

## CHAPTER II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### 2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-a-vis those authorised by the Appropriation Act, in respect of both charged and voted items of the 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 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 2004-05 against 40 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
<b>Voted</b>	I. Revenue	26728.45	1142.78	27871.23	24623.22	(-) 3248.01
	II. Capital	6131.43	310.18	6441.61	5469.19	(-) 972.42
	III. Loans and advances	942.68	955.84	1898.52	1591.42	(-) 307.10
<b>Total Voted</b>		<b>33802.56</b>	<b>2408.80</b>	<b>36211.36</b>	<b>31683.83</b>	<b>(-)4527.53</b>
<b>Charged</b>	IV. Revenue	7523.50	3.86	7527.36	7144.53	(-) 382.83
	V. Capital	104.37	7.89	112.26	77.01	(-) 35.25
	VI. Loans	1.72	---	1.72	1.72	---
	VII. Public Debt	9857.80	---	9857.80	7432.39	(-) 2425.41
<b>Total Charged</b>		<b>17487.39</b>	<b>11.75</b>	<b>17499.14</b>	<b>14655.65</b>	<b>(-) 2843.49</b>
Appropriation to Contingency Fund (if any)	--	--	--	--	--	--
<b>Grand Total</b>		<b>51289.95</b>	<b>2420.55</b>	<b>53710.50</b>	<b>46339.48</b>	<b>(-) 7371.02</b>

\* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 460.41 crore) and capital expenditure (Rs 131.97 crore).

Note: At the end of June 2005 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 125.22 crore drawn on Abstract Contingent bills during 2004-05. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated at least to that extent.

The overall savings of Rs 7371.02 crore were the result of savings of Rs 7385.85 crore in 35 grants/appropriations partly offset by excess of Rs 14.83 crore in five grants and one appropriation. Detailed Appropriation Accounts were sent to the controlling officers and reasons for savings/excesses were called for, but reasons were either not received or received incomplete in 72 per cent of the cases.

## 2.3 Fulfilment of Allocative Priorities

### 2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 7371.02 crore, as much as 67 per cent occurred in five grants as mentioned below.

(Rupees in crore)

Number and name of the Grant	Grant (Original/ Supplementary)	Total Grant	Actual Expenditure	Savings
<b>IX Fiscal Administration, Planning Surveys and Statistics</b>				
Revenue-Voted	(o) 3499.53	3559.82	3314.51	245.31
	(s) 60.29			
Revenue-Charged	(o) 7474.01	7474.02	7098.58	375.44
	(s) 0.01			
Loans-Charged	(o) 9857.80	9857.80	7432.39	2425.41
<b>XII School Education</b>				
Revenue-Voted	(o) 4238.39	4244.20	3488.69	755.51
	(s) 5.81			
<b>XVI Medical and Health</b>				
Revenue-Voted	(o) 1599.41	1672.18	1432.34	239.84
	(s) 72.77			
<b>XXXIII Major and Medium Irrigation</b>				
Revenue-Voted	(o) 2146.50	2146.50	1939.13	207.37
Capital-Voted	(o) 3324.82	3324.82	2966.42	358.40
<b>XXXV Energy</b>				
Revenue-Voted	(o) 2009.55	2009.55	1837.04	172.51
Loans-Voted	(o) 295.78	442.36	252.25	190.11
	(s) 146.58			

No specific reasons were given for the savings under three grants (Nos. IX, XII and XVI).

Reasons for savings in two other grants are given below.

The saving under Energy was stated to be mainly due to non-release of funds by Government of India and non-filling up of vacant posts.

The saving under Major and Medium Irrigation was stated to be mainly due to postponement of certain works (Rs 76 crore) and non filling up of vacant posts (Rupees five crore).

The major heads of account in which huge savings occurred under these five grants are given in *Appendix 2.1*.

In 32 grants/appropriations, savings exceeding Rs one crore and also 10 per cent of the total provision in each case, aggregated Rs 5920 crore, as indicated in *Appendix 2.2*.

### **2.3.2 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 12253.53 crore for the years 1997-98 to 2003-04 was yet to be regularised. Details are given in *Appendix 2.3*.

***Excess over provision during 2004-05 requiring regularisation:*** The excess of Rs 14.58 crore under 5 grants and Rs 0.25 crore under one appropriation requires regularisation under Article 205 of the Constitution (*Appendix 2.4*).

### **2.3.3 Unnecessary Supplementary Grants**

In 29 grants/appropriations, supplementary grant of Rs 709.66 crore was proved unnecessary as the expenditure did not exceed even the original provision (*Appendix 2.5*).

### **2.3.4 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. In 61 heads of account, injudicious reappropriation of funds proved excessive or resulted in savings, by over Rs 2 crore in each case (*Appendix 2.6*).

### **2.3.5 Anticipated savings not surrendered**

According to the Budget Manual, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2004-05, out of total anticipated savings of Rs 5550.33 crore under 35 grants and appropriations, savings of Rs 1330.61 crore (24 per cent) were not surrendered (*Appendix 2.7*).

### **2.3.6 Delay in surrender of savings**

Besides, in 35 grants and appropriations, Rs 6220.22 crore (84 per cent of total savings) were surrendered on the last day of March 2005, indicating inadequate financial control over expenditure (*Appendix 2.8*). Due to delay in surrender of the savings, the funds could not be utilised for other purposes.

### **2.3.7 Surrender in excess of actual savings**

In 14 grants and appropriations, the amount surrendered was in excess of actual savings. In three grants and appropriations, surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. Overall, for the 17 grants and appropriations, while the

savings were Rs 1790.28 crore, the amount surrendered was Rs 2062.83 crore (Appendix 2.9).

The above instances of budgetary irregularities are being reported every year. Had the provisions of the Andhra Pradesh Budget Manual been followed, these instances could have been minimised.

### 2.3.8 New Service/New Instrument of Service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature or by an advance from the Contingency Fund. The Government issued orders in May 1990 based on the recommendations of the Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. In five cases (heads of accounts), however, which should have been treated as 'New Service/New Instrument of Service', expenditure aggregating to Rs 39.74 crore was incurred without budget provision. Advance from the Contingency Fund was also not taken (Appendix 2.10).

### 2.3.9 Expenditure without provision

As per the Andhra Pradesh Budget Manual<sup>1</sup>, expenditure should not be incurred on a scheme or service without provision of funds therefor. It was however, noticed that expenditure of Rs 131.74 crore was incurred under 19 heads of account, without any provision of funds (Appendix 2.11).

### 2.3.10 Rush of expenditure

The Andhra Pradesh Financial Code<sup>2</sup> requires that expenditure should be evenly distributed throughout the year and no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. Contrary to these provisions, while the expenditure during each of the three quarters ending December 2004 was between 14 and 24 per cent of the total expenditure, it was highest at 40 per cent in the last quarter of the year.

Quarter ended	Expenditure (Rupees in crore)	Percentage to Total Expenditure
30 June 2004	5203.35	14
30 September 2004	8022.76	22
31 December 2004	8765.15	24
31 March 2005	14730.30	40
<b>Total Expenditure</b>	<b>36721.57</b>	<b>---</b>
<b>Expenditure during March 2005</b>	<b>1758.44</b>	<b>05</b>

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<sup>1</sup> Para 20.3.1

<sup>2</sup> Article 39

### 2.3.11 Drawal of funds in advance of requirement

Financial rules prohibit drawal of money from treasury unless required for immediate disbursement.

Test check of 13 offices<sup>3</sup> under 6 departments<sup>4</sup> revealed that out of Rs 56.41 crore drawn during the period April 2002 to March 2005 Rs 20.31 crore were retained in Personal Deposit account and Rs 2.05 crore in Savings Bank account (*Appendix 2.12*). Reasons for non-remittance of unspent balances to Government account were not furnished.

### 2.3.12 Sanction of funds in relaxation of treasury control

As per orders<sup>5</sup> issued by the Government, the Treasury Officers have to admit and pass bills strictly with reference to the provisions available in the District Budget communicated to them by the Director of Treasuries and Accounts and will not admit a bill if sufficient funds are not available. However, Government have been issuing sanctions in relaxation of treasury control, authorising expenditure over and above the budget allotment while directing the Chief Controlling Officers to obtain supplementary grant or issue reappropriation from the available savings to cover the expenditure.

Test check of sanctions issued in relaxation of treasury control revealed that during 2004-05, 12 departments<sup>6</sup> issued 133 sanctions for drawal of additional funds aggregating Rs 1107.03 crore in relaxation of treasury control. The following points were noticed:

- (a) Twenty-one sanctions for drawal of additional funds aggregating Rs 111.38 crore were issued during last two weeks of March 2005<sup>7</sup>.
- (b) Twenty-three sanctions aggregating Rs 24.24 crore were covered neither by supplementary grant nor reappropriation.
- (c) In two sanctions for Rs 8.35 crore, no expenditure was booked even though sanctions were covered by supplementary grant/reappropriation.

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<sup>3</sup> DEO at Utnoor, C&DSE, Hyderabad, Director of Adult Education, Hyderabad (3); DD/Sericulture at Anantapur (1); PDs at Warangal, Cuddapah and Medak at Sangareddy of District Women & Child Development Agency (3); District Co-operative officers at Srikakulam, Guntur, and Visakhapatnam. (3); District Collectorate at Warangal and Khammam (2); DBCWO at RangaReddy District (1)

<sup>4</sup> Education, Sericulture, Women & Child Welfare, Co-operation, Backward Classes Welfare and Revenue

<sup>5</sup> G.O.Ms.No.101 Finance (BG II) Department dated 18-5-1967

<sup>6</sup> Agriculture and Cooperation, Backward Classes Welfare, 'Consumer Affairs, Food and Civil Supplies', General Administration, Home, Housing, Industries and Commerce, Information and Public Relations, Revenue, School Education, Transport, Roads and Buildings and Youth, Tourism and Culture

<sup>7</sup> The chances of obtaining supplementary grant during the same fiscal year for the sanctions issued during the last two weeks of March are remote

(d) In six cases though additional funds were provided in relaxation of treasury control, the expenditure did not exceed even the original budget provision.

### 2.3.13 Advances from Contingency Fund

During 2004-05, Rs 11.38 crore drawn from Contingency Fund of which Rs 0.10 crore was not recouped at the end of the year.

### 2.3.14 Non-adjustment of Abstract Contingent bills

Orders issued by the Government<sup>8</sup> stipulated that advances drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Accountant General (A&E)/Pay and Accounts Officer for the expenditure incurred with supporting vouchers, within three months.

It was, however observed that Rs 619.86 crore drawn in 1.25 lakh AC bills during the period from 1977-78 to 2004-05 have not been adjusted as of June 2005 (*Appendix 2.13*).

### 2.3.15 Unreconciled expenditure

Financial rules require that the departmental controlling officers should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. For 2004-05, expenditure of Rs 17437.31 crore remained unreconciled as of June 2005 in respect of 24 departments. The expenditure not reconciled was Rs 500 crore and above in each of the following departments (*Appendix 2.14*).

(Rupees in crore)

Name of the department	Amount not reconciled
Finance and Planning	9381
Health, Medical and Family Welfare	1232
Home	567
Municipal Administration and Urban Development	1053
Revenue and Registration	1549

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<sup>8</sup> G. O. Ms. No. 391 Finance Department dated 22-03-2002