

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 authorization 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 *Appropriation Accounts at a glance*

The summarised position of actual expenditure during 2003-2004 against 77 grants/appropriations (73 Grants and four Appropriations) are indicated in Table-1.

Table-1

(Rupees in crore)						
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-) Excess (+)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Voted	I. Revenue	9504.17	1203.75	10707.92	6898.11	(-) 3809.81
	II. Capital	1171.98	281.20	1453.18	622.00	(-) 831.18
	III. Loans and advances	294.57	79.35	373.92	127.59	(-) 246.33
Total Voted		10970.72	1564.30	12535.02	7647.70	(-) 4887.32
Charged	IV Revenue	1848.53	100.52	1949.05	1554.37	(-) 394.68
	V Capital	-	-	-	-	-
	VI Public Debt	3757.52	3812.13	7569.65	7970.17	(+) 400.52
	VII Loans and Advances	-	-	-	-	-
	Total Charged		5606.05	3912.65	9518.70	9524.54
Appropriation to Contingency Fund (if any)						
Grand Total		16576.77	5476.95	22053.72	17172.24	(-) 4881.48

2.3 *Fulfilment of Allocative Priorities*

2.3.1 Appropriation by Allocative Priorities: Out of overall savings of Rs.5,286 crore, major savings of Rs.3,654 crore (69 per cent) occurred in 10 grants are indicated in Table-2.

Table-2

Grant No.	Grant			Actual Expenditure	Saving
	Original	Supplementary	Total		
14	Police (Revenue Voted)				
	848.08	25.81	873.89	619.74	254.15
29	Medical and Public Health (Revenue Voted)				
	486.64	9.06	495.70	347.44	148.26
41	Natural Calamities (Revenue Voted)				
	234.98	117.60	352.58	116.79	235.79
44	North-Eastern Council Schemes (Capital Voted)				
	563.32	10.54	573.86	213.05	360.81
56	Rural Development (Panchayat) (Revenue Voted)				
	161.70	46.03	207.73	113.24	94.49
57	Rural Development (Revenue Voted)				
	810.52	33.33	843.85	151.34	692.51
62	Power (Electricity) (Revenue Voted)				
	1.56	483.50	485.06	143.01	342.05
62	Power (Electricity) (Capital Voted)				
	177.29	281.92	459.21	168.20	291.01
64	Roads and Bridges (Capital Voted)				
	243.70	26.66	270.36	169.29	101.07
68	Loans to Government Servants (Capital Voted)				
	208.43	-	208.43	20.77	187.66
71	Education (Elementary, Secondary etc.) (Revenue Voted)				
	2961.63	37.80	2999.43	2053.31	946.12
Total	6697.85	1072.25	7770.10	4116.18	3653.92

Reasons for savings were not intimated by the departments.

- 1) Areas in which major savings occurred in these ten grants are given in the *Appendix-IX*.
- 2) In 71 cases, savings exceeding Rupees one crore in each case and also by more than 10 per cent of the total provision amounted to Rs. 5153.60 crore as indicated in *Appendix-X*.

2.3.2 Excess requiring regularisation

1) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularised by the State Legislature.

The year-wise position is given in Table-3.

Table-3

Year	Number of cases		Amount of excess		Total
	Voted Grants	Charged Appropriation	Voted	Charged Appropriation	
1995-96	10	2	39.73	1765.83	1805.56
1996-97	4	2	21.08	1803.15	1824.23
1997-98	1	1	4.12	2618.20	2622.32
1998-99	-	1	-	3165.45	3165.45
1999-2000	1	1	37.99	3680.10	3718.09
2000-01	6	1	233.81	4539.22	4773.03
2001-02	2	5	155.11	1987.37	2142.48
2002-03	5	6	109.54	1509.32	1618.86
Total	29	19	601.38	21,068.64	21,670.02

The Act of the Legislature regularising excess expenditure from 1983-84 to 1987-88 and 1988-89 to 1994-95 received on 01 May 2003 and 21 March 2004 respectively. The Public Accounts Committee vide its Eighty fifth Report presented to Legislature on 8 March 2002, Eighty Eighth Report presented to Legislature on 3 October 2002 and Ninety Fourth Report which was placed before the Legislature on 6 August 2003 recommended regularisation of excess expenditure during the years 1995-2000, 2000-01 and 2001-02 respectively. Necessary Act of the Legislature for regularisation of total excess expenditure of Rs.21,670.02 crore from 1995-96 to 2002-03 is awaited (October 2004).

2) *Saving/excess over provision during 2003-04 requiring regularisation*

The overall savings of Rs.5285.84 crore in 71 cases of grants (Rs.4890.75 crore) and 14 cases of appropriations (Rs.395.09 crore) was offset by an excess of Rs.404.36 crore in three charged appropriations (Rs.400.92 crore) and four grants (Rs.3.44 crore) resulting in net savings of Rs.4881.48 crore during 2003-04. The excess of Rs.404.36 crore required regularisation under Article 205 of the Constitution. The details are given in Table-4.

Table-4

(Rupees in crore)

Year	Number/Name of Grants/ Appropriations	Total Grant/ Appropriation	Actual expenditure	Amount of Excess
2003-2004	10-Other Fiscal Services (Revenue Voted)	1.532	1.534	0.002
2003-2004	12-District Administration (Revenue Charged)	0.0038	0.0379	0.0341
2003-2004	19-Vigilance Commission and others (Revenue Voted)	8.58	10.88	2.30
2003-2004	23-Pension and Other Retirement Benefits (Revenue Charged)	0.14	0.51	0.37
2003-2004	34-Urban Development (Capital Voted)	6.75	7.39	0.64
2003-2004	66-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (Revenue Voted)	11.85	12.35	0.50
2003-2004	Public Debt and Servicing of Debt (Capital Charged)	7569.65	7970.17	400.52
Total		7598.51	8002.87	404.36

2.3.3 *Supplementary provision*

Supplementary provision made during the year constituted 33.04 per cent of the original grant/appropriation as against 22.54 per cent in the preceding year.

2.3.4 *Unnecessary/inadequate supplementary provision*

Supplementary provision of Rs.985.55 crore (Revenue: Rs.634.67 crore and Capital: Rs.350.88 crore) in 65 cases involving 50 grants and two appropriations as detailed in *Appendix-XI* proved unnecessary. In one case of appropriation (Public Debt and Servicing of Debt–Capital portion), the actual expenditure (Rs.7970.17 crore) exceeded original budget provision (Rs.3757.52 crore) by Rs.4212.65 crore but supplementary provision of Rs.3812.13 crore only was obtained which was inadequate.

2.3.5 *Persistent savings*

In 29 grants there were persistent savings in excess of Rs.10 lakh in each case, representing 20 *per cent* or more of the total provision during the last three years. Details are given in *Appendix-XII*.

2.3.6 *Anticipated savings not surrendered*

According to the rules framed by Government the spending departments are required to surrender the grants/appropriation, or portion thereof, to the Finance Department as and when the savings are anticipated. However, at the close of the year there were grants/appropriations in which large savings had not been surrendered by the departments. In 60 grants saving exceeding Rupees one crore each remained to be surrendered at the end of 2003-2004. The amount involved was Rs.4875.07 crore. Details are given in *Appendix-XIII*.

2.3.7 *Non-receipt of explanations for Savings/Excesses*

After the closure of accounts each year, the detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the controlling officers (COs) who are required to explain the variation in general and those under important sub-heads in particular. The State budget manual also requires the COs to furnish promptly all such information to Accountant General (A&E) for preparation of the Appropriation Accounts.

Appropriation Accounts 2003-04 included 73 Grants and four Appropriations. The reasons for savings/excesses were called for by the Accountant General (A&E) in respect of 1335 sub-heads. In all cases explanations for variations were not received.

2.3.8 *Injudicious/Unnecessary re-appropriation*

Funds from one sub-head of appropriation to another sub-head where additional funds are needed can be transferred by re-appropriation. Scrutiny of re-appropriation orders revealed that a number of such orders issued during 2003-04 proved to be injudicious on account of either expected saving not materialising under the head of accounts from which funds were transferred or the actual expenditure falling short of even the original provision under the head to which additional funds were transferred. The details of such instances where re-appropriation for sums exceeding Rs.25 lakh each turned out to be injudicious as indicated in Table-5.

Table-5

(Rupees in lakh)

Sl. No	Number and name of grant/ Appropriation and head of account	Total Provision	Re-appropriation	Total	Actual expenditure	Excess (+) Savings (-)
1.	9-Transport Services 3056-Inland Water Transport 800-Other expenditure	578.37	66.21	644.58	438.31	(-) 206.27
2.	13-Treasury and Accounts Administration 2054- Treasury and Accounts Administration 1629-Upgradation of standard of Adm. Award	300.00	(-) 65.01	234.99	61.14	(-) 173.85
3.	Public Debt and Servicing of Debt (Charged) 2049-Interest payment 04-Interest on Loans and Advances for Central Government 4167-Block Grants	17231.10	4486.70	21717.80	16370.31	(-) 5347.49

2.3.9 Trend of recoveries and credits

Under the system of gross budgeting followed by Government, the Demands for Grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries, which are adjusted in the accounts as reduction of expenditure, the anticipated recoveries and credits are being shown separately in the Budget estimates. During the year 2003-04 such recoveries were anticipated at Rs.238.29 crore against which actual recoveries were Rs.2.68 crore. The shortfall in recoveries was mainly under (1) 17-Administrative and Functional Buildings (Rs.6.85 crore), (2) 24-Aid Materials (Rs.14.25 crore), (3) 25-Miscellaneous General Services (Rs.40 crore), and (4) 41-Natural Calamities (Rs.176.29 crore), which was partially set off by excess recoveries of Rs.1.87 crore under 64-Roads and Bridges.

2.3.10 Rush of expenditure at the fag end of the year

Rush of expenditure at the fag end of the financial year was commented upon in the Audit Reports for the years 1997-98 to 1999-2000 and 2002-03. Some instances of such rush of expenditure noticed at the fag end of the financial year 2003-04 are indicated in Table-6.

Table-6

(Rupees in crore)

Sl. No.	Head of Account (Grant No)	Total provision (Original and Supplementary)	Total expenditure	Expenditure during March 2004	Percentage of expenditure during March 2004 to	
					Total provision	Total expenditure
1	2015-Elections (4)	34.69	32.07	25.40	73.22	79.20
2	2070-Vigilance Commission (19)	8.58	10.88	5.88	68.53	54.04
3	2216-Housing Schemes and 6216-Loans for Housing (32)	4.22	1.56	0.83	19.67	53.21
4	2045-Other Taxes and Duties on Commodities and Services 2801-Power 4801-Capital Outlay on Power 6801-Loans to Power projects (62)	944.07	311.21	289.89	30.71	93.15
5	7610-Loans to Government Servants etc. (68)	208.43	20.77	14.97	7.18	72.08