

CHAPTER II

Allocative priorities and appropriation

2.1 Introduction

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

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 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 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2002-2003 against 95 grants/appropriations was as follows:

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving(-)/ Excess(+)
Voted	I Revenue	18346.24	994.78	19341.02	15310.46	(-)4030.56
	II Capital	2147.69	198.83	2346.52	784.48	(-)1562.04
	III Loans and Advances	1709.79	120.19	1829.98	1362.78	(-)467.20
Total Voted		22203.72	1313.80	23517.52	17457.72	(-)6059.80
Charged	IV Revenue	7660.46	447.12	8107.58	7851.19	(-)256.39
	V Capital	0.10	0.83	0.93	0.86	(-)0.07
	VI Public Debt	5238.04	2865.46	8103.50	19182.22	(+)11078.72
	VII Loans and Advances	0.30	-	0.30	-	(-)0.30
Total Charged		12898.90	3313.41	16212.31	27034.27	(+)10821.96
Grand Total		35102.62	4627.21	39729.83	44491.99	(+)4762.16

The overall excess of Rs 4762.16 crore was the net result of excess of Rs 11159.99 crore in 4 grants and 5 appropriations, offset by savings of Rs 6397.83 crore in 90 grants and 17 appropriations. The excess occurred mainly due to huge transactions under ways and means advances and overdraft (Rs 15982.21 crore). Explanations for savings/excesses were either not received or were received incomplete in 98 per cent of the cases.

¹ These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure : Rs 0.88. crore and capital expenditure : Rs 0.99 crore

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by Allocative Priorities

Out of the savings of Rs 6397.83 crore, major savings of Rs 2834 crore (44 per cent) occurred in eight grants as mentioned below:

(Rupees in crore)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
25 - Revenue (Voted)	380.54	16.89	397.43	166.68	230.75
25 - Capital (Voted)	199.50	-	199.50	81.03	118.47
37 Revenue (Voted)	1288.96	-	1288.96	550.84	738.12
54 - Capital (Voted)	199.00	32.78	231.78	0	231.78
62- Revenue (Voted)	1031.29	-	1031.29	362.56	668.73
66 Capital (Voted)	196.10	-	196.10	73.03	123.07
79 Capital (Voted)	644.54	-	644.54	146.50	498.04
80 Capital (Voted)	225.16	-	225.16	91.76	133.40
99- Capital (Voted)	128.00	-	128.00	36.27	91.73
Total	4293.09	49.67	4342.76	1508.67	2834.09

The departments did not intimate any reasons for savings. Areas in which major savings occurred in these eight grants are given in *Appendix 11*.

In 105 cases, savings exceeding Rs 1 crore in each case and also by more than 10 per cent of total provision amounted to Rs 5499.03 crore as indicated in *Appendix 12*. In seven² of these, the entire provision totalling Rs 335.64 crore was not utilised.

There was excess of Rs 11159.99 crore under 9 grants and appropriations requiring regularisation by the Legislature. The excess under Grant No.98-Public Debt alone amounted to Rs 11078.73 crore.

2.3.2 Persistent savings

In 25 cases, involving 24 grants/appropriations, there were persistent savings of more than one crore rupees in each case and 20 per cent or more of provision. Details are given in *Appendix 13*.

2.3.3 Excess 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 23411.91 crore for the years 1999-2000 to 2001-2002³ had not been regularised so far (October 2003). This was breach of Legislative control over appropriations.

Year	Number of grants/ appropriations	Grant/ Appropriation number(s)	Amount of excess (Rs in crore)	Reasons for excess
1999-2000	18	16, 21, 25, 28, 30, 32, 34, 35, 42, 44, 46, 52, 66, 73, 80, 82, 87, 98	5216.78	Not received
2000-2001	13	1, 14, 21, 25, 28, 30, 34, 38, 40, 51, 66, 79, 98	8545.52	Not received
2001-2002	7	21, 28, 34, 38, 63, 67, 98	9649.61	Not received
Total			23411.91	

² 27, 30, 32, 34, 52, 54, 56, (All Capital Voted)

³ Recommendations of the PAC on excess expenditure for the years 1985-1995 laid in the Assembly in December 2001. Act of regularisation awaited. Explanations of Government for the years 1995-1999 have been discussed in PAC; recommendations are yet to be adopted

Further, the excess of Rs 11159.99 crore under 9 grants and appropriations during 2002-2003 requires regularisation under Article 205 of the Constitution. Details are given below:

Grant No.	Description of the grant/appropriation	Section	Total grant/ appropriation	Actual expenditure	Amount in excess
A	Voted		Rs.	Rs.	Rs.
6	Collection of Taxes on Income and Expenditure	Revenue	81355000	84276665	2921665
63	Other Rural Development Programmes (Community Development)	Capital	5400000	146169000	140769000
74	Industries (Closed and Sick Industries)	Capital	198000000	445857282	247857282
96	Other Industries and Minerals (Excluding closed and sick industries)	Capital	254471000	672018000	417547000
	Total : A – Voted		539226000	1348320947	809094947
B	Charged				
1	State Legislature	Revenue	2238000	5634310	3396310
28	Pensions and Other Retirement Benefits	Revenue	115000	276759	161759
42	Social Security and Welfare (Social Welfare)	Revenue	99000	115248	16248
79	Roads and Bridges	Revenue	44000	44115	115
98	Public Debt	Capital	81034947000	191822236645	110787289645
	Total : B - Charged		81037443000	191828307077	110790864077
	Total : A and B		81576669000	193176628024	111599959024

Reasons for the excesses had not been furnished by the Government as of July 2003.

2.3.4 *Original budget and supplementary provisions*

Supplementary provisions (Rs 4627.21 crore) made during this year constituted 13 *per cent* of the original provision (Rs 35102.62 crore) as against 7 *per cent* in the previous year.

2.3.5 *Unnecessary/excessive/inadequate supplementary provisions*

Supplementary provisions of Rs 612.56 crore made in 22 cases during the year proved unnecessary in view of aggregate saving of Rs 1311.80 crore as detailed in *Appendix 14*.

In 6 cases, against additional requirement of only Rs 607.87 crore, supplementary grants and appropriations of Rs 1120.11 crore were obtained, resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 512.24 crore. Details of these cases are given in *Appendix 15*.

In 3 cases, supplementary provision of Rs 2883.30 crore proved insufficient leaving an uncovered excess expenditure of Rs 11120.78 crore. Details of these cases are given in **Appendix 16**.

In 4 cases, though expenditure exceeded budget provision by Rs 39.22 crore, no supplementary grant was provided. Details of these cases are given in **Appendix 17**.

2.3.6 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. Cases where the re-appropriation of funds proved injudicious in view of final excess/savings over grant by over rupees one crore are detailed in **Appendices 18 and 19** respectively.

2.3.7 Defective re-appropriation

During 2002-2003, 70 re-appropriation orders of Rs 312.61 crore were issued. Of these, 46 orders aggregating Rs 215.09 crore were not considered in accounts due to inordinate delay in receipt of the same.

Of the remaining 24 appropriation orders, 19 orders involving Rs 88.12 crore were issued on 31-03-2003, the last day of the fiscal year.

2.3.8 Anticipated savings not surrendered

According to 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. However, at the close of the year 2002-2003, there were 60 cases in which savings above rupees one crore in each case amounting to Rs 1871.24 crore had not been surrendered. In 44 cases, even after partial surrender, savings of one crore rupees and above in each case aggregating Rs 2682.05 crore (74.80 *per cent* of total savings) remained un-surrendered. This included un-surrendered savings of Rs 618.22 crore (83.76 *per cent* of savings under Grant No. 37 – Urban Development), Rs 303.66 crore (99.92 *per cent* under Grant No. 30 – Education, Art and Culture), Rs 230.60 crore (99.93 *per cent* under Grant No. 25- Public Works) and Rs 203.22 crore (95.42 *per cent* under Grant No. 42 – Social Security and Welfare (Social Welfare). Details are given in **Appendices 20 and 21** respectively.

Besides, in 66 cases, Rs 2124.90 crore were surrendered in March 2003 indicating inadequate financial control over expenditure. Details are given in **Appendix 22**.

2.3.9 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 16800.20 crore was incurred in 37 cases as detailed in

Appendix 23 without provision in the original estimates/supplementary demands and no reappropriation orders were issued.

2.3.10 Surrender in excess of actual savings

In 11 cases, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total savings of Rs 768.50 crore, the amount surrendered was Rs 848.64 crore resulting in excess surrender of Rs 80.14 crore.

In 2 cases Rs 4.21 crore were surrendered in spite of the fact that the expenditure exceeded the approved provision by Rs 38.87 crore. Details are given in **Appendix 24**.

2.3.11 Advances from Contingency Fund

The Contingency Fund of the State was established under the Contingency Fund Act 1956, in terms of provisions of Articles 267(2) and 283(2) of the Constitution of India. Advances from the Fund were to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable.

The Fund was in the nature of an imprest and its corpus was Rs 20 crore.

As on 1 April 2002, the balance in the fund was Rs 19.34 crore. During the year advances drawn but unrecouped totalled Rs 0.23 crore. The entire balance of Rs 0.66 crore on account of advances drawn and remaining unrecouped during 2001-2002, was not recouped during 2002-2003 either. Thus, the closing balance of the fund as on 31 March was Rs 19.11 crore.

During the year 2002-2003, 12 sanctions were issued for withdrawal of total amount of Rs 1.77 crore.

2.3.12 Non-accountal of assistance in kind

As per accounting procedure value of assistance in kind received and utilised should be exhibited in the accounts. During the year assistance of Rs 14.20 crore received in kind were not adjusted in accounts due to non-receipt of sanction orders from the State Government for adjustment of the cost. To this extent receipts were not fully accounted for.

2.4 Unreconciled Expenditure

Financial rules require that the departmental Controlling Officers should reconcile every month the departmental figures of expenditure with those booked by the Accountant General (Accounts and Entitlements) before the close of the accounts of the year. The reconciliation had, however, remained in arrears in several departments.

During the year, out of 185 Controlling Officers, 69 did not reconcile their accounts for 2002-2003, while 31 completed reconciliation for periods ranging up to 11 months. Thirty six (36) Controlling Officers completed reconciliation upto February 2002 while 11 Controlling Officers did not take up reconciliation from March 2001.

The total amount remaining unreconciled during 2002-2003 was Rs 18847.10 crore (79 per cent of the total expenditure).

2.5 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing months of financial year is to be regarded as a breach of financial regularity and should be avoided. The position in respect of expenditure for the four quarters and also for the month of March 2003 as depicted below shows that the expenditure incurred in March 2003 in four cases ranged between 58 and 91 per cent of the total expenditure during the year indicating a tendency to utilise the budget at the close of the year.

Description of the Grant and Major Head	Expenditure up to 3rd quarter	Expenditure in 4th quarter	Total expenditure	Expenditure in March 2003	Percentage of expenditure in March 2003
	(Rupees in crore)				
2047- Other Fiscal Services (Grant No. 14)	6.28	14.54	20.82	11.99	58
2075- Miscellaneous General Services (Grant No. 29)	6.20	16.46	22.66	14.28	63
2236-Nutrition (Grant No.43)	8.61	53.01	61.62	38.25	62
2810- Non-conventional Sources of Energy (Grant No. 72)	0.17	1.64	1.81	1.64	91

2.6 Operation of Personal Ledger Accounts

In terms of SR 411 of West Bengal Treasury Rules, Vol I, Personal Deposit Account opened with the money drawn from Consolidated Fund of the State requires to be closed at the end of the financial year by minus debit to the relevant service head under which the money was drawn from the said fund. The position of balance under Personal Deposit Ledger Accounts of the State at the end of March 2003 was Rs 646.74 crore. Test-check of records of 28 DDOs of five departments viz. Land and Land Reforms, Health and Family Welfare, Animal Resources Development, Home and Judicial revealed that they did not close their PLAs at the end of the year resulting in accumulation of Rs 156.62 crore at the end of March 2003 (*Appendix 25*).

In spite of specific orders (June 2000) of Health and Family Welfare Department for closure of PLAs by 31 July 2000, 5 (five) DDOs under the department did not close their accounts with an unutilised balance of Rs 2.28 crore (**Appendix 26**) while Joint Director Animal Resources Development, Haringhata Farm, West Bengal maintained 3 (three) PLAs with the Reserve Bank of India, Kolkata, which remained inoperative from 4 to 26 years having a balance of Rs 35.98 lakh as on March 2003.

PLA balance of Rs 76.39 crore of 9 (nine) DDOs as on 31 March 2003 included Rs 8.09 crore relating to implementation of different Central schemes. This was done without obtaining necessary Government orders. Details are given in **Appendix 27**.

Fund of Rs 41.10 lakh (**Appendix 28**) relating to Central schemes (Basic Minimum Services, BADP and Tenth Finance Commission) was kept in PL Account and subsequently diverted to other schemes/programmes.

The reconciliation of discrepancies between PLA and Treasury Pass Book balance as required under SR 410 of West Bengal Treasury Rules Vol I was not done in respect of 12 DDOs as discrepancies of Rs 2.13 crore were not reconciled as of March 2003 (**Appendix 29**).

Utilisation Certificates for Rs 4.21 crore, released to the different executing agencies/local bodies from PLA of DM, Bankura for implementation of various schemes, were not furnished.

Thus, funds meant for various developmental works were locked in PLAs without undertaking developmental works.

2.7 Huge amounts drawn on Abstract Contingent (AC) Bills remaining outstanding

Administrative Departments issue sanction with the concurrence of the Finance Department authorising the Drawing and Disbursing Officers (DDOs) to draw advances on Abstract Contingent (AC) Bills, which are required to be adjusted by the submission of Detailed Contingent (DC) Bills in the prescribed form with countersignature of the Controlling Officer within a period not exceeding 60 days from their dates of drawal or within one month from the date of expenditure.

Mention was made in paragraph 2.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002, (Civil) – Government of West Bengal regarding pendency in submission of DC bills (Rs 71.51 crore) for years together. The departments, however, did not take any action to arrest such practice as is evident from the succeeding paragraphs.

Out of 2718 DDOs, records of 106 offices test-checked between April 2002 and March 2003 disclosed advance drawal of Rs 175.86 crore during 1986-2003 in AC Bills (2088 bills) which included Rs 19.63 crore (197 bills) drawn during 2002-2003. Out of total drawal of Rs 175.86 crore in AC Bills,

Rs 68.99 crore remained unadjusted as of March 2003 (details shown in *Appendix 30*).

- In course of submission of AC Bills to Treasury, a certificate was required to be submitted by the DDOs to the effect that detailed bill in respect of previous AC bill had been submitted within 60 days and that expenditure had been incurred for the specified purpose. Neither any DDO furnished such certificate on AC bill nor did any Treasury Officer (TO) insist upon furnishing such certificate by the DDOs. Twenty five (25) DDOs drew Rs 17.96 crore during 2002-2003 of which Rs 9.94 crore was adjusted as of March 2003 despite non-submission of DC Bills against previous AC bills for Rs 25.94 crore drawn during 1989-2002. Due to non-observance of the statutory rules by the DDOs and the TOs, there was accumulation of unadjusted AC bills of Rs 33.96 crore drawn during 1989-2003.
- The DDOs of the test-checked offices were not monitoring the submission of DC bills. This was evident from the fact that the DDOs had not maintained any separate register to record the particulars of drawal of AC bills and submission of DC bills thereagainst together with remittance details of unutilised balance, if any, as required under the rules.
- Of the total amount of Rs 156.23 crore drawn during 1986-2002, adjustment against Rs 60.60 crore (39 per cent) mainly pertaining to Registrar-II, West Bengal Police Directorate (Rs 15.28 crore), AO (Finance), WB Secretariat (Rs 3.58 crore), DM, Burdwan (Rs 4.75 crore), DM, Paschim Medinipur (Rs 2.94 crore), DM, Hooghly (Rs 2.30 crore), DM, Murshidabad (Rs 0.87 crore), AO, WB Fire Services (Rs 1.92 crore), DIG of Police Training College, Barrackpore (Rs 1.87 crore), Addl. DG and IG of Police, Intelligence Branch, West Bengal (Rs 1.65 crore), Deputy Secretary, Home (Transport) (Rs 1.65 crore), BDO, Lalgola, Murshidabad (Rs 1.56 crore), Director, IG, WB (Rs 1.36 crore), SDO, Barrackpore (Rs 1.35 crore), FRE, SDO, Barrackpore (Rs 1.24 crore), SDO, Katwa (Rs 1.13 crore) and SP, Paschim Medinipur (Rs 0.89 crore) was awaited till March 2003. Due to long pendency, possibility of misuse of huge Government funds and misappropriation thereof could not be eliminated. Out of Rs 19.63 crore drawn between April 2002 and March 2003, Rs 8.39 crore remained unadjusted.
- A sum of Rs 33.83 crore was unauthorisedly drawn in 128 AC Bills between 1996-2003 by 7 DDOs (DM, Nadia, DM, Murshidabad, DM, Malda, SDO, Chandannagar, Asstt. Director of PE (TB) WB, FRE under SDO, Chandannagar and FRE under SDO, Katwa) without any specific orders of the government. Out of such drawals, DC bills for Rs 25.70 crore remained to be submitted as of March 2003.

- Five DDOs (Additional DG&IG of Police, Intelligence Branch, Deputy Superintendent of Police, CID, Deputy IG of Police, Railways, Commandant, SAP, Eleventh Battalion, Purulia and CMOH, Bardhaman) spent Rs 24.96 lakh towards purchase of office furniture, equipment and repairing charges of generator room, refreshment and electrical goods, etc. by diverting election/other funds drawn through AC bills in contravention of Financial Rules and Orders.
- Two hundred and two AC bills amounting to Rs 31.93 crore were drawn by 13 DDOs for various purposes at the fag end of each financial year ended March 1990 to March 2003 to avoid lapse of budget grant. As of March 2003, DC bills for Rs 18.53 crore (58 per cent) remained to be submitted.
- Of the total adjusted amount of Rs106.87 crore (against 824 DC bills) as of March 2003, the incidence of delay in submission of DC bills for Rs 104.80 crore against 764 DC bills was as shown in the table below:

Period of delay	Number of DDOs	Amount drawn (Rupees in crore)	Number of DC bills	Amount (Rupees in crore)	
				adjusted	unadjusted
Upto 1 year	42	95.01	568	82.99	12.02
1 year to 2 years	10	21.24	110	20.15	1.09
2 years to 5 years	9	1.56	66	1.27	0.30
Above 5 years	3	0.47	20	0.39	0.07

Prolonged retention of huge public funds by the DDOs without giving account of its utilisation by submitting DC bills is fraught with the risk of serious financial irregularities/misappropriation. The matter requires immediate attention of the Government and necessary investigation to ascertain the actual utilisation of these funds.

2.8 Other topics of interest

2.8.1 Irregularities in the functioning of treasuries

Non-maintenance of records relating to sanction orders

During inspection of treasuries for the year 2002-2003, it was observed that most of the treasuries did not maintain any systematic records for noting sanction orders relating to drawal of AC bills/grants-in-aid/withdrawal of GPF, etc. in absence of which the authenticity of the claims could not be checked leaving scope for fraudulent drawal/double drawal of Government money from the treasuries by presenting fake bills.

Irregularities in maintenance of Allotment Register

According to Government instructions (May 1977) an Allotment Register is to be maintained in respect of each DDO for ensuring necessary checks as regards drawal of funds within the allotment of fund placed in favour of the DDO under each detailed head of account. It was, however, seen that the Allotment Register was not maintained properly in 19 treasuries and the DDOs had been allowed to draw funds in excess of allotment in all the treasuries. The regularisation of overdrawal, if any, had not been watched.

Irregularities in payment of pension

Scrutiny of the records of treasuries revealed that Rs 1.05 crore were overpaid to pensioners due to wrong calculation of pension paid on re-employment/re-marriage, etc. and non-reduction of enhanced rate of family pension after expiry of stipulated period. Details are as under:

- An amount of Rs 15.68 lakh was paid in excess to pensioners in respect of relief paid to re-employed pensioners, non-reduction of basic pension in time, wrong calculation, etc. in case of 28 treasuries.
- In 47 treasuries an amount of Rs 32.96 lakh was yet to be recovered from the banks on account of excess credit of pension to the deceased Pensioners' Bank Account.
- Due to non-reduction of commuted value of pension from the basic pension in time Rs 15548 were overpaid in 5 treasuries, which required recovery from the pensioners.
- As per procedure, Life Certificates are required to be obtained invariably each year in the month of November from the pensioners concerned and kept along with the PPO or necessary noting in this respect kept in the PPO Register under the authentication of the competent officer. The said procedure was not followed in 17 treasuries.

The matter was referred to Government in November 2003; reply had not been received (December 2003).