

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. Appropriation audit also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, and regulations.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure is as follows:-

<i>(Rupees in crore)</i>						
	Nature of expenditure	Original Grants / Appropriations	Supplementary Grants/ Appropriations	Total	Actual Expenditure	Variation Saving (-)/ Excess (+)
Voted	I-Revenue	6763.93	712.77	7476.70	5612.55	-1864.15
	II-Capital	1495.28	145.72	1641.00	1020.77	-620.23
	III-Loans & Advances	147.80	18.75	166.55	557.68	+391.13
Total Voted		8407.01	877.24	9284.25	7191.00	-2093.25
Charged	IV-Revenue	1099.01	2.95	1101.96	1143.70	+41.74
	V-Capital	0.33	0.84	1.17	0.33	-0.84
	VI-Public Debt	471.82	618.36	1090.18	777.84	-312.34
Total Charged		1571.16	622.15	2193.31	1921.87	-271.44
	Grand Total	9978.17	1499.39	11477.56	9112.87	-2364.69

The table indicates gross over estimation in the budget of the State Government. The overall savings of Rs.2364.69 crore was 24 per cent of the original grants/appropriations. This was the result of savings of Rs.2955.81

crore in 76 grants and appropriations off-set by excess of Rs.591.12 crore in a total of six grants and appropriations. Explanations for savings/excesses were either not received from the Government or were received in incomplete form in respect of 501 sub heads, which form 87 per cent of the total 574 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 eight grants showed that there were large savings in some sectors such as Tribal Areas sub-plan, Agriculture, Education, Food, Civil supplies and Consumer Protection etc., as detailed below.

Grant No. 41 Tribal Areas Sub-Plan

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	657.51			
Supplementary	40.35	697.86	386.63	311.23

Out of savings of Rs.311.23 crore, an amount of Rs.202.35 crore was surrendered only on 31st March 2004.

Savings occurred mainly under 2202-01-796-101-0702-Centrally Sponsored Schemes T.S.P-5396-Educational Mission for all-Rs.41.98 crore, 2225-02-796-102-0102-Tribal Areas Sub-plan-5211-Local Development programme in Integrated Tribal Development Project-Rs.15.31 crore, 2801-80-796-101-0102-Tribal Areas Sub plan-4841-Grants for Instantaneous Energy Development Project-Rs.11 crore, 4702-796-800-0102 Tribal Areas sub plan. Reasons for final savings were not intimated.

(Rupees in crore)

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	299.75			
Supplementary	17.25	317.00	152.65	164.35

Out of savings of Rs.164.35 crore, an amount of Rs.75.34 crore was surrendered only on 31st March 2004.

Savings occurred mainly under 4701-03-796-800-0102-Tribal Areas Sub-plan-3366-Construction of Medium Projects-Rs.12.05 crore, 4702-796-800-0102-Tribal Areas Sub-plan 3828-Minor Irrigation Scheme-Rs.17.15 crore, 4702-796-800-0102, 5189-Construction of Minor Irrigation Scheme (NABARD)-Rs.20.42 crore and 4702-796-800-0802-Central Sector Schemes TSP-4860-Completion of incomplete Irrigation Schemes (Article 274[i]) Rs.9.61 crore. Reasons for final savings were not intimated.

Grant No.06 Expenditure pertaining to Finance Department*(Rupees in crore)*

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	563.34			
Supplementary	25.08	588.42	488.18	100.24

Out of savings of Rs.100.24 crore, an amount of Rs.3.42 crore was surrendered only on 31st March 2004.

Savings mainly occurred in 2070-800-224-Other expenditure-Rs.150 crore, 2071-01-101-2413-Payable to retired salaried persons-Rs.244 crore, 2701-01-104-4590-Service and Death-cum-Retirement Gratuity-Rs.85 crore which was counter balanced by excess mainly in 2071-01-101-9997-for successor State of Chattisgarh-Rs.227.41 crore and 2071-01-104-9997 for successor State of Chhattisgarh-Rs.76.70 crore, the expenditure of which was incurred without Budget provision. Reasons for final savings were not intimated.

Grant No.27 School Education*(Rupees in crore)*

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	678.09			
Supplementary	9.12	687.21	567.56	119.66

Out of savings of Rs.119.66 crore, an amount of Rs.30.19 crore was surrendered only on 31st March 2004.

Savings occurred mainly in 2202-01-101-0701-Centrally sponsored Schemes Normal-5396-Educational Mission for all-Rs.49.49 crore, 2202-01-101-0101-State Plan Schemes (Normal)-4396-Govt. Primary Schools-Rs.20.53 crore, 2202-01-101-701-Centrally Sponsored Schemes Normal-5409-Supply of computers under Revised Class Project-Rs.6.70 crore. Reasons for final saving were not intimated.

Grant No. 21 Expenditure pertaining to Housing and Environment Department*(Rupees in crore)*

Capital (Voted)		Total grant	Actual expenditure	Savings
Original	86.01			
Supplementary	---	86.01	20.70	65.30

Savings occurred under 4217-01-051-0101-State Plan Schemes (Normal) 3115-Compensation for Land Acquisition-Rs.50 crore, 4217-01-050-0101-State Plan Schemes (Normal) 3177- Capital Project-Rs.10.79 crore. Reasons for savings were not intimated.

Grant No 80 Financial Assistance to Three Tier Panchayati Raj Institutions

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	244.13			
Supplementary	92.07	336.20	237.83	98.37

Out of savings of Rs.98.37 crore, an amount of Rs.38.49 crore was surrendered on 22nd August 2003 and on 31st March 2004.

Savings were mainly noticed in 2515-101-4844-Grant to Panchayati Raj as per recommendation of 11th Finance Commission for Basic Services-Rs.40.65 crore, 2202-01-103-0101-State Plan Schemes (Normal)-8403-Grant for pay to Shiksha Karmies-Basic Minimum Services-Rs.21.25 crore, 2235-60-102-9142-Social Security and Welfare-Rs.15.58 crore. Reasons for final savings were not intimated.

Grant No 13 Agriculture

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	177.54			
Supplementary	1.37	178.91	122.85	56.06

Savings occurred mainly under 2401-110-0101-State Plan Schemes Normal-8702-National Agricultural Insurance Scheme-Rs.61.09 crore, 2401-108-0701-Centrally Sponsored Schemes Normal-4838-Micro Management working plan -Rs.4.62 crore. Reasons for final savings were not intimated.

Grant No 30 Expenditure pertaining to Panchayat and Rural Development

(Rupees in crore)

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	322.39			
Supplementary	7.61	330.00	112.84	217.16

Out of savings of Rs.217.16 crore, an amount of Rs.207.83 crore was surrendered only on 31st March 2004.

Savings occurred mainly under 2501-01-101-0701-Centrally sponsored Schemes Normal-8701-Swarna Jayanti Gram Swarojgar Yojana-Rs.4.41 crore, 2501-01-101-0701-Centrally Sponsored Schemes Normal-5077-Integrated Barren Land Development Programme-Rs.0.59 crore. Reasons for final savings were not intimated.

Grant No 39 Food, Civil Supplies and Consumer Protection Department*(Rupees in crore)*

Revenue (Voted)		Total grant	Actual expenditure	Savings
Original	747.11			
Supplementary	194.56	941.67	493.89	447.78

Out of savings of Rs.447.78 crore, an amount of Rs.446.20 crore was surrendered only on 31st March 2004.

Savings occurred mainly under Major Head 2408-01-102-0101-State Plan Schemes (Normal)-5065-Annapoorna Scheme of-Rs.1.42 crore. The reasons for savings was attributed to payment made by GOI directly to concerned institutions and non-receipt of sanctions from Finance Department.

It was also observed that:

In 79 cases, expenditure fell short by more than rupees one crore in each case and also by more than 10 *per cent* of the total provision as indicated in **Appendix 2.1**. Of these, in five¹⁶ cases, it was found that there were 100 *per cent* savings. It was also noticed that in five¹⁷ cases the savings have exceeded Rs.100 crore for the second consecutive year.

In 17 schemes, substantial savings of Rs.5 crore or more and also more than 80 *per cent* of the provision in each case totaling to Rs.331.37 crore were noticed as indicated in **Appendix 2.2**.

In 22 cases of Central Schemes, the entire provision totalling to Rs.49.45 crore remained unutilised as shown in **Appendix 2.3**.

2.3.2 Expenditure without Budget Provision

No expenditure should be incurred without approval of the State Legislature through the Appropriation Act. Contrary to this it was found that expenditure of Rs.542.18 crore was incurred in seven grants without approval of Legislature as shown in **Appendix-2.4**.

2.3.3 Excess requiring regularisation**Excess over provision relating to previous years requiring regularisation**

As per Article 205 of the Constitution of India, all cases of excess over grants/appropriations are to be regularised by the State Legislature. However, the excess expenditure amounting to Rs.240.70 crore for the years 2000-01 to 2002-03 had not been regularised as of January 2005.

¹⁶ Grant No.59 Revenue (Voted), Grant. No. 53, 58, 59, 65 Capital (voted)

¹⁷ Grant No. 6 pertaining to Finance Department, 27 School Education, 39 Expenditure pertaining to Food, Civil supplies and Consumer Protection Department, 41 Tribal Area Sub Plan (Revenue-Voted) and 41 Tribal Area Sub Plan.(Capital-Charged)

Excess over provision during 2003-2004 requiring regularisation

An excess of Rs.534.79 crore under five grants (voted) and Rs.56.33 crore under two appropriations (charged) during the year required regularisation under Article 205 of the Constitution of India (*Appendix 2.5*).

2.3.4 Original budget and supplementary provisions

Supplementary provision of Rs.1,499.39 crore obtained during the year constituted 15 *per cent* of the original provisions.

2.3.5 Unnecessary/excessive/inadequate supplementary provision

Supplementary provision of Rs.530.17 crore made in 48 cases during the year proved unnecessary as the expenditure was less than the original provision. The cases are detailed in *Appendix 2.6*.

In 11 cases against actual additional requirement of Rs.205.61 crore, excessive supplementary grants and appropriations of Rs.294.99 crore were obtained resulting in savings of Rs.89.38 crore. Details of these cases are given in *Appendix 2.7*.

In two cases, the supplementary provision of Rs.44.23 crore proved insufficient leading to an uncovered excess expenditure of Rs.61.04 crore as per details given in *Appendix 2.8*.

2.3.6 Substantial excesses

In 10 sub heads involving eight grants, expenditure exceeded the approved provision by more than 100 *per cent* in each case aggregating to Rs.569.21 crore. The details of these are given in *Appendix 2.9*.

2.3.7 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 *Appendices 2.10, 2.11 and 2.12* details have been provided how in each case the re-appropriation/surrender of funds proved injudicious.

2.3.8 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 2003-04, there were 108 cases in different grants/appropriations in which savings had not been surrendered by the department. In 69 cases, significant amounts of available savings aggregating to Rs.1227.33 crore were not surrendered as per details given in *Appendix 2.13*.

Out of total surrender of Rs.1588.49 crore, Rs.1492.55 crore (94 per cent) were surrendered on the last day of March 2004 indicating inadequate Financial Management. Details are given in **Appendix 2.14**.

2.4 Un-reconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (A&E) every month. The reconciliation had, however, remained in arrears in several departments. Out of a total of 163 Controlling Officers, accounts of only nine have been fully reconciled, 40 have been partially reconciled and the unreconciled period in case of partially reconciled ranges from one to six months and the accounts of 114 controlling officers have not been reconciled at all for the whole of the year i.e. for twelve months.

2.5 Defective re-appropriation

As per instructions (January 2001) of the State Government and financial rules, (i) re-appropriation from salary and wages head to other heads is not permissible, (ii) re-appropriation of funds from one grant to another grant should not be made, (iii) totals of both sides of re-appropriation sanction should tally, (iv) all sanctions of surrender/re-appropriation should be issued by the competent authority and these should be received in the Accountant General (A&E) office before closing and finalisation of accounts. Contrary to these, Rs.218.47 crore were defectively re-appropriated/surrendered during 2003-04 by the Government as per details given in **Appendix 2.15**.

2.6 Rush of expenditure

Uniform flow of expenditure during the year is a primary requirement of budgetary control. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of rules as per Rule 69 of General Financial Rules. It was, however, noticed that in 13 cases, the expenditure incurred during March 2004 ranged between 30 and 75 per cent of the total expenditure during the year. The details are given in **Appendix 2.16**.

2.7 Results of test check of five grants

Comments on expenditure and budgetary control

Test-check of records pertaining to five grants¹⁸ in the offices of controlling officers for the year 2003-04 revealed that the expenditure control registers indicating the amount of grant, re-appropriation and also upto date progressive totals of monthly expenditure under various schemes were not maintained or were incomplete. Budgetary Controlling Officers (BCOs) stated that upto date expenditure were kept in computers. However, scrutiny of the computer printouts showed variations in figures and accuracy of the computerised data

¹⁸ Grant No.19-Public Health & Family Welfare, 23-Water Resources Department, 25-Mineral Resources Department, 55-Women and Child welfare and 81-Financial assistance to Urban bodies

could not be established. In all the grants there was evidence of inadequate monitoring and financial control as described below:

- Against substantial savings of Rs.32.64 crore (31 *per cent*) in 33 cases under grant no.19, 81 and 25 no amount was surrendered and the same was allowed to lapse as shown in **Appendix 2.17**.
- The anticipated savings of Rs.39.16 crore in four grants were surrendered on last day of March 2004. The anticipated savings were reported (October 2004) to be mainly due to vacant posts and non-receipt of demands from districts. Details are shown in **Appendix 2.18**.
- Test-check also revealed that no expenditure was incurred under nine sub heads of Grant No. 19 and one sub head of Grant No. 55 signifying unnecessary budgeting of Rs.1.50 crore as detailed in **Appendix 2.19**.
- Under eight sub heads of Grant No. 19, there was excess expenditure of Rupees seven crore over budget estimates as detailed in **Appendix 2.20**. The Department attributed this to delayed compilation of expenditure, thus accepting that lack of monitoring caused the excess.
- Under Grant No. 81, the expenditure in March was 100 *per cent* in four schemes and 37 and 57 *per cent* in two schemes as compared to the total expenditure. In 11 schemes of Grant No.19, the expenditure in March ranged from 31 to 83 *per cent* **Appendix 2.21**. It shows that the departments had not taken measures to avoid the rush of expenditure during the month of March.
- Reconciliation of Departmental figures of expenditure for 2003-04 with those booked by the Accountant General, Chhattisgarh was not done by BCOs of grant numbers 19,23,55 and 81. The BCOs stated (October 2004) that the field officers had been instructed to reconcile departmental expenditure figures with those of Accountant General, Chhattisgarh.

Personal ledger Accounts/Personal Deposit Accounts

Financial Rules provide that no money shall be drawn from the treasury unless required for immediate disbursement. It was however, observed in audit that Rs.37 lakh drawn under Central Sector Scheme (Major head 2235-Social Welfare) and Rs.3 lakh drawn under Centrally Sponsored Scheme under major head 2236-Nutrition of Grant No. 55 on 31 March 2004 were credited to 8443 Civil Deposits for utilisation in the next year

2.8 Utilisation of grants received under Eleventh Finance Commission

On the recommendation of the Eleventh Finance Commission (EFC), Government of India released upgradation grants to the State Government for various departments.

A review of the Appropriation Accounts of the Government of Chhattisgarh (GOCG) for the year 2003-04 indicated that against the net budget provision of Rs.64.19 crore, a drawal of Rs.43.66 crore (68.02 *per cent*) was made. As against this, the records of the Finance Department had shown a release of Rs.46.36 crore to various Departments and an expenditure of Rs.42.54 crore. Thus, there was a discrepancy of Rs.1.12 crore between the expenditure booked and the expenditure figure as per Finance Department (Rs.43.66 crore-Rs.42.54 crore). In reply Finance Department stated (December 2004) that the difference in the expenditure figure would be reconciled and intimated separately.

Moreover, of the amount of Rs.42.54 crore shown to be expended, an amount of Rs.73.71 lakh had been drawn and kept under Civil Deposit.

Further during local audit of the units of State Government (2003-04) it was noticed that:

- The EFC recommended that 75 *per cent* of the cost of construction and upgradation would be met from GOI grant and the remaining 25 *per cent* by public contributions either provided by *panchayats* concerned from their own resources or by MPs/MLAs Local Development funds. A scrutiny of records revealed that expenditure of Rs.1.05 crore was fully incurred by government without obtaining any public contribution on the construction of 71 works, as per the details given in the *Appendix 2.22*. In reply, the departments (September 2003 to August 2004) stated that 25 *per cent* of the amount would be collected in future.
- With a view to improving the basic inputs and facilities for villagers, the construction of works like Government Higher Secondary Schools, construction of tanks, community hall buildings and any repairing works etc. were not included in the recommendation of Eleventh Finance Commission as works were meant to increase the basic inputs and facilities for villagers. A scrutiny of records of Chief Executive Officer (CEO) Jila Panchayat Bilaspur, Kanker, Jagdalpur and CEO Janpad Panchayat Khairagarh revealed that Rs.2.75 crore was diverted to the above mentioned works (CEO JP: Bilaspur Rs.1.16 crore, Kanker Rs.80 lakh, Jagdalpur Rs.68.90 lakh and CEO Janpad Panchayat Khairagarh Rs.10.50 lakh). In reply the Department stated (December 2003 to July 2004) that the works were sanctioned as per recommendation of Government. The reply was not acceptable as the works were in violation of EFC recommendations.

- Further it was seen in the records of CEO, JP, Ambikapur that 12 works sanctioned at a cost of Rs.34 lakh for the year 2001-02 were cancelled after releasing first installment of Rs.12.04 lakh. But neither the amount was returned to government nor was it adjusted in some other works. In reply CEOs stated (January 2004 to June 2004) that due to non-availability of 25 *per cent* contribution, the works were incomplete. The reply was not acceptable, as the works should have been taken up only after ensuring public participation and contribution.