

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATIONS

2.1 Introduction

Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of expenditure.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and whether 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 Summary of appropriation accounts

The summarised position of actual expenditure during 2007-08 against grants and appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving (-) Excess(+)
Voted	I. Revenue	54,374.42	1,272.11	55,646.53	51,388.16	(-) 4,258.37
	II. Capital	24,998.34	594.22	25,592.56	23,804.65	(-) 1,787.91
	III. Loans & advances	809.34	133.00	942.34	741.96	(-) 200.38
Total voted		80,182.10	1,999.33	82,181.43	75,934.77	(-) 6,246.66
Charged	IV. Revenue	14,720.60	0.52	14,721.12	14,762.24	(+) 41.12
	V. Capital	20.49	---	20.49	10.92	(-) 9.57
	VI. Public debt	15,592.49	---	15,592.49	5,368.87	(-) 10,223.62
Total charged		30,333.58	0.52	30,334.10	20,142.03	(-) 10,192.07
Grand Total		1,10,515.68	1,999.85	1,12,515.53	96,076.80	(-) 16,438.73

Note: - The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under voted revenue expenditure Rs 749.20 crore and capital expenditure Rs 6,865.20 crore and revenue expenditure (charged) Rs 177.98 crore.

The overall savings of Rs 16,438.73 crore as mentioned above were the net result of savings of Rs 20,294.38 crore in 165 cases of grants and appropriations (*Appendix-2.1*) offset by excess of Rs 3,855.65 crore in

37 cases of grants and appropriations (*Appendix-2.2*). The net savings of Rs 16,438.73 crore was more than eight times of the Supplementary Provision (Rs 1,999.85 crore). The details of savings/ excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations, which were, however, not received (October 2008).

2.3 Appropriation by allocative priorities

2.3.1 Grants where savings were of the order of Rs 700 crore and above

Grant No. 61 – Finance department (Debt services and other expenditure)

(Rupees in crore)

Capital (charged)		Total (original supplementary)	Actual expenditure	Saving
Original	14,065.71	14,065.71	4,361.69	9,704.02
Supplementary	Nil			

The entire saving was under the Head 6003- Internal Debt of the State Government-Repayment of Ways and Means Advances due to advances not taken from the RBI.

Grant No. 21 – Food and Civil Supplies department

(Rupees in crore)

Capital (Voted)		Total (original+supplementary)	Actual expenditure	Saving
Original	6,828.41	6,828.41	4,843.70	1,984.71
Supplementary	Nil			

Major savings were under the Head 4408-Capital Outlay on Food Storage and Warehousing-Food Supply Scheme (Rs 1,616.86 crore) and Khandsari sugar scheme (Rs 359.64 crore).

Grant No. 9 – Power department

(Rupees in crore)

Capital (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	6,280.82	6,288.53	4,739.91	1,548.62
Supplementary	7.71			

Major savings were under the Head 4801-Capital Outlay on Power Projects-Share Capital Investment to U.P. Electricity Corporation for special Project of APDRP (Rs 179.22 crore) and Investment in Share Capital of U.P. Power Corporation for rapid electrification of rural area (Rs 1,359.40 crore).

Grant No. 37 – Urban Development department

(Rupees in crore)

Revenue (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	2,201.06	2,206.27	993.84	1,212.43
Supplementary	5.21			

The saving (Rs 1,089.68 crore) was mainly under Major Head- 2217 Urban Development, reasons for which were not furnished by the Government.

Grant No. 71- Education department (Primary Education)

(Rupees in crore)

Revenue (voted)		Total (original + supplementary)	Actual expenditure	Saving
Original	8,853.44	9,289.74	8,520.63	769.11
Supplementary	436.30			

Major saving was under the Head 2202– General Education-Assistance to Headquarter of Basic Shiksha Parishad/ Regional Offices and Primary Schools and Aided Junior High School and K.G./ Nursery Schools (Rs 323.12 crore).

2.3.2 Savings exceeding Rs one crore in each case and also more than 10 per cent of total provision

Savings exceeded Rs one crore in each case and also were more than 10 per cent of total provision in 35 grants of revenue (voted) section, 22 grants of capital (voted) section and four grants each in revenue (charged) and capital (charged) sections. The total of such savings was Rs 18,282.01 crore (*Appendix-2.3*) which is 90 per cent of the total savings. This indicated that the budget estimates were unrealistic and had no correlation with the actual requirement.

2.3.3 Persistent savings

In four cases involving four grants, there were persistent savings of more than Rupees one crore in each case for the last four years, as under:

(Rupees in crore)

Sl. No	Grant number	Description of the grants/appropriation	Amount of savings with percentage in the brackets			
			2004-05	2005-06	2006-07	2007-08
		Revenue-voted				
1.	40	Planning Department	4.41 (10)	6.71 (12)	9.27 (15)	11.43 (11)
2.	49	Women and Child Welfare Department	62.64 (8)	37.33 (4)	200.47 (14)	116.12 (6)
		Capital-Voted				
3.	26	Home Department (Police)	108.80 (49)	135.55 (50)	157.87 (50)	46.18 (21)
4.	61	Finance Department (Debt services and Other Expenditure)	38.61 (67)	25.97 (20)	138.40 (45)	149.72 (53)

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, the excess expenditure amounting to Rs 35,906.67 crore for the years 1990-91 to 2006-07 had not been regularised so far (October 2008). This was a breach of legislative control over appropriations. The details are given in *Appendix-2.4*

Excess over provision during 2007-08 requiring regularisation

Out of overall excess of Rs 3,855.65 crore under 37 grants and appropriations during the year, excess of Rs 245 crore was due to clearance of Departmental Adjusting Account (Rs 25.38 crore) and recouplement of Rs 219.62 crore to the Contingency Fund drawn during the years 1987-2000. The net excess of Rs 3,610.65 crore requires regularisation under Article 205 of the Constitution. Details are given in *Appendix-2.2*

2.3.5 Original budget and supplementary provision

Supplementary provision (Rs 1,999.85 crore) made during this year constituted about two *per cent* of the original provision (Rs 1,10,515.68 crore) as against 5 *per cent* in the previous year. Despite lesser supplementary grants during the year, the overall savings increased from Rs 14,580.03 crore (2006-07) to Rs 20,294.38 crore.

2.3.6 Unnecessary supplementary provision

Supplementary provision amounting to Rs 1,081.78 crore in 40 cases during the year proved unnecessary as the expenditure in these cases fell short of even the original grant and the savings had to be either surrendered or re-appropriated. Such savings (Rs 5,339.65 crore) formed almost 26 *per cent* of the total savings. The details are available in *Appendix-2.5*.

2.3.7 Inadequate supplementary grants to cover excess expenditure

In eight cases, there was overall excess expenditure of Rs 507.34 crore as the supplementary grants of Rs 292.04 crore proved inadequate. In 29 other cases, no demand for supplementary grants was anticipated which resulted in uncovered excess expenditure of Rs 3,348.31 crore. This indicated failure of the departments to assess the requirements of additional funds and also the inadequacy of the system of monitoring over the expenditure (*Appendix-2.6*).

2.3.8 Persistent excesses

Significant excesses persisted under Public Works Department (Buildings) Grant No. 55 – Capital (Voted). These ranged from 448 to 1,691 *per cent* during the last six years as detailed below. Persistent excesses indicated lack of budgetary control and required an investigation by the Government.

(Rupees in crore)

Year	Allotment	Expenditure	Excess (Per cent)
2002-03	13.41	151.57	1,030
2003-04	26.19	170.57	551
2004-05	29.53	161.70	448
2005-06	20.64	198.34	861
2006-07	24.56	439.83	1,691
2007-08	45.55	722.19	1,485

2.3.9 Anticipated savings not surrendered

According to the Budget Manual, the 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 2007-08, there were 57 cases in which savings above Rupees one crore in each case aggregating Rs 6,317.13 crore were not surrendered. In 17 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs 793.25 crore. Details are given in *Appendix -2.7*.

Besides, in nine cases, Rs 565.76 crore were surrendered in March 2008 indicating inadequate financial control over expenditure. Details are given in *Appendix-2.8*.

2.3.10 Injudicious surrender

In the following cases, injudicious and unrealistic surrender of funds was made in eight grants in March 2008 in spite of the expenditure being in excess of the total provision.

(Rs in crore)

Number and name of grants	Expenditure in excess of the provision	Amount surrendered in March 2008
Revenue-Voted		
2- Housing Department	0.81	2.89
6 - Industries Department (Handloom Industry)	18.42	7.48
43 - Transport Department	3.01	2.55
58 - Public Works Department (Communications- Roads)	26.89	26.22
Capital-Voted		
1- Excise Department	0.97	0.13
13 - Agriculture and Other Allied Departments (Rural Development)	40.46	0.93
25 - Home Department (Jails)	5.42	7.66
58- Public Works Department (Communications-Roads)	1,445.63	23.48
73- Education Department (Higher Education)	7.48	2.33

2.3.11 Surrender more than the available savings

In the following cases, surrenders were more than savings. The surrender of funds made in 18 grants in excess of the anticipated savings reflected poor monitoring and control over expenditure by the Controlling Officers. The resultant excess would require regularisation.

(Rupees in crore)

Number and name of grants	Savings	Surrenders
Revenue-Voted		
8 - Industries department (Printing and Stationery)	5.75	5.77
11- Agriculture and other Allied Departments (Agriculture)	83.59	110.23
17- Agriculture and other Allied Departments (Fisheries)	24.48	24.53
18 - Agriculture and other Allied Departments (Co-operative)	26.87	27.40
37- Urban Development Department	1,212.43	1,237.75
38- Civil Aviation Department	4.03	4.13
39 - Language Department	0.72	1.18
41- Election Department	0.71	3.24
42- Judicial Department	84.75	85.41
44 - Tourism Department	1.61	1.92
59 - Public Works Department (Estate Directorate)	5.20	5.30
61 - Finance Department (Debt Services and other Expenditure)	135.35	146.70
67 - Legislative Council Secretariat	4.07	4.11
68 - Legislative Assembly Secretariat	14.27	14.30
73- Education Department (Higher Education)	9.11	26.71
78- Secretariat Administration Department	37.04	40.37
80- Social Welfare Department (Social Welfare and Welfare of Scheduled Castes)	95.86	135.28
89- Institutional Finance Department (Trade-Tax)	14.02	16.37
Capital-Voted		
11- Agriculture and other Allied Departments (Agriculture)	54.91	57.52
18 - Agriculture and other Allied departments (Co-operative)	2.97	3.61
37- Urban Development department	14.04	15.18
42- Judicial Department	19.50	21.20
44 - Tourism Department	17.45	29.94
89- Institutional Finance Department (Trade-Tax)	1.77	4.52
Capital-Charged		
61 - Finance Department (Debt services and other expenditure)	9,704.02	9,706.29

2.4 Unreconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The number of Controlling Officers who did not reconcile the expenditure figures during the last three years was as under:-

(Rupees in crore)

Year	Number of controlling officers who did not reconcile the expenditure figures	Amounts not reconciled
2005-06	48	16,816.78
2006-07	37	12,127.16
2007-08	21	3,512.08

During 2007-08, out of 172 Controlling Officers, 21 Controlling Officers did not reconcile their figures of expenditure aggregating Rs 3,512.08 crore (4 per cent of the total expenditure).

2.5 Rush of expenditure

Financial rules provide that expenditure should be evenly distributed throughout the year and rush of expenditure in the closing month of the financial year should be avoided. It was, however, observed that the expenditure in March 2008 under 20 heads of account ranged between 51 *per cent* to 100 *per cent* of the total expenditure. Details are given in *Appendix-2.9*.