

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 budget.

The objective of Appropriation Audit is to ascertain whether expenditure actually incurred under various Grants was 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 was 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 60 Grants and Appropriations was as follows:

Table No.I
Summary of Appropriation Accounts

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grants/ appropriation	Total	Actual Expenditure	Saving
Voted	I. Revenue	20,001.96	6,676.06	26,678.02	19,855.65*	6,822.37
	II. Capital	6,388.91	2,926.66	9,315.57	6,104.33*	3,211.24
	III. Loans and Advances	279.67	129.98	409.65	272.70	136.95
Total voted		26,670.54	9,732.70	36,403.24	26,232.68	10,170.56
Charged	IV. Revenue	3,955.81	13.13	3,968.94	3,750.12	218.82
	V. Capital	0.00	0.00	0.00	0.00	0.00
	VI. Loans and Advances	0.00	0.00	0.00	0.00	0.00
	VII. Public Debt.	2,630.73	1.53	2,632.26	1,631.85	1,000.41
Total charged		6,586.54	14.66	6,601.20	5,381.97	1,219.23
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		33,257.08	9,747.36	43,004.44	31,614.65	11,389.79
Deduct: Recoveries in reduction of expenditure		--	--	43.45	43.45	--
Net				42,960.99	31,571.20	

*These are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure Rs 43.45 crore.

Total provision of Rs 43,004.44 crore was made by the Government in the Budget for 2007-08 out of which Rs 31,614.65 crore was utilized during the year which was short of Rs 1,642.43 crore by original provision of Rs 33,257.08 crore. Voted capital expenditure of Rs 6,104.33 crore was merely 65.53 *per cent* of total provision and was short of Rs 284.58 crore from original budget estimate for capital. Total revenue expenditure was also short of Rs 352.00 crore by original budget provision.

The total expenditure was understated to the extent of Rs 9.96 crore for which vouchers were not received from the treasuries during the year 2007-08 (July 2008) and the expenditure remained unaccounted for in the Consolidated Fund of the State and kept in the Suspense Accounts by the Accountant General (A&E).

2.3 Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

The overall saving of Rs 11,389.79 crore (26.49 *per cent* of the total provision) was the net result of saving of Rs 11,391.72 crore and excess of Rs 1.93 crore (**Table No. III**), against total provision of Rs 43,004.44 crore. Out of the total saving of Rs 11,389.79 crore, Rs 7,041.19 crore (61.82 *per cent*) pertained to Revenue and Rs 4,348.60 crore (38.18 *per cent*) pertained to Capital. The details of savings/excesses were sent to the Government through monthly Expenditure Reports requiring them to explain the significant variations which were not received (August 2008).

2.3.2 Major savings

Departments were required to prepare their estimates keeping in view the relevant factors like trends in the economy, actual expenditure of last three years etc. Non-adherence to the tenets of budget formulation and budget management led to injudicious appropriation of funds resulting in large savings under various heads like, Urban Development, Rural Development, Social Welfare, Disaster Management, Energy, Water Resources etc. In 16 cases, involving appropriation of 15 Grants, substantial savings of Rs 100 crore or more and also by more than 20 *per cent* in each case totaling Rs 8,659.57 crore (76.02 *per cent* of total savings of Rs 11,389.79 crore) were noticed as shown in the **Table No. II**. Savings of Rs 2,048 crore, 98.79 *per cent* of the appropriation (Rs 2,073 crore) occurred mainly under Grant No. 54 of Rural Development Department due to change of grant No. from 54 to 59 and 60.

Table No. II
Major savings of Rs 100 crore or more and more than 20 per cent
(Rupees in crore)

Sl No.	Number and Name of Grant / Appropriation	Amount of Grant/ Appropriation	Actual Expenditure	Amount of Savings (Percentage of Provision in brackets)	Main reasons of Savings as furnished by the Government
A. Revenue Voted Section					
1	20 - Health Department	1,325.77	1,033.67	292.10 (22.03)	Rs 66.89 crore could not be spent on account of restriction imposed by FD and Rs 28.61 crore due to non-sanction of fund by GOI. Reasons of saving of Rs 134.89 crore were not intimated.
2	23 - Industries Department	269.05	150.21	118.84 (44.17)	Saving of Rs 99.39 crore was due to non-sanction of schemes. Reasons for savings of Rs. 4.62 crore was not intimated.
3	26 - Labour Resources Department	471.57	303.15	168.42 (35.71)	Reasons for saving of Rs. 163.24 crore was not intimated.
4	35 - Planning and Development Department	653.51	216.94	436.57 (66.80)	Reasons for the saving of Rs 436.53 crore was not intimated.
5	39 - Disaster Management Department	2,175.01	1,220.11	954.90 (43.90)	Reason for Rs. 879.13 crore saving was not intimated.
6	41 - Road Construction Department	410.82	287.67	123.15 (29.98)	Saving of Rs 84.13 crore were due to non-supply of bitumen in time and transfer of works to different schemes. Reasons for saving of balance Rs 29.78 crore was not intimated.
7	42 - Rural Development Department	1,091.01	676.57	414.44 (37.99)	Reason for saving of Rs 410.75 crore was not intimated.
8	48 - Urban Development and Housing Department	1,147.96	556.19	591.77 (51.55)	Saving of Rs 587.63 crore was due to downward revision in planned outlay.
9	51 - Welfare Department	755.28	407.15	348.13 (46.09)	Saving of Rs 322.91 crore was not intimated.
10	54 - Rural Development (REO, PR, MLA/MLC, KK YOJ) Department	904.73	21.65	883.08 (97.61)	Saving of Rs 882.80 crore was due to change of grant number from 54 to 59 and 60.
11	55- Social Welfare Department	912.52	297.43	615.09 (67.41)	Saving of Rs 223.49 crore was due to non-functioning of Anganbari Centres. Reasons for saving of Rs 374.56 crore was not intimated.
B. - Capital Voted Section					
12	10 - Energy Department	919.48	354.33	565.15 (61.46)	Saving of Rs 513.50 crore was due to non-release of fund by GOI. Saving of Rs 50.00 crore was attributed to non-drawal of fund due to non-existence of planned outlay.
13	36 - Public Health Engineering Department	722.83	333.42	389.41 (53.87)	Saving of Rs 306.31 crore was due to non-release of fund by GOI and reasons for saving of Rs 77.44 crore was not intimated.
14	49 - Water Resources Department	1,406.59	813.17	593.42 (42.19)	Saving of Rs 106.03 crore due to less possibility of expenditure. Reasons for saving of Rs 439.69 crore were not intimated..
15	54 - Rural Development (REO, PR, MLA/MLC, KK YOJ) Department	1,168.33	3.64	1,164.69 (99.69)	Entire saving of Rs 1164.69 crore was due to change of grant number from 54 to 59 and 60.
C. - Capital Charged Section					
16	14-Repayment of Loans	2,632.26	1,631.85	1,000.41 (88.01)	Reasons for saving of Rs 1,000 crore were not intimated.
Grand Total: (A+B+C)		16,966.72	8,307.15	8,659.57	

Table No. II reveals that the reasons given by the State Government as recorded in the Appropriation Account 2007-08 explain only the savings amounting to Rs 4,386.03 crore (50.65 per cent). The saving of Rs 4,273.54 crore (49.35 per cent) remained unexplained, i.e, for which no reasons were reported by state Government.

In another 29 cases involving 10 Grants major savings of Rs 1,904.64 crore (Rs 10 crore or more in each case) occurred. Reasons for final savings were not intimated by any department (*Appendix 2.1*).

2.3.3 Other cases of savings

In 25 cases (involving 22 grants) expenditure fell short by rupees one crore or more (below Rs 100 crore) and also by more than 20 per cent of the total budget provision in each case amounting to Rs 728.15 crore (*Appendix 2.2*). This was indicative of incorrect assessment of demands.

2.3.4 Persistent savings

In 18 cases involving 16 Grants and one Appropriation, there were persistent savings of more than Rs five crore and 10 per cent or more of the total provisions in each case amounting to Rs 3,288.45 crore as indicated in *Appendix 2.3*.

2.3.5 Excess requiring regularisation

Excess over provision requires regularisation

During the year 2007-08 excess expenditure of Rs 1.93 crore against total provision of Rs 43,004.44 crore was incurred, of which, Rs 1.04 crore in Grant No. 17 and Rs 0.89 crore in Grant No. 42 (**Table No. III**), requires regularisation as per Article 205 of the Constitution of India, which is mandatory for the State Government to get the excess over a Grant or Appropriation regularised by the State Legislature.

Table No. III
Statement of excesses over Grants requiring regularisation

(Rupees in lakh)

Sl No.	Number and Name of Grant	Total Grant (Original + Supplementary)	Actual Expenditure	Amount of Excess (Percentage of Excess)	Main Reasons
A. Revenue Voted Grant					
1.	17 - Commercial Tax Department	4,170.67	4,274.81	104.14 (2.50)	Not intimated (August 2008)
	Total (A)	4,170.67	4,274.81	104.14 (2.50)	
B. Capital Voted Grants					
2.	42 – Rural Development Department	7,455.62	7,544.37	88.75 (1.19)	Not intimated (August 2008)
	Total (B)	7,455.62	7,544.37	88.75 (1.19)	
	Grand Total (A+B)	11,626.29	11,819.18	192.89 (1.66)	

However, excess expenditure amounting to Rs 7,026.64 crore for the year 1977-78 to 2007-08 had not been regularised so far (September 2008). This was a breach of legislative control over appropriations. The possibility of financial irregularities remaining unexamined due to failure or long delays in furnishing explanations of excess expenditure cannot be ruled out (*Appendix 2.4*).

2.3.6 Expenditure in excess of provision in Minor Heads

In 10 cases involving eight Grants, expenditure incurred in each case exceeded the approved provision by rupees one crore or more totaling Rs 121.33 crore of which Rs 75 crore pertained to Road Construction Department (*Appendix 2.5*).

2.3.7 Expenditure without provision

Expenditure of Rs 271.40 crore was incurred in nine cases (Rs 20 lakh and above in each case) without any provision in the original estimate or supplementary demand or any re-appropriation order (*Appendix 2.6*). These instances indicate lack of monitoring/control over expenditure and gross violation of financial rules. Out of total expenditure of Rs 271.40 crore a sum of Rs 270.86 crore was under the head Miscellaneous Public Works Advances which constituted 99.33 *per cent* of expenditure incurred without any provision.

2.3.8 Original budget and supplementary provisions

Supplementary provisions of Rs 9,747.36 crore made during the year constituted 29.31 *per cent* of the original budget provision (Rs 33,257.08 crore) as against 16.52 *per cent* in the preceding year.

Total supplementary Grants (other than Public Debt) obtained during the year were Rs 9,745.83 crore while the total savings (other than Public Debt) amounted to Rs 10,389.38 crore. Thus the supplementary grant of Rs 9,745.83 crore was unnecessary.

2.3.9 Unnecessary/excessive/inadequate supplementary provisions

- Supplementary provisions of Rs 1,292.10 crore obtained in 40 cases during August 2007 to March 2008 were wholly unnecessary as the expenditure did not come up in these cases even to the level of original provision (*Appendix 2.7*).
- In 19 cases against actual requirement of only Rs 2,523.59 crore, Supplementary Grants/Appropriations of Rs 4,262.80 crore were obtained resulting in saving of Rs 1739.21 crore (exceeding Rs 20 lakh in each case) (*Appendix 2.8*).

Adequate scrutiny of the proposals of supplementary provisions by the Finance Department was required in the above cases.

2.3.10 Excessive/Unnecessary/re-appropriation of fund

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 12 cases involving eight Grants/Appropriations, re-appropriation of funds proved injudicious due to withdrawal of Rs 159.80 crore through re-appropriation while there was excess expenditure of Rs 106.62 crore. Cases where more than Rs one crore in each case re-appropriated are shown in **Appendix 2.9**.

This indicated that the Controlling Officer (CO) failed to anticipate the amount to be surrendered under rule 135 of Bihar Budget Manual.

2.3.11 Anticipated savings not surrendered

The spending Departments are required to surrender the Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2007-08 there were 21 cases of Grants/Appropriations in Revenue section and nine cases in Capital section in which savings of Rs 5,391.03 crore, (exceeding rupees one crore in each case) against which Rs 3,436.49 crore only was surrendered by the Departments leaving behind un-surrendered amount of Rs 1,954.54 crore, which ranges between 1.88 and 99.97 per cent (**Appendix 2.10**).

This shows that the COs failed to discharge the basic responsibility of being accountable for the budgetary control.

2.3.12 Delay in surrender of savings

As per Rule 112 of Bihar Budget Manual all anticipated savings should be surrendered to Govt. immediately without waiting till the end of the year. In 85 cases, Rs 9,317.73 crore out of the total savings of Rs 11,389.79 crore were surrendered on the last day of March 2008 indicating inadequate financial control over expenditure. Due to delay in surrender of the savings the funds could not be utilised for other purposes (**Appendix 2.11**).

It was noticed that four departments surrendered 32.84 per cent of the total saving Rs 3,740.69 crore on the last working day of the financial year, which were Disaster Management Department: Rs 574.29 crore, Urban Development and Housing Department: Rs 550.17 crore, Energy Department: Rs 568.46 crore and Rural Development {REO, PR, MLA/MLC, K.K. Yoj.} Department: Rs 2,047.77 crore.

2.3.13 Surrender of entire provision

In 54 cases, involving 18 Grants and Appropriations, the State Government failed to utilize the entire provision of Rs 3,399.31 crore (exceeding Rs five crore in each case). The entire provision was re-appropriated/surrendered (**Appendix 2.12**).

2.3.14 Surrender in excess of actual savings

In 11 cases, the amount surrendered was in excess of actual savings. Against the savings of Rs 839.37 crore, the amount surrendered was Rs 929.28 crore resulting in excess surrender of Rs 89.91 crore (*Appendix 2.13*).

2.3.15 Rush of expenditure

Uniform flow of expenditure during a financial year is a primary requirement of budgetary control. Rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for four quarters during 2007-08 and also for the month of March 2008 is depicted in *Appendix 2.14* which shows that the expenditure incurred in the quarter ending March 2008 and only in the month of March 2008 were 48 and 37 *per cent* of the total expenditure respectively which indicates deficient financial management, lack of effective control over expenditure by the controlling officers and a tendency to utilise the budget only at the fag end of the financial year.

2.3.16 Unreconciled expenditure

Financial Rules require that the Departmental controlling officers (CO) should reconcile periodically the Departmental figures of expenditure with those booked in the books of the Accountant General (A&E) on quarterly basis. In respect of 96 major heads, expenditure of Rs 26,799.13 crore pertaining to 2007-08 remained un-reconciled by 199 COs out of 203 COs. While 162 COs partially un-reconciled the expenditure of Rs 22,136.31 crore, 37 COs did not reconcile at all the expenditure of Rs 4,662.82 crore for the whole year (*Appendix 2.15*). The un-reconciled expenditure accounted for 84.77 *per cent* of the total expenditure (Rs 31,614.65 crore).

2.3.17 Plan performance

Government expenditure is broadly classified into Plan and Non-Plan and Revenue and Capital. Plan and Capital expenditure is usually associated with asset creation while the non-plan and revenue expenditure is identified with expenditure on establishment, maintenance and services.

Appropriation Account of the State Government for the year 2007-08 revealed that in 23 cases involving 10 Grants and Appropriations, significant savings exceeding Rs five crore and above in each case aggregating to Rs 1,085.74 crore (37.33 *per cent*) against the provision of Rs 2,907.80 crore were due to non-implementation or slow implementation of the Plan Schemes by the Bihar Government as shown in *Appendix 2.16*.

2.3.18 Advances from Contingency Fund

Contingency Fund of Bihar established under the Bihar Contingency Fund Act, 1950 in terms of the provisions of Article 267(2) and 283(2) of the Constitution of India was enhanced (March 1998) from rupees one crore to

Rs 350.00 crore to meet unforeseen and emergent expenditure not provided for in the budget and which cannot be postponed till the vote of the Legislature.

Table No. IV
Withdrawals from Contingency Fund

Items	2003-04	2004-05	2005-06	2006-07	2007-08
1. No. of withdrawals	38	92	181	249	214
2. Total withdrawals (Rs in crore)	151.48	368.60	497.13	732.37	2,376.41
3. Withdrawals as a percentage of total budget provision	0.69	1.39	1.72	2.15	5.53
4. Recoupment of withdrawals	Recouped	Recouped	Recouped	Recouped	Recouped

Use of Contingency Fund as stated in the **Table No. IV** depicts that during the year 2007-08 Government sanctioned 214 withdrawals¹ amounting to Rs 2,376.41 crore, 5.53 per cent of the total budget provision which was Rs 1,644.04 crore more than previous year's withdrawal of Rs 732.37 crore (2.15 per cent of the total budget provision). On 205 occasions expenditure (Rs 2,347.05 crore) incurred were not to meet unforeseen and emergent expenditure but for pay and allowances, TA, LTC, office expenses, purchase of vehicles etc. and were not in tune with the spirit of formation of Contingency Fund provided in the Constitution.

The increasing tendency of sanctioning advances on irregular items from the Contingency Fund has led to sharp rise to the tune of Rs 2,376.41 crore during 2007-08 from Rs 151.48 crore in 2003-04 and also 678.97 per cent of contingency fund amount approved by legislature.

2.4 Budgetary procedure and expenditure control

2.4.1 Non-observance of budgetary procedure

Cases of persistent savings, persistent excesses, excessive/unnecessary re-appropriation of funds, anticipated savings not being surrendered, rush of expenditure at the fag end of the year etc. as discussed earlier in this chapter were indicative of lack of budgetary procedure and expenditure control.

2.4.2 Trend of recoveries and credits

Under the system of gross budgeting followed by the Government the demand for grants presented to the Legislature are for gross expenditure excluding all credits and recoveries which are adjusted in the accounts as reduction of

¹ **Emergent nature of expenditure** 9 occasion, Rs 29.36 crore; **Pay and allowances** 8 occasion, Rs 1.16 crore; **TA and LTC** 3 occasions, Rs 2.76 crore; **Office expenses**, 15 occasion, Rs 5.41 crore, **Purchase of vehicles**, 6 occasions, Rs 10.69 crore and **other** 173 occasion Rs 2,327.03 crore .

expenditure. The anticipated recoveries and credits should be shown separately in the budget estimates.

During 2007-08 in 59 cases of grants/appropriations, the actual recoveries adjusted in reduction of expenditure amounted to Rs 43.45 crore, though provision of recovery was made only in two cases of Grants and Appropriation of Rs 0.006 crore in the budget estimates. Recoveries if any, under other heads were not reflected in Accounts. Despite having been pointed out in previous Audit Reports, Government could not follow the principle of budgeting where in demands for grants/ appropriations are to be made for gross amount of expenditure under the relevant service head (Revenue and Capital) and recoveries indicated as Deduct Receipts and Recoveries below the head separately so as to be treated as reduction of expenditure. Details are given in Appendix of Appropriation Accounts for the year 2007-08.

2.4.3 Non-adjustment of abstract contingent bills

Bihar Financial Rules provide that advances drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Accountant General (A&E) not later than 25 of next six months from the date of their drawal from the treasury. In spite of regularly being pointed out by audit regarding adjustment of AC bills, outstanding AC bills were on increasing trend. The total expenditure includes Rs 3,860.47 crore drawn against total No. of 7081 Abstract Contingent bills during the year 2007-08. Of this total No. of 228 Detailed Contingent bills for an amount of Rs 49.63 crore were submitted to the Accountant General (A&E), Bihar leaving the total No. of 6853 unadjusted bills amounting of Rs 3,810.84 crore.

Analysis exhibit that rules were disregarded by the DDOs and the COs. Scrutiny of records revealed that out of total drawal of Rs 11,924.44 crore on AC bills (Total No. 50384), DC bills for only Rs 511.90 crore (Total No. 3495) were submitted to A. G. (A&E), Bihar, Patna and no DC bills for remaining amount of Rs 11,412.54 crore (Total No. of pending DC bills 46,889) during the years from 2002-03 to 2007-08 were submitted despite repeated audit objections as shown in **Table No. V**

Table No. V

(Rupees in crore)

Sl. No.	Year	AC bill		DC Bill		Pending DC Bills	
		Number	Amount	Number	Amount	Number	Amount
1.	2002-03	6988	332.22	450	8.02	6,538	324.20
2.	2003-04	12,570	548.41	545	35.13	12,025	513.28
3.	2004-05	10,701	957.72	931	93.55	9,770	864.17
4.	2005-06	6,064	2,376.31	779	194.54	5,285	2,181.77
5.	2006-07	6,980	3,849.31	562	131.03	6,418	3,718.28
6.	2007-08	7,081	3,860.47	228	49.63	6,853	3,810.84
	Total	50,384	11,924.44	3,495	511.90	46,889	11,412.54

The increasing trend of outstanding AC bills needs action and effective measures for adjustment of AC bills.