

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 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 2003-04 against 40 grants/appropriations was as follows:

(Rupees in crore)

| | Nature of expenditure | Original grant/ appropriation [@] | Actual expenditure* | Saving (-)/ Excess (+) |
|--|-------------------------|---|------------------------|---------------------------|
| Voted | I. Revenue | 24560.20 | 23374.86 | (-) 1185.34 |
| | II. Capital | 4932.58 | 4340.37 | (-) 592.21 |
| | III. Loans and advances | 1181.95 | 1493.63 | (+) 311.68 |
| Total Voted | | 30674.73 | 29208.86 | (-) 1465.87 |
| Charged | IV. Revenue | 6962.70 | 6898.71 | (-) 63.99 |
| | V. Capital | 20.98 | 17.85 | (-) 3.13 |
| | VI. Loans | --- | --- | --- |
| | VII. Public Debt | 6078.22 | 13281.17 | (+) 7202.95 |
| Total Charged | | 13061.90 | 20197.73 | (+) 7135.83 |
| Appropriation to Contingency Fund (if any) | -- | --- | --- | --- |
| Grand Total | | 43736.63 | 49406.59 | (+) 5669.96 |

[@] There are no supplementary grants during 2003-04 due to dissolution of Assembly with effect from 14-11-2003.

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs 443.43 crore) and Capital expenditure (Rs 107.36 crore).

(a) The total expenditure stands inflated at least to the extent of the following:

(i) At the end of March 2004, Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of Rs 108.74 crore drawn on Abstract Contingent bills during 2003-04. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouch safed.

(ii) Rs 17.62 crore remained unutilised in PD account/banks in the form of cash as per information received from two departments

(b) The total expenditure was understated at least to the extent of Rs 19.08 crore drawn from Contingency Fund during 2003-04 which remained unrecouped at the close of the year.

The overall excess of Rs 5669.96 crore was the result of excess of Rs 9303.24 crore in 32 grants and four appropriations partly offset by saving of Rs 3633.28 crore in 43 grants and seven appropriations. 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 85 per cent of the cases.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 3633.28 crore, major savings of Rs 2526.11 crore (70 per cent) occurred in eight grants as mentioned below.

(Rupees in crore)

| Number and name of the Grant | Grant (Original) | Actual Expenditure | Savings |
|--|------------------|--------------------|---------|
| IX Fiscal Administration, Planning, Surveys and Statistics | | | |
| (Revenue-Voted) | 3210.90 | 2778.86 | 432.04 |
| (Capital-Voted) | 429.69 | 276.41 | 153.28 |
| XI Roads, Buildings and Ports (Capital-Voted) | 1257.48 | 666.96 | 590.52 |
| XII School Education (Revenue-Voted) | 3933.88 | 3432.06 | 501.82 |
| XVI Medical and Health (Revenue-Voted) | 1644.45 | 1482.86 | 161.59 |
| XXXI Panchayat Raj (Revenue-Voted) | 1580.86 | 1288.47 | 292.39 |
| (Capital -Voted) | 771.68 | 532.56 | 239.12 |
| XXXIII Major and Medium Irrigation (Revenue-Voted) | 2041.11 | 1885.76 | 155.35 |

Reasons for savings in three of the above eight grants are given below.

The saving under Fiscal Administration, Planning, Surveys and Statistics was stated to be due to non-sanction of dearness relief to pensioners, less number of retirements, and non-implementation of Janmabhoomi programme.

The saving under Roads, Buildings and Ports was due to non-receipt of sanction orders and postponement/slow progress of works.

The savings under School Education was stated to be due to non-receipt of sanction orders from Government.

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

In 31 grants/appropriations, savings exceeding Rs 1 crore and also 10 per cent of the total provision in each case, aggregated Rs 3073.44 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 2950.29 crore for the years 1997-98 to 2002-03 was yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provision during 2003-04 requiring regularisation: The excess of Rs 2098.04 crore under 32 grants and Rs 7205.20 crore under four appropriations requires regularisation under Article 205 of the Constitution (*Appendix 2.4*).

2.3.3 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 54 heads of account, injudicious reappropriation of funds proved excessive or resulted in savings, by over Rs 2 crore in each case (*Appendix 2.5*).

2.3.4 Anticipated savings not surrendered

According to Budget Manual, 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 2003-04, out of total anticipated savings of Rs 1848.78 crore under 25 grants/appropriations, savings of Rs 571.46 crore (31 per cent) were not surrendered. In 14 of these grants, savings of Rs 1 crore and above aggregating to Rs 567.23 crore were not surrendered (*Appendix 2.6*).

2.3.5 Delay in surrender of savings

Besides, in 51 grants/appropriations, Rs 3396.92 crore (93 per cent of total savings) were surrendered on the last day of March 2004, indicating inadequate financial control over expenditure (*Appendix 2.7*). Due to delay in surrender of savings the funds could not be utilised for other purposes.

2.3.6 Surrender in excess of actual savings

In 20 grants/appropriations, the amount surrendered was in excess of actual savings. In 14 cases, surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. Overall, for the 34 grants/appropriations, while the savings were Rs 669.78 crore, the amount surrendered was Rs 2110.89 crore (*Appendix 2.8*).

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

2.3.7 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 authorization by the Legislature or by an advance from Contingency Fund. The Government have issued orders in May 1990 based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'.

In eight cases, however, which should have been treated as 'New Service/New Instrument of Service', expenditure aggregating to Rs 240.85 crore was incurred without budget provision. Advance from Contingency Fund was also not taken (*Appendix 2.9*).

2.3.8 Expenditure without provision

As per Budget Manual¹, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was however, noticed that expenditure of Rs 1364.01 crore was incurred under 30 heads of account, without any provision of funds (*Appendix 2.10*).

2.3.9 Rush of Expenditure

The financial rules² require 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 2003 was between 14 to 24 per cent of the total expenditure, it was highest at 41 per cent in the last quarter of the year. Expenditure of Rs 7425.48 crore constituting 22 per cent of the total expenditure was incurred in March 2004 alone.

| Quarter ended | Expenditure (Rupees in crore) | Percentage to Total Expenditure |
|--------------------------------------|----------------------------------|------------------------------------|
| 30 June 2003 | 4927.70 | 14 |
| 30 September 2003 | 7247.45 | 21 |
| 31 December 2003 | 8068.91 | 24 |
| 31 March 2004 | 13836.95 | 41 |
| Total Expenditure | 34081.01 | --- |
| Expenditure during March 2004 | 7425.48 | 22 |

¹ Para 20.3.1

² Article 39 of Andhra Pradesh Financial Code

2.3.10 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 (A&E). For 2003-04, expenditure of Rs 11209.01 crore remained unreconciled in respect of 21 departments, details are given in *Appendix 2.11*. The expenditure not reconciled was over Rs 500 crore in the following departments.

(Rupees in crore)

| Name of the department | Amount not reconciled |
|--|-----------------------|
| Energy | 1408.55 |
| Environment, Forests, Science and Technology | 781.70 |
| Home | 670.28 |
| Irrigation and Command Area Development | 3829.12 |
| Municipal Administration and Urban Development | 783.68 |
| Transport, Roads, Buildings and Ports | 971.90 |

2.3.11 Non-adjustment of Abstract Contingent Bills

Government issued orders³ in March 2002, directing that advances drawn on Abstract Contingent (AC) bills should be settled within three months.

It was, however, observed that Rs 419.72 crore drawn in 1.07 lakh AC bills during the period from 1977-78 to 2002-03 have not been adjusted as of March 2004 (*Appendix 2.12*). The Detailed Contingent (DC) bills had not been submitted by the concerned departmental officers to Accountant General (A&E) (Rs 265.59 crore) and Pay and Accounts Officer (Rs 154.13 crore), with supporting vouchers for the expenditure incurred.

Scrutiny revealed that in Education Department advances drawn on AC bills for Rs 71.75 crore between 1977-78 and 2002-03 have not been settled as of March 2004. It was also observed that Rs 3.03 crore drawn on AC bills between February 1987 and March 2003 by the District Educational Officers (DEOs) of Adilabad and Kadapa Districts were not adjusted for want of vouchers and loss of relevant files.

2.3.12 Advances from Contingency Fund

During 2003-04, Rs 19.08 crore drawn from Contingency Fund remained unrecouped at the end of the year as Supplementary grant was not obtained due to dissolution of the State Legislature on 14 November 2003.

³ G.O.Ms.No. 391 Finance Department dated 22-03-2002

Drawal of advance from Contingency Fund in excess of requirement: Industries and Commerce department drew (July 2003) an advance of Rs 75.79 lakh from Contingency Fund for payment of pension and family pension benefits⁴ in respect of 32 retired employees of the AP Khadi and Village Industries Board as per the judgement of the High Court of Andhra Pradesh delivered in September 2002. Since the actual liability was Rs 56.88 lakh (after adjustment of Rs 18.91 lakh towards management share of CPF and DCRG), drawal of Rs 18.91 lakh from the Fund was in excess of requirement.

Avoidable drawal of advance from Contingency Fund: The Law Department drew (May 2003) an advance of Rs 1 crore from Contingency Fund towards additional corpus grant to the International Centre for Alternative Dispute Resolution, on a request made by the Centre in December 2001 and April 2002. Since expenditure on release of additional corpus grant to the centre was neither unforeseen nor of emergent nature, drawal of advance from Contingency Fund was avoidable.

2.3.13 Personal Deposit 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. The deposits are held and accounted for under Public Account. According to Government orders⁵ issued in April 2000, the scheme funds released and deposited in PD accounts during a financial year shall lapse by the end of the next financial year. Further, in order to prevent drawal of funds from PD account in advance of requirement, to avoid lapse of funds, the Government orders of April 2000 also stipulated that no self-cheque/cheque in the name of the manager of a bank shall be permitted to draw moneys from PD accounts.

Test-check of six⁶ PD Accounts pertaining to various departments revealed the following.

Deposit of scheme funds in banks: The Chief Planning Officer, West Godavari District, Eluru drew (February 2003) Rs 1.55 crore from Janmabhoomi PD account and Rs 0.66 crore from Decentralised Planning PD Account and transferred (February 2003) them to savings bank accounts as per the orders of the Collector, West Godavari District, to avoid lapse of PD account funds. As of 31 March 2004, Rs 62 lakh were retained in SB Account (Rs 31 lakh

⁴ In lieu of Contributory Provident Fund Scheme

⁵ G.O.Ms.No. 43 Finance and Planning department dated 22-04-2000

⁶ City Civil Court, AP, Hyderabad; Director of Municipal Administration; Osmania University; Acharya NG Ranga Agricultural University; Sports Authority of Andhra Pradesh; Chief Planning Officer, Eluru, West Godavari District

each under Janmabhoomi and Decentralised Planning). This action defeated the spirit of Government order of April 2000.

Government in Agriculture and Cooperation Department sanctioned (March 2003) Rs 17 crore to Acharya NG Ranga Agricultural University, Hyderabad towards construction of buildings and creation of infrastructural facilities for NTR College of Veterinary Science, Gannavaram and three new polytechnics at Anakapalle, Maruteru and Palamaneru, pending provision of funds in supplementary estimates. The amount was deposited to the University's PD account on 29 March 2003 and was transferred by the Administrator of PD account (Comptroller of University) to the University general account on the same day. However, the entire amount remained unutilised as of October 2004, as the University Board of Management responsible for issue of technical sanction of the work, was not constituted. The entire amount was deposited (March and December 2003) in term deposits with nationalised banks. Withdrawal of amounts from PD account, to avoid lapse of funds and parking them outside the Government account was irregular.

2.3.14 Improper utilisation of departmental receipts for departmental expenditure

As per financial rules all revenues received by the Government shall be credited to the Consolidated Fund and that no moneys out of the said Fund shall be appropriated except in accordance with law and in the manner provided under the Constitution.

In violation of the above provisions of the Constitution the District Collector, Khammam had permitted (October 2001) the Executive Engineer, Public Health Special Division, Khammam to utilise the departmental receipts viz., water consumption charges as well as collections for new water connections, in respect of Bhadrachalam Water Supply Scheme to meet the maintenance expenditure on the scheme on the ground that the Government did not release any maintenance grant for the Scheme since 1998-99 even though it was maintained by the Public Health Department. Since October 2001 the revenue receipts of the scheme amounting to Rs 1.02 crore (upto 31 March 2004) were credited to a savings bank account in the State Bank of Hyderabad and the expenditure for maintenance of the scheme amounting to Rs 1.02 crore was incurred therefrom as per orders of the Collector. Thus, neither the receipts nor the expenditure entered government accounts. Such utilisation of departmental receipts for expenditure violates the Constitutional provisions and undermines legislative supremacy.