<b>Total</b>			<b>851.42</b>	<b>851.42</b>

Even the explanation for the excess expenditure had not been furnished to the Public Accounts Committee. Some of the major departments involved were Finance, Education (School), Education (Social), Public Works (Roads and Bridges) and Relief and Rehabilitation etc.

#### **2.3.2 Excess over provision relating to current year**

The excess expenditure amounting to Rs. 22.89 crore that occurred in three Grants and three Appropriations during 2007-08 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 show that the major departments involved were Finance (Rs. 9.12 crore), High Court (Rs. 12.19 crore) and Panchayati Raj (Rs. 1.33 crore).

### **2.4 Achievement of Allocative Priorities**

**2.4.1 Appropriation by Allocative Priorities:** The overall net savings of Rs. 1175.75 crore were the result of savings of Rs. 1198.64 crore in 55 Grants

and Appropriations, partly offset by excess of Rs. 22.89 crore in three Grants and three Appropriations. About 86 per cent (Rs. 1034.12 crore) of the total savings of Rs. 1198.64 crore occurred in 13 Grants / Appropriations (Table 2.4), the highest being the Finance Department (Rs. 281.24 crore), followed by the Tribal Welfare Department (Rs. 219.96 crore) and Planning and Coordination Department (Rs. 118.46 crore).

Table 2.4

(Rupees in crore)

Grant No.	Grant			Actual expenditure	Saving
	Original	Supplementary	Total		
10	Home (Police) Department				
	362.74	34.08	396.82	358.03	38.79
13	Public Works (Roads and Bridges) Department				
	431.38	75.56	506.94	450.16	56.78
14	Power Department				
	98.88	8.99	107.87	97.96	9.91
15	Public Works (Water Resources) Department				
	104.16	0.10	104.26	81.67	22.59
16	Health and Family Welfare Department				
	138.59	14.28	152.87	114.23	38.64
19	Tribal Welfare Department				
	488.99	149.11	638.10	418.14	219.96
20	Welfare of SC Department				
	221.39	57.57	278.96	174.01	104.95
31	Rural Development Department				
	102.81	3.54	106.35	74.22	32.13
34	Planning and Co-ordination Department				
	134.78	0.05	134.83	16.37	118.46
35	Urban Development Department				
	43.72	1.10	44.82	35.98	8.84
40	Education (School) Department				
	526.85	25.92	552.77	471.04	81.73
43	Finance Department				
	1078.88	17.39	1096.27	815.03	281.24
52	Family Welfare and Preventive Medicine				
	68.23	2.28	70.51	50.41	20.10
<b>Total</b>	<b>3801.40</b>	<b>389.97</b>	<b>4191.37</b>	<b>3157.25</b>	<b>1034.12</b>

While the administrative departments did not furnish (September 2008) explanations for the savings, **Appendix-2.2** shows that these savings affected areas such as Medical and Public Health, Education, Sports, Art and Culture, Administrative Services, Roads and Bridges etc.

#### 2.4.2 Unnecessary Supplementary Provisions

(i) Supplementary provision of Rs. 185.16 crore made in 33 cases proved unnecessary or excessive, in view of the aggregate savings of Rs.504.33 crore as detailed in **Appendix -2.3**. The major departments where the savings were substantial, and much in excess of the supplementary provisions, were Revenue, Tribal Welfare, Health, Agriculture and Welfare of SC and Education (School).

(ii) In 24 cases, against the additional requirement of Rs. 117.89 crore, supplementary grants of Rs. 305.14 crore were obtained resulting in savings of Rs. 187.26 crore (**Appendix-2.4**). The major departments where

supplementary provisions were substantially higher than the requirement were: Public Works, Tribal Welfare and Home (Police) etc.

(iii) In 54 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 9 cases, there were persistent savings in excess of Rs. 10 lakh in each case, ranging from 22 to 55 *per cent* of the budget provisions during the last three years ending 2007-08 (**Appendix – 2.6**). The major departments involved were Tribal Welfare, Welfare of Scheduled Castes, Urban Development, Public Works, Agriculture, Animal Resources Development, Treasuries and Jail.

(v) In three cases, expenditure exceeded the approved provisions by more than Rs. 50 lakh, ranging from two to 381 *per cent* of the provision, which indicated lack of budgetary and expenditure control (specially in Grant No. 48 – High Court). The details are given in Table 2.5, which shows that the High Court 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
<b>Revenue – Voted</b>				
23 – Panchayati Raj Department	66.27	67.60	1.33	2
<b>Revenue - Charged</b>				
43 – Finance Department	357.19	366.31	9.12	3
48 – High Court	3.20	15.39	12.19	381

### **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**. This happened in 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**

The Budget Manual envisaged that expenditure should not be incurred on a scheme/service without provision of funds thereof. However, expenditure of Rs. 6.65 crore was incurred in 16 cases under ten 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), Public Works (Roads and Bridges), Finance, Revenue, General Administration, Welfare of SC, Education (School) and Family Welfare and Preventive Medicine.

## 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 2007-08, there were 64 cases in which savings amounting to Rs.501.14 crore (over 56 *per cent* of the total savings of Rs. 897.56 crore) had not been surrendered. In 46 out of 64 cases, the savings not surrendered amounted to 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.293.94 crore in seven cases, the amount surrendered was Rs.319.78 crore, resulting in excess surrender of Rs. 25.84 crore (**Appendix- 2.10**). The departments involved were Urban Development, Labour Organization, Finance, Factories and Boilers, Power, Forest and Planning and Coordination.

## 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 grants<sup>1</sup>, the actual recoveries of Rs. 180.72 crore (Revenue: Rs. 171.99 crore; Capital: Rs.8.73 crore) fell short of the estimated recoveries of Rs. 190 crore (Revenue: Rs. 170 crore; Capital: Rs. 20 crore) by Rs. 9.28 crore during 2007-08 though in case of Revenue it was excess recovery by Rs. 1.99 crore.

## 2.10 Rush of expenditure

Financial Rules require that Government expenditure be evenly phased 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 44 cases, the expenditure in March 2008 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; Panchayati Raj; Rural Development; Education (School); while in case of Education (Higher) Department it was as high as 89 *per cent*.

<sup>1</sup> 13–Public Works (Roads and Bridges) 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).