

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

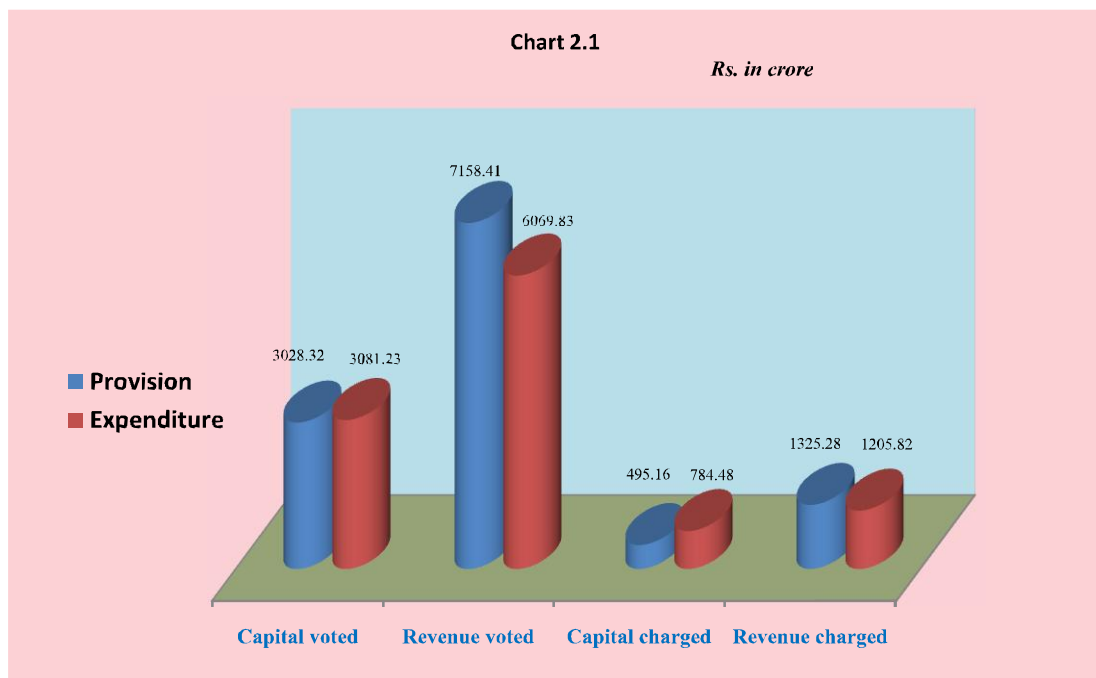
2.1 Introduction

Under the provisions of Article 204 of the Constitution of India, an Appropriation Bill is introduced every year soon after the demand for grants is made by the State Legislature. The Bill when passed by the State Legislature contains the authority to appropriate sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by the Legislature through Appropriation Acts under Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants and also expenditure which is charged on the Consolidated Fund of the State. Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services *vis-à-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 2007-08 against 31 Grants/Appropriations was as follows:

Table -2.1

(Rupees in crore)

		Original Grant/ Appropriation	Supplementary ¹ Grant/appropriation	Total	Actual expenditure ²	Saving(-) Excess(+)
Voted	I-Revenue	6784.30	374.11	7158.41	6069.83	(-) 1088.58
	II-Capital	2377.37	388.07	2765.44	2868.69	(+) 103.25
	III-Loans and Advances	183.12	79.76	262.88	212.54	(-) 50.34
Total Voted		9344.79	841.94	10186.73	9151.06	(-) 1035.67
Charged	IV-Revenue	1288.28	37.00	1325.28	1205.82	(-) 119.46
	V-Capital	--	--	--	(-) 0.16	(-) 0.16
	VI-Public Debt	495.16	--	495.16	784.64*	(+) 289.48
Total Charged		1783.44	37.00	1820.44	1990.30	(+) 169.86
Grand Total		11128.23	878.94	12007.17	11141.36	(-) 865.81

* Includes Rs.511.94 crore on account of repayment of Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs. 11,128.23 crore, supplementary grants and appropriations of Rs. 878.94 crore were obtained during 2007-08. The total of the supplementary grants and appropriations obtained during 2007-08 constituted 7.9 per cent of the original grants and appropriations. Net savings of Rs. 865.81 crore was the result of savings of Rs.1,599.60 crore in 57 cases (*Appendix-2.1*) and excesses of Rs.733.79 crore in seven cases (*Table-2.5*) as shown below:

Table-2.2

(Rupees in crore)

	Savings		Excesses		Net savings(-)/ Excess(+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	1096.89 (in 28 Grants)	383.08 (in 21 Grants)	8.31 (in one Grant)	435.99 (in four Grants)	(-) 1088.58	(+) 52.91
Charged Appropriations	119.47 (in seven appropriations)	0.16 (in one appropriation)	0.01 (in one appropriation)	289.48 (in one appropriation)	(-) 119.46	(+) 289.32

Rupees 0.72 crore drawn under three Major Heads covered under three Grants³ from the State Contingency Fund between 1 April 2007 and 31 March 2008 remained unrecouped at the end of the year.

2.3 Fulfilment of Allocative Priorities

2.3.1. Savings in grants/appropriations

2.3.1.1 Budget Manual provides for the preparation of preliminary statements of anticipated excesses and savings by each controlling officer for submission to administrative departments so as to reach the Finance

¹ When Budgetary allocation appear short of requirement, the Government obtain, supplementary grants from the Legislature.

² These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz Revenue expenditure Rs. 21.08 crore, Capital expenditure Rs. 633.71 crore.

³ Grant Nos 6, 15 and 28.

Department by November every year in order to prepare revised estimates (REs) and to avoid savings and excesses that may occur at the end of year. However, there was saving of Rs. 1,016.11 crore (64 per cent of overall savings) under seven grants/appropriations as shown below:

Table-2.3

(Rupees in crore)

Sl. No	Grant / Appropriation No.	Original	Supplementary	Total	Actual expenditure	Savings
A-Revenue-Voted						
1.	7.Finance, Tax, Planning, Secretariat & Miscellaneous Services	1153.47	60.18	1213.65	1107.49	106.16
2.	11. Education, Sports, Youth Welfare & Culture	1620.36	98.56	1718.92	1550.91	168.01
3.	12. Medical, Health & Family Welfare	361.74	24.89	386.63	300.30	86.33
4.	13. Water Supply, Housing & Urban Development	452.77	20.09	472.86	404.41	68.45
5.	19. Rural Development	296.00	13.84	309.84	260.21	49.63
6.	30. Welfare of Scheduled Castes	439.10	23.80	462.90	226.86	236.04
Total		4323.44	241.36	4564.80	3850.18	714.62
B-Revenue-Charged						
7.	7.Finance, Tax, Planning, Secretariat & Miscellaneous Services	1262.42	37.00	1299.42	1190.63	108.79
Total		1262.42	37.00	1299.42	1190.63	108.79
C-Capital-Voted						
8.	12. Medical, Health & Family Welfare	152.29	68.64	220.93	153.93	67.00
9.	24. Transport	64.47	28.50	92.97	33.39	59.58
10.	30. Welfare of Scheduled Castes	207.11	22.58	229.69	163.57	66.12
Total		423.87	119.72	543.59	350.89	192.70
Grand Total		6009.73	398.08	6407.81	5391.70	1016.11

Areas in which major savings occurred in the above seven grants/appropriation are indicated in *Appendix-2.2*. In grants no. 24, 30 and 12 in which savings accounted for Rs. 59.58 crore (64 per cent), Rs. 236.04 crore (51 per cent), Rs. 67.00 crore (30 per cent), and Rs.66.12 crore (29 per cent) respectively of the total budget provision. Of these three grants, savings under two grants were due to under-utilisation of central plan funds for Welfare of Schedule Castes (Rs. 47.56 crore); and Medical, Health and Family Welfare (Rs. 9.95 crore). There was a trend of persistent savings over the last two to three years under these heads.

2.3.1.2 Non-utilization of Entire Provision

In 42 provisions under 14 grants where savings exceeded Rs. 1 crore, the entire amount of Rs. 304.12 crore remained unutilised. Details are given in *Appendix-2.3*.

In 24 out of 31 grants/appropriations, the expenditure fell short by more than Rs. one crore and the saving was more than 10 per cent of the provision. Details are given in *Appendix-2.4*.

2.3.1.3 Unnecessary Supplementary Provision

Supplementary provision of Rs. 475.37 crore obtained in 32 cases proved unnecessary since the savings in these grants/appropriations amounting to Rs. 1,421.12 crore were more than the supplementary provision in each case as detailed in *Appendix-2.5*.

2.3.1.4 Persistent savings

Expenditure fell short of the total provision by five *per cent* or more every year during the period 2003-04 to 2007-08 in 29 cases. Relevant details are given in *Appendix-2.6*.

2.3.1.5 Surrender of funds

Spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. In 29 cases against the available savings of Rs. 1,305.87 crore (savings of Rs. one crore and above in each case), savings aggregating Rs. 627.94 crore were either not fully surrendered or not surrendered at all. In 11 cases, the amount surrendered exceeded the overall savings by Rs.158.96 crore. In respect of three grants, Rs. 88.86 crore was surrendered although the expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are given in *Appendix-2.7*.

2.3.2 Excess expenditure

2.3.2.1 Excess expenditure over provision relating to previous years requiring authorisation of the State Legislature

As per Article 205 of the Constitution of India, it is mandatory for a State Government, to obtain the authorisation of the State Legislature for amounts spent in excess of a grant/appropriation. Excess expenditure amounting to Rs. 4,895.26 crore for the years 2002-03 to 2006-07 as detailed below was yet to be regularised (October 2008) by the State Legislature.

Table-2.4

(Rupees in crore)

Year	No. of grants/ appropriations	Grants/Appropriation No(s)	Amount of excess
2002-2003	13	7,10,12,14,15,16,17,19,20,22,24,25&26	1,843.46
2003-2004	12	3,5,6,7,9,11,12,15,16,17,18&25	499.53
2004-2005	14	4,5,6,7,12,13,14,15,17,19,20,22,25&29	952.85
2005-2006	7	7,8,17,20,22,25 & 29	663.50
2006-2007	6	7,17,20,22,25 & 29	935.92
Total			4,895.26

The possibility of financial irregularities remaining unexamined due to failure or long delays in furnishing explanations of excess expenditure cannot be ruled out.

2.3.2.2 Excess expenditure over provision during 2007-2008 requiring authorisation of the State Legislature

Budget Manual provides that no expenditure should be incurred on a scheme or service without provision of funds. In order to keep a watch on expenditure, it has been laid down that each disbursing officer will maintain a register of allotment and expenditure to watch progress against each head of account. He is also required to ensure, before incurring any expenditure, that funds to cover the charge fully have been placed at his disposal. The Accountant General issues warning slips every month of any appreciable excess in the proportionate outlay -grant wise/ Major head wise for the Executive to take suitable action for reconciliation, re-appropriation or request for supplementary grants.

There was a total excess of Rs. 0.01 crore in Revenue Charged section in one appropriation and Rs. 8.31 crore in Revenue Voted section in one grant and Rs. 289.48 crore in Capital-Charged section in one appropriation while the excesses in the Capital-Voted section amounted to Rs. 435.99 crore in four grants.

Table-2.5

(Rupees in crore)

Sl. No.	Grant/ Appropriation No.	Name of Grant/ Appropriation	Total provision	Expenditure	Excess
Revenue-Voted					
1.	20	Irrigation & Flood	191.64	199.95	8.31
Total			191.64	199.95	8.31
Revenue-Charged					
2.	29	Horticulture Development	0.26	0.27	0.01
Total			0.26	0.27	0.01
Capital-Voted					
3.	17	Agriculture Works & Research	78.04	92.85	14.81
4.	22	Public Works	698.12	747.32	49.20
5.	25	Food	9.74	377.52	367.78
6.	29	Horticulture Development	6.00	10.20	4.20
Total			791.90	1,227.89	435.99
Capital-Charged					
7.	7	Finance, Tax, Planning, Secretariat & Miscellaneous Services	495.16	784.64	289.48
Total			495.16	784.64	289.48
Grand Total			1,478.96	2,212.75	733.79

Notes: The budgeted expenditure under Grant no: 25: Food is offset by recoveries under the same head, which are treated as deduct expenditure. After taking into account recoveries amounting to Rs. 359.40 crore, the net excess would be Rs. 8.37 crore only.

The excess under Grant no: 7 was on account of repayment of internal debt and due to repayment of loans to UP Government on account of apportionment of pre-bifurcation loans.

2.3.2.3 Expenditure without provision

It was noticed that expenditure of Rs. 642.86 crore was incurred in 14 cases without provision having been made in the original estimates/supplementary demands and without any re-appropriation (**Appendix-2.8**).

2.3.3 Trend of recoveries

Under the system of gross budgeting, the demand 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. While no recoveries were included in the budget estimates in the Revenue section, actual recoveries were Rs. 21.08 crore. In the Capital section, against the budget estimates of Rs. 913.88 crore, actual recoveries and adjustments were Rs. 633.71 crore. Thus recoveries in reduction of expenditure were underestimated by Rs. 21.08 crore in the Revenue section and overestimated by Rs. 280.17 crore in the Capital section (*Appendix-2.9*). Some cases where there were wide variations from the estimates are detailed below:

Table-2.6

(Rupees in crore)

Sl. No.	Grant Number and Name	Estimate of recoveries	Actual recoveries	Shortfalls (-) Excess (+)
1.	17-Agricultural Works & Research	5.50	14.26	(+) 8.76
2.	18-Co-operative	--	5.13	(+) 5.13
3.	20-Irrigation & Flood	--	159.55	(+) 159.55
4.	22-Public Works	--	65.20	(+) 65.20
5.	23-Industries	--	50.98	(+) 50.98
6.	24-Transport	--	0.27	(+) 0.27
7.	25-Food	904.00	359.40	(-) 544.60
8.	29-Horticulture Development	4.38	--	(-) 4.38

2.3.4 Reconciliation of Departmental figures

Financial rules provide for monthly/quarterly reconciliation of departmental figures with the booked figures in the office of the Accountant General (A&E), to secure the accuracy of the accounts. However, out of 59 expenditure controlling officers, 32 controlling officers did not reconcile the expenditure and 20 controlling officers had only partially reconciled the expenditure during the year 2007-08.