

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

APPROPRIATION ACCOUNTS 2004-05 AT A GLANCE

Total number of grants/ appropriations: 29

Total provision and expenditure

Table No. 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	7865.40		
Supplementary	497.11		
Total gross provision	8362.51	Total gross expenditure	7807.22
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	816.00	<i>Deduct</i> -Actual recoveries in reduction of expenditure	579.71
Total net provision	7546.51	Total net expenditure	7227.51

Voted and Charged provision and expenditure

Table No. 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	5266.87	892.78	4087.76	952.18
Capital	1630.26	572.60	1886.03	881.25
Total gross	6897.13	1465.38	5973.79	1833.43
<i>Deduct</i> - recoveries in reduction of expenditure	816.00	---	579.71	---
Total net:	6081.13	1465.38	5394.08	1833.43

2.1 Introduction

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 in respect of both charged as well as voted items of the budget.

The objective of Appropriation Audit is to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-05 against 29 grants/appropriations was as follows:

Table No. 2.3

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving(-) Excess(+)
Voted	I-Revenue	4971.25	295.62	5266.87	4087.76	(-)1179.11
	II-Capital	1247.91	162.72	1410.63	1704.75	(+)294.12
	III-Loans and Advances	181.30	38.33	219.63	181.27	(-)38.36
Total Voted		6400.46	496.67	6897.13	5973.78	(-)923.35
Charged	IV-Revenue	892.34	0.44	892.78	952.18	(+)59.40
	V-Capital	1.50	-	1.50	6.76	(+)5.26
	VI-Public Debt	571.10	-	571.10	874.50*	(+)303.40
Total Charged		1464.94	0.44	1465.38	1833.44	(+)368.06
Grand Total		7865.40	497.11	8362.51	7807.22	(-)555.29

* Includes Rs. 759.71 crore and Rs. 127.72 crore on account of repayment of Shortfall/Overdrafts and Wages and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs. 7,865.40 crore, supplementary grants and appropriations of Rs. 497.11 crore were obtained during 2004-05. There was net saving of Rs. 555.29 crore which was the result of overall savings of Rs. 1,217.47 crore partly offset by excess of Rs. 662.18 crore. Substantial excesses/savings reflect the failure of the departments to assess their requirement of funds realistically as also the inadequacy of the monitoring system resulting in funds not being surrendered/supplementary provision not being made.

Rs. 16.23 crore drawn under 7 Major Heads from the State Contingency Fund between 1 April 2004 and 31 March 2005 remained unrecouped at the end of the year.

2.3 Fulfillment of Allocative Priorities

Savings/excesses in grants/appropriations

2.3.1 Net savings of Rs. 555.29 crore was the result of savings in 52 cases (*Appendix 2.1*) and excesses in 18 cases (*Appendix 2.2*) as shown below:

* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz Revenue expenditure Rs. 4.03 crore, Capital expenditure Rs. 575.68 crore.

Table No.2.4

	Savings		Excesses		Net savings(-)/ excess(+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	Voted	1179.11 (In 27 grants)	322.16 (In 18 grants)	---	577.92 (In 5 grants)	(-)1179.11
Charged Appropriations	6.87 (In 7 appropriations)	---	66.27 (In 9 appropriations)	308.66 (In 4 appropriations)	(+)59.40	(+)308.66

Appropriation by Allocative Priorities

2.3.2 Out of overall saving of Rs. 1,508 crore, major savings of Rs. 1,110 crore (74 per cent) occurred in nine grants (in ten cases) as mentioned below:

Table No. 2.5

Sl. No.	Grants No.	Original	Supplementary	Total	Actual expenditure	Saving
A-Revenue-Voted						
1.	7-Finance, Tax, Planning, Secretarial & Miscellaneous Services	1123.44	50.98	1174.42	716.07	458.35
2.	10. Police and Jail	303.09	0.63	303.72	231.88	71.84
3.	11. Education, Sports & Youth Welfare & Culture	1226.22	46.99	1273.21	1126.78	146.43
4.	13. Water Supply, Housing & Urban Development	288.14	145.05	433.19	352.60	80.59
5.	15. Welfare Schemes	221.19	2.46	223.65	147.22	76.43
6.	19. Rural Development	225.61	---	225.61	182.46	43.15
7.	21. Energy	118.01	---	118.01	77.05	40.96
8.	22. Public Works	191.97	---	191.97	151.36	40.61
Total		3697.67	246.11	3943.78	2985.42	958.36
B-Capital-Voted						
9.	6. Revenue and General Administration	139.26	1.00	140.26	55.07	85.19
10.	21. Energy	355.90	---	355.90	289.73	66.17
Total		495.16	1.00	496.16	344.80	151.36
Grand Total		4192.83	247.11	4439.94	3330.22	1109.72

Areas in which major saving occurred in eight of the above nine grants are indicated in **Appendix 2.3**.

Reasons for savings were not intimated by most of the Departments.

2.3.3 In 24 out of 29 grants/appropriations the expenditure fell short by more than Rs. one crore and also by more than 10 per cent of the provision. Details are indicated in **Appendix 2.4**. This indicated that requirements of funds had not been assessed correctly and that inflated demands for funds were placed by Controlling Officers for inclusion in the budget estimates.

Excess expenditure over provision relating to previous years requiring regularisation

2.3.4 As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Excess expenditure amounting to Rs. 3,642.63 crore for the years 2001-02 to 2003-04 as detailed below was yet to be regularized (November 2005) by the State Legislature.

Table No. 2.6

(Rupees in crore)

Year	No. of grants/ appropriations	Grants/Appropriation No(s)	Amount of excess
2001-2002	4	7,15,20,25	1299.64
2002-2003	13	7,10,12,14,15,16,17,19,20,22,24 25,26	1843.46
2003-2004	12	3,5,6,7,9,11,12,15,16,17,18,25	499.53
Total			3642.63

Possibility of financial irregularities remaining unexamined due to failure and long delays in furnishing explanations of unregularised excess expenditure cannot be ruled out.

Excess over provision during 2004-05 requiring regularisation

2.3.5 During 2004-05 there was a total excess of Rs. 66.27 crore in the Revenue section in nine appropriations while the excesses in the Capital section amounted to Rs. 577.92 crore in five grants and Rs. 308.66 crore in four appropriations. These excesses (details given below) require regularization under Article 205 of the Constitution of India.

Table No. 2.7

(in Rupees)

Sl. No.	Grant/ Appropriation No.	Name of Grant/ Appropriation	Total Grant/ Appropriation	Actual Expenditure	Amount of excess
Revenue-Charged					
1.	5	ELECTION	0	1005750	1005750
2.	6	REVENUE & GENERAL ADMINISTRATION	7963000	8401601	438601
3.	7	FINANCE, TAXES, PLANNING, SECRETARIAT & MISCELLANEOUS SERVICES	8745144000	9405877024	660733024
4.	12	MEDICAL, HEALTH & FAMILY WELFARE	0	16591	16591
5.	13	WATER SUPPLY, HOUSING & URBAN DEVELOPMENT	0	39161	39161
6.	14	INFORMATION	0	12058	12058
7.	15	WELFARE SCHEMES	0	500	500
8.	17	AGRICULTURAL WORK & RESEARCH	0	470281	470281
9.	20	IRRIGATION AND FLOOD CONTROL	0	4913	4913
Total			8753107000	9415827879	662720879
Capital-Voted					
10.	17	AGRICULTURAL WORK & RESEARCH	435900000	460135214	24235214
11.	20	IRRIGATION AND FLOOD CONTROL	1195297000	1602333998	407036998

12.	22	PUBLIC WORKS	3088954000	3475034619	386080619
13.	25	FOOD	5901000	4935611849	4929710849
14.	29	HORTICULTURE DEVELOPMENT	1000	32220299	32219299
		Total	4726053000	10505335979	5779282979
		Capital-Charged			
15.	4	JUDICIAL ADMINISTRATION	0	20312000	20312000
16.	6	REVENUE & GENERAL ADMINISTRATION	0	8359000	8359000
17.	7	FINANCE, TAXES, PLANNING, SECRETARIAT & MISCELLANEOUS SERVICES	5711012000	8750077693	3039065693
18.	19	RURAL DEVELOPMENT	0	18806437	18806437
		Total	5711012000	8797555130	3086543130
		Grand Total	19190172000	28718718988	9528546988

Reasons for most of the excesses had not been furnished by the Government (November 2005)

Original Budget and Supplementary Provision

2.3.6 The overall supplementary grants and appropriations obtained during 2004-05 constituted 6.32 *per cent* of the original grants and appropriations.

Unnecessary Supplementary Provision

2.3.7 Supplementary provision of Rs. 158.10 crore obtained in 23 cases during 2004-05 proved entirely unnecessary since the savings in these grants/appropriations amounting to Rs. 1,175.11 crore were more than the supplementary provision in each case as detailed in **Appendix 2.5**.

Persistent savings

2.3.8 Expenditure was persistently less than the total provision by 10 *per cent* or more in 24 cases during 2002-2005. Relevant details are indicated in **Appendix-2.6**.

Surrender of funds

2.3.9 Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excesses under some other units. No savings should be held in reserve for possible future excesses.

It was, however, noticed that in 27 cases against the available savings of Rs. 1,100.29 crore (savings of Rs. one crore and above in each case), savings aggregating Rs. 729.22 crore were either not fully surrendered or not surrendered at all. In 11 cases, the amount surrendered exceeded the overall savings by Rs. 21.41 crore. Further in case of three grants Rs. 13.83 crore were surrendered although expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are indicated in **Appendix-2.7**.

Expenditure without provision

2.3.10 The Budget Manual provides that for having control over expenditure, a Disbursing Officer, before incurring any expenditure must ensure that the conditions preliminary to the incurring of expenditure are satisfied, namely, the sanction of the competent authority exists and that the funds to cover the charge fully have been placed at his disposal. It was noticed that expenditure of Rs. 603.18 crore was incurred in 13 cases without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued. In case of Major Head of Account 4408 (Grant No. 25 Food) this amount was Rs. 492.98 crore which indicates gross violation of financial rules in incurring the expenditure (**Appendix 2.8**).

These instances were indicative of ineffective monitoring and control over expenditure.

Trend of recoveries

2.3.11 Scrutiny of the account for 2004-05 revealed that while no recoveries were included in the budget estimates in the revenue section, actual recoveries were Rs. 4.03 crore. In the Capital section, against the budget estimates of Rs. 816.00 crore, actual recoveries and adjustments were Rs. 575.68 crore. Thus recoveries in reduction of expenditure were underestimated by Rs. 4.03 crore in the revenue sections and overestimated by Rs. 240.32 crore in the Capital section (**Appendix 2.9**).

Some of the important cases where there were wide variations from the estimates are detailed below:

Table No. 2.8

(Rupees in crore)

Sl. No.	Grant number and name	Estimate of recoveries	Actual recoveries	Shortfalls (-) Excess (+)
1.	17-Agricultural Work and Research	3.00	7.00	(+)4.00
2.	20-Irrigation and Flood Control	-	51.90	(+)51.90
3.	22-Public Works	-	45.39	(+)45.39
4.	25-Food	813.00	474.96	(-)338.04

Unwarranted drawal of Rs. 16.23 crore from State Contingency Fund

2.3.12 The Contingency Fund of the State of Uttaranchal was created with a corpus of Rs. 30 crore in the year 2002-03. A sum of Rs. 55 crore was further appropriated during 2003-04. The amount available in the contingency fund stood at Rs. 85 crore during 2004-05. Advances from the fund were to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which till authorization by the Legislature would have been undesirable.

A sum of Rs. 16.23 crore had been drawn from the fund under seven major heads without any immediate necessity or requirement as there were already

substantial savings of Rs. 196.85 crore under these major heads as detailed below:

Table No. 2.9

Major Head	(Rupees in crore)	
	Savings	Drawal from SCF
2029-Land revenue	10.73	0.01
2055-Police	68.97	0.08
2210- Medical and Public Health	55.16	0.01
4210- Capital Outlay on Medical and Public Health	20.54	0.80
2515-Other Rural Development Programme	36.61	11.60
5053-Capital outlay on Civil Aviation	0.57	3.71
2403-Animal Husbandry	4.27	0.02
Total	196.85	16.23

Reconciliation of Departmental figures

2.3.13 The reconciliation of departmental figures with the figures booked in the office of the Accountant General should be carried out every month by the head of the departments to ensure that the departmental accounts are sufficiently accurate to secure the accuracy of the accounts maintained in the Accountant General's office from which the final published accounts are compiled and to detect any fraud or defalcation.

Despite reporting the delay in reconciliation to the Government periodically, 24 controlling officers had not reconciled the expenditure at all and 10 controlling officers had only partially reconciled the expenditure during the year 2004-05.