

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 Accounts 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 2007-08 against 40 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I. Revenue	46430.17	6342.56	52772.73	46813.76	(-) 5958.97
	II. Capital	12761.19	817.30	13578.49	12895.75	(-) 682.74
	III. Loans and advances	5390.89	118.48	5509.37	2920.72	(-) 2588.65
Total Voted		64582.25	7278.34	71860.59	62630.23	(-) 9230.36
Charged	IV. Revenue	8718.84	7.29	8726.13	7674.22	(-) 1051.91
	V. Capital	110.66	2.70	113.36	43.10	(-) 70.26
	VI. Loans	---	---	---	---	---
	VII. Public Debt	7750.58	---	7750.58	4993.49	(-) 2757.09
Total Charged		16580.09	9.99	16590.07	12710.81	(-) 3879.26
Appropriation to Contingency Fund (if any)	---	---	---	---	---	---
Grand Total		81162.33	7288.33	88450.66	75341.04	(-) 13109.62

*These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (Rs 504.42 crore) and capital expenditure (Rs 164.91 crore)

Note: At the end of June 2008 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 36.93 crore drawn on Abstract Contingent bills during 2007-08. 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 13109.62 crore were the result of savings of Rs 13310.93 crore in 30 grants/appropriations partly offset by excess of Rs 201.30 crore in seven grants and three appropriations. Detailed Appropriation Accounts were sent to the controlling officers and reasons for savings/excesses were called for, but replies were either not received or received incomplete in 59 *per cent* of the cases.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 13310.93 crore, as much as 68.24 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
IX Fiscal Administration, Planning, Surveys and Statistics				
(Revenue Voted)	(O) 6557.20	7065.73	6914.68	151.05
	(S) 508.53			
(Revenue-Charged)	(O) 8633.40	8633.43	7592.88	1040.55
	(S) 0.03			
(Public Debt – Charged)	(O) NIL	7750.58	4993.49	2757.09
	(S) 7750.58			
XII School Education				
(Revenue-Voted)	(O) 6305.99	6390.84	5106.41	1284.43
	(S) 84.85			
(Capital Voted)	(O) 58.37	213.12	101.19	111.93
	(S) 154.75			
XVIII Housing				
(Revenue-Voted)	(O) 1094.90	1133.98	892.03	241.95
	(S) 39.09			
(Loans Voted)	(O) 4350.00	4350.00	2315.57	2034.43
	(S) Nil			
XXXI Panchayat Raj				
(Revenue-Voted)	(O) 2848.60	3691.67	3021.90	669.77
	(S) 843.07			
XXXIII Major and Medium Irrigation				
(Revenue – Voted)	(O) 5479.73	5479.73	4687.00	792.72
	(S) Nil			

Reasons for savings in the above grants are given below:

The saving under Fiscal Administration, Planning, Surveys and Statistics was stated to be mainly due to non-availment of ways and means advances during the year 2007-08, receipt of less amount of loans than anticipated and less accumulation of funds than anticipated.

The saving under School Education was stated to be due to abolition of 7th class examinations.

No specific reasons were stated for the saving in respect of Housing.

The saving under Panchayat Raj were stated to be due to late sanction of work, poor response to tenders, non-sanction of construction of High School buildings by NABARD and to make provision under Mines and Geology Department for implementation of vigilance scheme.

The saving under Major and Medium Irrigation was stated to be mainly due to diversion of the amount for sanctioning equal amount under Information and Public Relations grant to clear the pending advertisement charges under Jalayagnam campaign, pleader's fee and slow progress in work.

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

In 34 grants/appropriations, savings exceeding Rs one crore and also 10 *per cent* of the total provision in each case, aggregated Rs 12117.01 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 13052.90 crore for the years 1997-98 to 2006-07 is yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provision during 2007-08 requiring regularisation: The excess of Rs 201.22 crore under seven grants and Rs 0.08 crore under three appropriations requires regularisation under Article 205 of the Constitution (*Appendix 2.4*).

2.3.3 Unnecessary Supplementary Grants

In respect of 32 grants/appropriations, supplementary grant of Rs 1006.30 crore 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 52 heads of account, injudicious re-appropriation of funds proved excessive or resulted in savings, by over Rs 5 crore in each case (*Appendix 2.6*).

2.3.5 Reappropriation without Original and Supplementary Provision

Reappropriation on an object for which no provision has been made either in the original or supplementary provision is not permissible¹.

In respect of 230 heads of accounts reappropriations amounting to Rs 1021.43 crore were made without original and supplementary provision. Details of reappropriation exceeding Rs one crore are indicated in *Appendix 2.7*.

2.3.6 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 2007-08, out of total anticipated savings of Rs 7820.72 crore under 36

¹ Para 20.6 of the AP Budget Manual

grants and appropriations, savings of Rs 3807.76 crore (48.68 per cent) were not surrendered (*Appendix 2.8*).

2.3.7 Delay in surrender of savings

In 36 grants and appropriations, Rs 9692.30 crore (73 per cent of total savings) were surrendered on the last day of March 2008, indicating inadequate financial control over expenditure (*Appendix 2.9*). Due to delay in surrender of the savings, the funds could not be utilised for other purposes.

2.3.8 Surrender in excess of actual savings

In 9 grants/appropriations, the amount surrendered was in excess of actual savings. In four grants/appropriations, surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. Overall, for the 13 grants and appropriations, while the savings were Rs 523.38 crore, the amount surrendered was Rs 1108.49 crore (*Appendix 2.10*).

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.

2.3.9 Provision for Vacant Posts

Provision in the Budget estimate should be kept for salaries likely to be incurred on account of persons on duty and the actual salary likely to be drawn by them². Thus no provision should be kept for the vacant posts.

Contrary to these rules provision of Rs 22.44 crore was made in the Budget estimates for vacant posts and was surrendered during March 2008 on grounds of non-filling up of vacant posts.

2.3.10 Expenditure without provision

As per the Andhra Pradesh Budget Manual³, expenditure should not be incurred on a scheme or service without provision of funds therefor. It was however, noticed that expenditure of Rs 150.87 crore was incurred under eleven heads of account, without any provision of funds (*Appendix 2.11*).

2.3.11 Advances from Contingency Fund

The Contingency Fund of Andhra Pradesh created with a corpus of Rs 50 crore is meant for the purpose of meeting unforeseen expenditure including expenditure on a new service not contemplated in the budget pending authorisation of such expenditure by the State Legislature.

During 2007-08, Rs 3.86 crore was drawn from Contingency Fund of which Rs 0.93 crore remained unrecouped at the end of the year.

² Para 16.14 of the AP Budget Manual

³ Para 20.3.1

2.3.12 Drawal of funds in Advance of requirement

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

A test-check of 6 offices under 4 departments revealed that out of the total amount of Rs 56.67 crore drawn during the period from November 2004 to March 2008, an amount of Rs 16.81 crore was retained in bank accounts and another amount of Rs 16.96 crore in personal deposit accounts. Out of the amount of Rs 56.67 crore drawn, a total amount of Rs 19.66 crore was drawn during the month of March i.e., at the fag end of financial years just to avoid lapse of budget provision. Retention of money outside the Government account not only resulted in locking up of Government funds affecting the ways and means position of Government but also deprived the community at large of the services and assets that these funds were supposed to provide. (*Appendix 2.12*).

2.3.13 Non-adjustment of Abstract Contingent bills

Orders issued by the Government⁴ 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 one month.

It was, however observed that Rs 437.93 crore drawn in 0.90 lakh AC bills during the period from 1985-86 to 2007-08 have not been adjusted as of June 2008 (*Appendix 2.13*).

Test-check of the records of two departments⁵ revealed that AC bills for Rs 85.92 crore⁶ were not adjusted due to non-submission of relevant vouchers by subordinate officers.

Out of Rs.50.00 lakh drawn (October 2006) on AC bills⁷ to provide sanitation and other facilities in hospitals, a sum of Rs.41.67 lakh was placed with executing agencies. DC bills for this amount were neither submitted nor progress of expenditure watched.

2.3.14 Unreconciled expenditure

The accounts of the State compiled by the Accountant General (Accounts and Entitlements) should reflect the correct and true state of affairs and this could be ensured only when the departments incurring expenditure periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. Timely reconciliation will also help to detect fraudulent drawal of money or any misappropriations. However, for 2007-08, expenditure of Rs 55159.98 crore remained unreconciled as of June 2008 in respect of 29 departments (*Appendix 2.14*). The expenditure not reconciled was Rs 1000 crore and above in each of the following departments.

⁴ G.O. Ms. No.285 dated 15-10-2005 of Finance (TFR.II) Department

⁵ Education and Medical and Health Departments.

⁶ Education:Rs.48.26 crore, Medical, Health and Family Welfare:Rs.37.66 crore

⁷ DM&HO, Prakasam

(Rupees in crore)

Name of the department	Amount not reconciled
Energy	3886.74
Housing	2351.29
Panchayat Raj and Rural Development	2027.31
Revenue, Registration and Relief	23646.86
Finance and Planning	16710.25
Municipal Administration and Urban Development	1682.87

2.3.15 Overpayment of Pension/Family Pension

A test-check of records relating to payment of pensions and family pensions in 2 District Treasuries⁸, 128 Sub-Treasuries and 5 Pension Payment Offices⁹ revealed that an excess payment of Rs 56.91 lakh was made due to (a) inadmissible dearness relief on pension to compassionate appointees (Rs 29.01 lakh), (b) enhanced family pension beyond time limit (Rs 13.26 lakh), (c) incorrect computation of Pension and Relief consequent on revision of pay scales of State Government employees during 1999 and 2005 (Rs 3.63 lakh), (d) non-reduction /short reduction of Commuted Value of Pension (Rs 3.63 lakh), (e) excess payment due to non recovery of anticipatory pension (Rs 1.20 lakh), (f) inadmissible payment of Service Pension to Family Pensioner (Rs 1.90 lakh), (g) Family Pension to ineligible family members (Rs 3.71 lakh) and (h) payment of pension arrears without recovery the pension contributions already credited (Rs 0.57 lakh).

2.3.16 Personal Deposit (PD) Accounts

Personal Deposit (PD) Accounts are opened in the Treasury in favour of designated officials of Government for specific purposes under specific sanctions issued by Government. These deposits are held and accounted for under Public Account.

According to the Government orders¹⁰ issued in April 2000, unspent balances of scheme funds released and deposited in PD accounts during a financial year shall lapse by the end of the next financial year and credited back to Government. Further, in order to prevent drawal of funds from PD account in order to avoid lapse of funds, the Government order also stipulated that no self-cheque/cheque in the name of the manager of a bank shall be permitted to be drawn from PD accounts. Further all the PD account administrators are required to reconcile their balances with those of treasury and bank.

Test-check of four¹¹ PD Accounts pertaining to Social Welfare Department revealed the following:

⁸ Krishna and Medak.

⁹ Motigally, Punjagutta, Narayanguda, Malakpet and Chandrayanagutta

¹⁰ G.O.Ms.No.43, Finance and Planning department dated 22-04-2000

¹¹ (1) AP Social Welfare Fund, (2) AP Scheduled Caste Co-operative Finance Corporation, (3) AP Study Circle and (4) AP Social Welfare Residential Educational Society

- The Government released (March 2006) Rs 10.16 crore for construction of Social Welfare Hostel Buildings and was credited to PD Account of AP Social Welfare Fund. An amount of Rs 9.84 crore was utilised till March 2007 and the balance amount (Rs 0.32 crore) was transferred to bank account to prevent lapse of unspent balances.
- The unspent balances of Rs 39.85 lakh under the Scheme “Construction of Ambedkar Bhavans”, received from unit officers, were kept in bank account and further expenditure of Rs 28.25 lakh was incurred from it as of June 2008.
- The reconciliation of PD Account with Bank/Treasury was not being carried out as a result of which Rs 3.57 crore (being the cheques issued between 2003 and 2006 and not encashed) was not credited back to Government account.

2.3.17 Rush of expenditure

The Andhra Pradesh Financial code¹² 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 2007 was between 14 and 20 *per cent* of the total expenditure, it was highest at 45 percent in the last quarter of the year. The expenditure, in the month of March 2008 alone constituted 30 *per cent* indicating rush of expenditure at the end of financial year.

Quarter ended	Expenditure (Rupees in crore)	Percentage of total expenditure
30 June 2007	9450.25	14
30 September 2007	13900.16	21
31 December 2007	13506.70	20
31 March 2008	29900.39	45
Total Expenditure	66757.50	---
Expenditure during March 2008	19726.50	30

¹² Article 39