

**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 Appropriations 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 2005-06 against 66 grants/appropriations was as follows:

**Table 2.1**

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure <sup>3</sup>	Saving(-) Excess(+)
Voted	I. Revenue	1440.44	415.56	1856.00	1496.67	(-) 359.33
	II. Capital	308.54	262.52	571.06	441.51	(-) 129.55
	III. Loans	4.18	3.18	7.36	3.68	(-) 3.68
<b>Total Voted:</b>		<b>1753.16</b>	<b>681.26</b>	<b>2434.42</b>	<b>1941.86</b>	<b>(-) 492.56</b>
Charged	IV. Revenue	191.88	3.10	194.98	171.15	(-) 23.83
	V. Capital	--	--	--	--	--
	VI. Loans	--	--	--	--	--
	VII. Public Debt	135.90	--	135.90	328.88	(+) 192.98
<b>Total Charged:</b>		<b>327.78</b>	<b>3.10</b>	<b>330.88</b>	<b>500.03</b>	<b>(+) 169.15</b>
Appropriation to Contingency Fund (if any)		-	-	-	-	-
<b>Grand Total:</b>		<b>2080.94</b>	<b>684.36</b>	<b>2765.30</b>	<b>2441.89</b>	<b>(-) 323.41</b>

<sup>3</sup> These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.0.17 crore) and Capital expenditure (Rs.3.89 crore).

The overall saving of Rs.323.41 crore was the result of saving of Rs.590.35 crore in 66 grants and appropriations partly offset by excess of Rs.266.94 crore in 15 grants and appropriations.

## 2.3 Fulfilment of Allocative Priorities

### 2.3.1 Appropriation by Allocative Priorities

(i) Out of overall savings of Rs.323.41 crore, major savings of Rs.172.18 crore (53 per cent) occurred in nine grants as mentioned below :

**Table 2.2**

(Rupees in crore)

Grant No./Name of the Grant	Grant			Actual Expenditure	Savings
	Original	Supplementary	Total		
<b>Revenue Voted</b>					
6 – District Administration	89.42	1.14	90.56	78.19	12.37
27 – Panchayat	2.53	38.43	40.96	27.22	13.74
34 – Power	106.76	7.58	114.34	101.02	13.32
<b>Revenue Charged</b>					
Public Debt	189.07	--	189.07	167.53	21.54
<b>Total</b>	<b>387.78</b>	<b>47.15</b>	<b>434.93</b>	<b>373.96</b>	<b>60.97</b>
<b>Capital Voted</b>					
14 – Education	27.20	4.78	31.98	21.23	10.75
32 – Roads and Bridges	81.23	37.55	118.78	89.73	29.05
33 – North eastern Areas	8.0	34.52	42.52	37.83	4.69
34 – Power	81.20	61.23	142.43	89.83	52.60
57 – Urban Development	4.12	25.00	29.12	21.84	7.28
66 – Power (Civil)	26.82	15.82	42.64	35.80	6.84
<b>Total</b>	<b>228.57</b>	<b>178.90</b>	<b>407.47</b>	<b>296.26</b>	<b>111.21</b>
<b>Grand Total :</b>	<b>616.35</b>	<b>226.05</b>	<b>842.40</b>	<b>670.22</b>	<b>172.18</b>

Reasons for savings were not intimated by the departments.

Areas in which major savings occurred in these grants are given in **Appendix –VII**.

(ii) In 15 cases, net savings aggregating Rs.500.72 crore exceeded Rs.1 crore in each case and were also more than 10 per cent of the total provision, as indicated in **Appendix –VIII**.

### 2.3.2 *Excess requiring regularisation*

(i) **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.549.88 crore for the years 1986-87 to 2004-05 was yet to be regularised. Details are given in **Appendix – IX**.

(ii) **Excess over provision during 2005-06 requiring regularisation:** The excess of Rs.266.94 crore under 14 grants and one appropriation requires regularisation under Article 205 of the Constitution (**Appendix – X**).

### 2.3.3 *Original budget and supplementary provisions*

Supplementary provision made during the year constituted 33 *per cent* of the original provision as against 34 *per cent* in the previous year. Total supplementary grants obtained during the year were Rs.684.36 crore while the ultimate total savings amounted to Rs.323.41 crore.

### 2.3.4 *Unnecessary/excessive/inadequate supplementary provisions*

(i) Supplementary provision of Rs.16.28 crore made in 10 cases during the year proved unnecessary in view of the aggregate saving of Rs.40.31 crore in these cases as detailed in **Appendix – XI**.

(ii) In 37 cases, against additional requirement of only Rs.363.94 crore, supplementary grants/appropriations of Rs.515.36 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.151.42 crore (**Appendix – XII**).

(iii) In nine cases, supplementary provision of Rs.33.86 crore proved insufficient by more than Rs.10 lakh each leaving an aggregate uncovered excess expenditure of Rs.73.68 crore (**Appendix – XIII**).

### 2.3.5 *Excessive/unnecessary/injudicious 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 42 cases, injudicious re-appropriation of funds proved excessive or resulted in savings of Rs.10 lakh and above in each case (**Appendix – XIV**).

### 2.3.6 *Expenditure without provision*

As per 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.201.12 crore was incurred in 11 cases, (**Appendix – XV**) without any provision in the original estimate/supplementary demand or re-appropriation order.

### **2.3.7 Unutilised provision of funds**

In 15 cases, there was no expenditure resulting in non-utilisation of entire budget provision of Rs.53.08 crore (**Appendix – XVI**). Out of these cases, in 11 cases, the savings exceeded rupees one crore or more. These instances were indicative of ineffective monitoring and control over expenditure.

### **2.3.8 Persistent savings/excess**

In 14 cases, there were persistent savings in excess of Rs.10 lakh and 10 *per cent* or more of the provision in each case (**Appendix – XVII**).

The case of persistent excesses requires investigation by the Government for remedial action.

### **2.3.9 Anticipated savings not surrendered**

According to the rules framed by the Government, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2005-06 there were 45 grants/appropriations in which large savings had not been surrendered by the Department. The amount involved was Rs.228.29 crore. In 22 cases, the amount of available savings of Rs.1 crore and above in each case not surrendered, aggregated Rs.216.99 crore. This indicated lack of financial control and monitoring (**Appendix – XVIII**).

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

In four cases, the amount surrendered was in excess of actual savings and in two other cases surrenders were made even though expenditure was in excess of the grant, indicating inadequate budgetary control. As against the savings of Rs.6.82 crore in four grants, the amount surrendered was Rs.6.89 crore, resulting in excess surrender of Rs.7.41 crore. Further, against the excess expenditure of Rs.0.71 crore in two grants, the amount surrendered was Rs.0.28 crore, which was injudicious, as the expenditure had exceeded the grant and no savings were available for surrender (**Appendix – XIX**).

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

### **2.3.11 Rush of expenditure**

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, in respect of nine heads of accounts, while the expenditure during the three quarters ending December 2005 was between 14 to 23 *per cent* of the total expenditure, it was highest at

49 *per cent* in the last quarter of the year. Expenditure of Rs.236.11 crore constituting 35 *per cent* of the total expenditure was incurred in March 2006 indicating rush of expenditure in March (**Appendix – XX**).

### ***2.3.12 Unreconciled expenditure***

Financial rules require that the departmental controlling officers (DCOs) should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. Seventy-three out of 78 DCOs reconciled their figures of expenditure for the year 2005-06 in March 2006. In respect of seven heads of accounts involving expenditure of Rs.114.96 crore pertaining to 2005-06, no reconciliation was made by seven DCOs.

### ***2.3.13 Non-adjustment of Abstract Contingent Bill***

Rules provide that drawals through abstract contingent bill (AC bill) require presentation of detailed countersigned contingent bills (DCC bills) to the controlling officer (CO) and transmission to the Accountant General. A certificate is also required to be attached to every AC bill to the effect that DCC bills have been submitted to the CO in respect of all one month old AC bills (drawn more than a month before the date of that bill).

Test check (July 2006) of the records of 72 drawing and disbursing officers (DDOs) revealed that Rs.16.14 crore were drawn through 1632 AC bills during 2001-02 (Rs.29.92 lakh in 147 bills), 2002-03 (Rs.72.16 lakh in 389 bills), 2003-04 (Rs.1.63 crore in 206 bills) and 2004-05 (Rs.10.07 crore in 465 bills) and 2005-06 (Rs. 3.41 crore in 425 bills), but DCC bills against these drawals in AC bills had not been furnished to the Accountant General as of March 2006 (**Appendix – XXI**). These drawals remained unadjusted for periods ranging from one to four years as of March 2006.

Thus, due to non-submission of DCC bills, the actual expenditure against these drawals remained un-assessed by the Government which indicated serious deficiency in control over expenditure.

The matter was reported to the Government in (November 2006); reply had not been received (November 2006).