

CHAPTER-II

Appropriation Audit and control over expenditure

2. Allocative Priorities and Appropriations

2.1 Introduction

The Appropriation Accounts are prepared annually, in accordance with the requirements of Article 149 of the Constitution of India. They indicate the capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as 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 and appropriations was within the limits authorised by the Appropriation Act and was in conformity with the law, relevant rules, and regulations.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2006-07 is as follows:-

(Rupees in crore)

| | Nature of expenditure | Original Grants/ Appropriations | Supplementary Grants/ Appropriations | Total | Actual Expenditure | Variation Saving (-)/ Excess (+) |
|----------------------|-----------------------|---------------------------------|--------------------------------------|------------------|--------------------|----------------------------------|
| Voted | I-Revenue | 8,564.07 | 1,400.32 | 9,964.39 | 8,119.40* | (-)1,844.99 |
| | II-Capital | 2,676.08 | 333.79 | 3,009.87 | 2,303.60 | (-)706.27 |
| | III-Loans & Advances | 81.04 | 784.90 | 865.94 | 771.13 | (-)94.81 |
| Total Voted | | 11321.19 | 2519.01 | 13840.20 | 11194.13 | (-)2646.07 |
| Charged | IV-Revenue | 1,405.58 | 6.86 | 1,412.44 | 1,222.58 | (-)189.86 |
| | V-Capital | 1.2 | 1.34 | 2.54 | 0.16 | (-)2.38 |
| | VI-Public Debt | 487.57 | 0.00 | 487.57 | 219.26 | (-)268.31 |
| Total Charged | | 1,894.35 | 8.20 | 1,902.55 | 1,442.00 | (-) 460.55 |
| | Grand Total | 13,215.54 | 2,527.21 | 15,742.75 | 12,636.13 | (-) 3,106.62 |

* *Note* : The expenditure figures shown do not include recoveries (Revenue: Rs 539.54 crore and Capital: Rs 103.94 crore) adjusted in the accounts in reduction of expenditure.

The table indicates gross over estimation in the budget of the State Government. The overall savings of Rs 3106.62 crore was 23.50 per cent of the original grants/appropriations. This was the result of savings of Rs 3111.75 crore in 158 cases of grants and appropriations off-set by excess of Rs 5.13 crore in a total of five cases of grants and appropriations. Explanations for savings/excesses were either not received from the Government or were received in incomplete form in respect of 677 sub heads, which form 98 per cent of the total 692 sub heads involving savings/excesses.

2.3 Fulfillment of allocative priorities

2.3.1 Appropriation by allocative priorities

The analysis of savings and excesses with reference to allocative priorities in respect of nine grants showed that there were large savings in some sectors such as Interest payments and servicing of debt, Expenditure pertaining to Finance Department, Grant-in-aid received on the recommendation of Twelfth Finance Commission (TFC), Tribal Areas Sub Plan, Public Works relating to Tribal Area Sub-Plan-Roads & Bridges, Expenditure pertaining to Women and Child Welfare, Externally Aided Projects pertaining to Panchayat and Rural Development Department, Urban Administration and Development Department- Urban Welfare and Externally Aided Projects pertaining to Public Works Department, as detailed below.

Interest payments and servicing of debt

(Rupees in crore)

| Revenue (Charged) | | Total grant | Actual expenditure | Savings |
|-------------------|---------|-------------|--------------------|------------|
| Original | 1248.24 | 1248.24 | 1075.53 | (-) 172.71 |
| Supplementary | NIL | | | |

Savings occurred mainly under 2048-101-4856-Transfer for Consolidated Sinking Fund (Rs 50 crore), 2049-New Market loans (Rs 17.00 crore), Madhya Pradesh State Development Loan-2009 (Rs 7.49 crore), Interest on loan from Life Insurance Corporation of India (Rs 14.30 crore), Interest on loans from National Agriculture Fund (Rs 7.38 crore), Interest on loans from General Insurance Corporation (Rs 7.52 crore), Interest on departmental projects (Rs 8.49 crore), Interest on General Provident Fund (Rs 14.52 crore) and interest on loans for State/Union Territory Plan Scheme (Rs 7.10 crore). Reasons for savings have not been intimated (July 2007).

Grant No. 6-Expenditure pertaining to Finance Department

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 889.23 | 890.27 | 637.50 | (-) 252.77 |
| Supplementary | 1.04 | | | |

Savings occurred mainly under 2070 (Other Administrative Service)-other expenditure (Rs 175 crore), 2071 (Pensions) Payable to retired salaried persons (Rs 17.83 crore), 2071-Service and Value Retiring Award (Rs 34.63 crore) and Contribution of State Government (Rs 15.09 crore). Reasons for savings have not been intimated (July 2007).

Grant No. 38-Grant-in-aid received on the recommendation of Twelfth Finance Commission (TFC)

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 130.89 | 139.54 | 32.46 | (-) 107.08 |
| Supplementary | 8.65 | | | |

Savings occurred mainly under 2055 (Police)-on the recommendations of Twelfth Finance Commissions (TFC) (Rs 5.00 crore), 2059 (Public Works)-

Grant-in-aid received on the recommendations of TFC (Rs 20.37 crore), 2216 (Housing)-Grant-in-aid received on the recommendations of TFC (Rs 22.19 crore) and 3054-Roads and Bridges (Rs 54.50 crore). Reasons for savings have not been intimated (July 2007).

(Rupees in crore)

| Capital Voted | | Total grant | Actual expenditure | Savings |
|---------------|-------|-------------|--------------------|-----------|
| Original | 74.99 | 81.53 | 26.19 | (-) 55.34 |
| Supplementary | 6.54 | | | |

Savings occurred mainly under 4059-Capital outlay on Public Works (Rs 6.52 crore), 4217-Capital outlay on Urban Development (Rs 46.83 crore) and 4406-Capital outlay on Forestry and Wild life (Rs 1.98 crore). Reasons for savings have not been intimated (July 2007).

Grant No. 41-Tribal Areas Sub Plan

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 840.07 | 941.51 | 716.51 | (-) 225.00 |
| Supplementary | 101.44 | | | |

Savings occurred mainly under 2202 (Education)-Centrally Sponsored Scheme TSP (Rs 34.30 crore), Schedule Tribe Area Sub Plan (Rs 30.29 crore), Externally Aided Project (Rs 9.15 crore), 2210 (Medical)-Schedule Tribe Area Sub Plan (Rs 18.09 crore), 2215 (Water supply and sanitation)-Centrally Sponsored Schemes (Rs 4.75 crore), Schedule Tribe Area Sub Plan (Rs 8.21 crore), 2236 (Nutrition)-Additional Central aid (Rs 8.20 crore), Centrally Sponsored Schemes TSP (Rs 50.07 crore), 2501 (Special programme for rural development)-Centrally Sponsored Schemes (Rs 6.49 crore) and 2505 (Rural employment)-Centrally Sponsored Scheme (Rs 7.93 crore). Reasons for savings have not been intimated (July 2007).

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|-----------|
| Original | 440.65 | 472.94 | 373.57 | (-) 99.37 |
| Supplementary | 32.29 | | | |

Savings occurred mainly under 4202 (Capital outlay on Education)-Centrally Sponsored Scheme (Rs 2.47 crore), 4700 (Capital outlay on Major irrigation)-Schedule Tribe Area Sub Plan (Rs 11.00 crore), 4701 (Capital outlay on Medium irrigation)-Schedule Tribe Area Sub Plan (Rs 23.08 crore) and 5054 (Capital outlay on Roads & Bridges)-Schedule Tribe Area Sub Plan (Rs 15.10 crore). Reasons for savings have not been intimated (July 2007).

Grant No. 42 Public Works relating to Tribal Area Sub Plan- Road and Bridges

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|-----------|
| Original | 324.33 | 324.33 | 230.77 | (-) 93.56 |
| Supplementary | Token | | | |

Savings occurred mainly under 5054 (Capital outlay on Roads & Bridges)-NABARD Sponsored Scheme (Rs 8.55 crore) and Schedule Tribe Area Sub Plan (Rs 88.98 crore). The savings were partly off set by excess mainly under 5054- Schedule Tribe Area Sub Plan (Rs 1.59 crore) and NABARD Sponsored scheme (Rs 2.78 crore). Reasons for savings/Excess have not been intimated (July 2007).

Grant No. 55 Expenditure pertaining to Women and Child Welfare

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|-----------|
| Original | 214.84 | 220.92 | 126.44 | (-) 94.48 |
| Supplementary | 6.08 | | | |

Savings occurred mainly under 2235 (Social Security and Welfare)-Central Sector Scheme (Rs 51.55 crore) and 2236 (Nutrition)-Centrally Sponsored Scheme (Rs 56.54 crore). The savings were partly off set by excess in 2235 (Social Security and Wild life) Central Sector Scheme (Rs 15.31 crore). Reasons for saving/excess have not been intimated (July 2007).

Grant No. 59 Externally Aided Project pertaining to Panchayat and Rural Development Department

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 160.00 | 160.12 | 50.47 | (-) 109.65 |
| Supplementary | 0.12 | | | |

Savings occurred in 2515 (Other rural development programme)-Externally Aided Projects (District Poverty Eradication Project)-Rs 109.53 crore. Reasons for saving have not been intimated (July 2007).

Grant No. 69 Urban Administration and Development Department- Urban Welfare

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 14.85 | 285.35 | 181.20 | (-) 104.15 |
| Supplementary | 270.50 | | | |

Savings occurred mainly in 2217 (Urban Development)-Additional Central aid- General (Rs 73.30 crore) and Centrally Sponsored Scheme (Rs 30.76 crore). Reasons for saving have not been intimated (July 2007).

Grant No. 76 Externally aided project pertaining to Public Works Department

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual expenditure | Savings |
|-----------------|--------|-------------|--------------------|------------|
| Original | 280.00 | 280.00 | 72.71 | (-) 207.29 |
| Supplementary | NIL | | | |

Savings occurred in 5054 (Capital outlay on Roads and Bridges)-Externally aided projects TSP (Rs 170.79 crore) and Externally aided project- Normal (Rs 36.50 crore). Reasons for saving have not been intimated (July 2007).

It was also observed that:

In 72 cases of grants/appropriations, expenditure fell short by more than rupees one crore in each case and also by more than 10 per cent of the total provision aggregating to Rs 9,009.13 crore as indicated in **Appendix 2.1**. Of these, in Grant number 18 (Capital voted) there was 100 per cent saving. In six¹ cases the savings have exceeded Rs 100 crore and continued for fifth consecutive year.

In 45 schemes, substantial savings of Rupees one crore or more and also cent percent of the provision in each case totaling to Rs 380.37 crore were noticed as indicated in **Appendix-2.2**.

In 22 cases of Central Schemes, the entire provision of Rupees one crore or more in each case totaling to Rs 86.44 crore remained unutilised as shown in **Appendix-2.3**.

2.3.2 Excess requiring regularisation

Excess over provision relating to previous years requiring regularization :-

As per Article 205 of the Constitution of India, all cases of excess over grants/appropriations are to be regularized by the State Legislatures. However, the excess expenditure amounting to Rs 970.31 crore for the years 2000-01 to 2005-06 had not been regularised as of August 2007.

Excess over provision during 2006-07 requiring regularization :-

A excess of Rs 512.69 lakh under four grants (Voted) and Rs 0.40 lakh under one appropriation (Charged) during the year required regularization under Article 205 of constitution of India, as give below :

¹ Grant No. 6-Expenditure pertaining to Finance Department, 38-Grant-in-aid received from the recommendation of Twelfth Finance Commission, 41- Tribal Area Sub Plan, 59-Externally Aided Project pertaining to Panchayat and Rural Development Department and, 69-Urban Administration & Development Department in Revenue Voted and Grant No. 76- Externally Aided Project pertaining to Public Works Department in Capital Voted.

Excess over grant/appropriation requiring regularisation

(Rupees in thousand)

| Sl. No. | Grant number | Name of the grant | Total grant/ appropriation | Actual expenditure | Amount of excess | Main reasons |
|-----------------------------|--------------|---|----------------------------|--------------------|------------------|---------------------------|
| (A)- REVENUE VOTED | | | | | | |
| 1 | 4 | Other expenditure pertaining to Home Department | 202384 | 205198 | 2814 | Not intimated (July 2007) |
| 2 | 67 | Public Works- Buildings | 1262111 | 1264111 | 2000 | Not intimated (July 2007) |
| (B)- REVENUE CHARGED | | | | | | |
| 3 | 33 | Tribal Welfare | 164 | 204 | 40 | Not intimated (July 2007) |
| (C)- CAPITAL VOTED | | | | | | |
| 4 | 24 | Public Works- Road and Bridges | 2823285 | 2833392 | 10107 | Not intimated (July 2007) |
| 5 | 82 | Financial Assistance to Three Tier Panchayati Raj Institutions under Tribal Area Sub Plan | 410400 | 446748 | 36348 | Not intimated (July 2007) |
| GRAND TOTAL: (A+B+C) | | | 4698344 | 4749653 | 51309 | |

2.3.3 Original Budget and Supplementary Provisions

Supplementary provision of Rs 2,527.21 crore obtained during the year constituted 19.12 per cent of the original provisions.

2.3.4 Unnecessary/Excessive/Inadequate supplementary provisions

Supplementary provision of Rs 390.75 crore made in 50 cases during the year proved unnecessary as the expenditure was less than the original provisions as detailed in **Appendix 2.4**.

In 31 cases against actual additional requirement of Rs 1,547.18 crore, excessive supplementary grants and appropriation of Rs 2,032.09 crore were obtained resulting in savings of Rs 484.91 crore. Details of these cases given in **Appendix-2.5**.

In four cases, the Supplementary Provision of Rs 93.13 crore proved insufficient to cover excess expenditure of Rs 5.12 crore as per details given in **Appendix-2.6**.

2.3.5 Substantial excesses

In 27 schemes involving eight grants/appropriation expenditure exceeded the approved original provision by Rupees one crore or more and also more than 100 per cent of the provisions in each case aggregating to Rs 105.27 crore. The details of these are given in **Appendix 2.7**.

2.3.6 Excessive/ Unnecessary re-appropriation of funds

Re-appropriation is transfer of fund within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In **Appendices-2.8, 2.9, 2.10, 2.11** details have been provided how in each case the re-appropriation/surrender of funds proved injudicious.

2.3.7 Anticipated savings not surrendered

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 2006-07, there were 100 cases in different grants/appropriation in which savings aggregating to Rs 1,651.86 crore had not been surrendered by the Department. Of these, in 37 cases significant amounts of available savings of Rs five crore or more in each case aggregating to Rs 1,595.01 crore were not surrendered as per details given in **Appendix 2.12**.

Out of total surrender of Rs 1540.33 crore, Rs 722.13 crore (47 per cent) were surrendered on the last day of March 2007 indicating inadequate financial management. The details are given in **Appendix 2.13**

2.3.8 Unrealistic and injudicious surrender

In 14 cases of grants/appropriation, as against the available savings of Rs 600.81 crore, an amount of Rs 697.03 crore was surrendered resulting in excess amount of surrender by Rs 96.22 crore. The details are given in **Appendix 2.14**.

2.4 Defective sanctions of re-appropriation/surrenders

As per financial rules (i) all the sanctions for surrenders/re-appropriations should be issued by the competent authority before the close of financial year. (ii) the details of major heads, sub heads, schemes etc. from which re-appropriations/surrender is sanctioned should be clearly mentioned in the sanctions and (iii) budget provision should be available under the concerned heads from which surrenders/re-appropriations are sanctioned by the Competent Authority. Contrary to these, Rs 148.72 crore was defectively re-appropriated/surrendered during 2006-07 by the Government as per details given in **Appendix 2.15**.

2.5 Rush of expenditure

Uniform flow of expenditure during the year is a primary requirement of budgetary control. It was, however, noticed that in 14 cases, the expenditure incurred during March 2007 ranged between 41 and 100 per cent of the total expenditure during the year. The details are given in **Appendix 2.16**.

2.6 Results of test check of five grants

Comments on expenditure and budgetary control

Test check of records pertaining to five grants² and scrutiny of Appropriation Accounts for the year 2006-07 revealed that :-

2.6.1 Non-maintenance of Expenditure Control Registers

Expenditure Control Registers indicating amount of grant, re-allotment to subordinate units and reappropriations, surrenders and also upto date progressive total of monthly expenditure under various schemes/objects were not maintained by the Controlling Officers (COs) of Grant No. 36. Thus, there was lack of proper control and poor monitoring of expenditure.

² Grant nos 12-Expenditure pertaining to Energy department, 24-Public Works-Roads and Bridges, 25-Expenditure pertaining to Mineral Resource Department, 36-Transport and 55-Women & Child Welfare

2.6.2 Defective preparation of budget estimates

Budget estimates were not prepared on the basis of actual requirement, but were prepared on ad-hoc basis by four COs of Grant Nos. 12, 25, 36 and 55. Thus incorrect budget preparation resulted in excessive provision of Rs 136.35 crore (Rs 38.57 crore in Grant No.25, Rs 3.30 crore in Grant No.36 and Rs 94.48 crore in Grant No.55) under Revenue (Voted) section and Rs 21.88 crore (Rs 5.00 crore in Grant No. 12 and Rs 16.88 crore in Grant No.36) under Capital (Voted) section.

Substantial savings of more than Rupees one crore in each case totaling to Rs 40.36 crore in six cases of schemes of Grant No.24, Rs 4.59 crore in three cases of schemes of Grant No.25, Rs 1.49 crore in one case of scheme in Grant No.36 and Rs 101.83 crore in two cases of schemes of Grant No.55 were noticed as detailed in ***Appendix-2.17***. In one scheme 4235-(Capital outlay on Social Security and Welfare-5560-State Level Resource Centre) of Grant No.55 the entire provision of Rupees one crore remained unutilised.

2.6.3 Overstatement of expenditure by Rs 1.67 crore

Against provision of Rs 10.00 crore under Grant No. 25 (Capital Head) related to Investment from Mineral Fund, an expenditure of Rs 8.71 crore was booked whereas as per the Utilisation Certificate furnished (April 2007) by Chattisgarh Mineral Development Corporation (CMDC) the actual expenditure was Rs 7.04 crore only. Thus, there was excess booking of expenditure by Rs 1.67 crore. On being pointed out, the CO stated (November 2007) that the difference would be adjusted in ensuing financial year 2007-08.

2.6.4 Non-surrender of money in anticipation of savings

Anticipated savings of Rs 27.71 crore in four cases of schemes in Grant No. 55 and Rs 2.40 crore in two cases of schemes in Grant No. 25 were not surrendered well in advance for fruitful re-appropriation in other heads. On being pointed out, the concerned COs stated (November 2007) that prescribed procedure would be followed in future.

2.6.5 Un-necessary/ inadequate supplementary provision and incorrect re-appropriation under schemes

In Grant No. 24, provision of Rs 9.54 crore was made for Railway Over Bridge (ROB) at Raigarh, of which Rs 1.50 crore was re-appropriated to another ROB work at Raipur whereas the actual expenditure was Rs 14.41 crore. Thus, the re-appropriation of funds from ROB work at Raigarh was incorrect.