

CHAPTER – II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate the details of amounts actually spent by the Government on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

Audit of Appropriation Accounts by Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act by the State Legislature for that year and the expenditure required to be charged under the provisions of the Constitution was 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 2006-07 against 26 grants/appropriations was as follows:

Nature of expenditure		Original grants/ appropriations	Supplementary grants/ appropriations	Total	Actual expenditure	Saving(-) / Excess(+)
(Rupees in crore)						
Voted	I. Revenue	11,775.15	2,670.93	14,446.08	14,147.31	(-) 298.77
	II. Capital	2,914.04	441.46	3,355.50	3,428.04	(+) 72.54
	III. Loans and Advances	185.73	6.34	192.07	185.15	(-) 6.92
Total Voted		14,874.92	3,118.73	17,993.65	17,760.50	(-) 233.15
Charged	IV. Revenue	2,478.03	4.56	2,482.59	2,347.00	(-) 135.59
	V Capital	9.00	-	9.00	21.06	(+) 12.06
	VI Public Debt	1,797.79	-	1,797.79	1,113.77	(-) 684.02
Total Charged		4,284.82	4.56	4,289.38	3,481.83	(-) 807.55
Grand Total		19,159.74	3,123.29	22,283.03	21,242.33	(-) 1,040.70

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue heads (Rs 132.16 crore) and Capital Heads (Rs 1,021.93 crore).

The overall saving of Rs 1,040.70 crore was the net result of saving of Rs 1,657.44 crore (43 cases) of 26 grants/appropriations offset by excess of Rs 616.74 crore in nine cases of seven grants/appropriations.

Supplementary provisions of Rs 3,123.29 crore obtained during the year constituted 16 *per cent* of the original provision as against four *per cent* in the previous year.

- Genuineness of expenditure of Rs 3.67 crore drawn on 37 Abstract Contingent (AC) bills during 2004-05 (18 AC bills for Rs 0.42 crore) 2005-06 (11 AC bills for Rs 0.24 crore) and 2006-07 (8 AC bills for Rs 3.01 crore) could not be verified as Detailed Contingent bills were not submitted (July 2007).
- Similarly, Rs 3.67 crore drawn on 37 vouchers could not be verified as the vouchers in support of amounts drawn were not submitted.

2.3 Appropriation by allocative priorities

2.3.1 Grants where there were substantial savings

Grant Number 14-Food and Supplies

(Rupees in crore)

Capital (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	1,278.57	1,278.57	932.92	345.65
Supplementary	Nil			

Savings occurred mainly due to less purchase of wheat under Food Storage and Warehousing (Grain Supply Scheme).

Grant Number 6-Finance

(Rupees in crore)

Revenue (Charged)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	2,451.18	2,451.18	2,316.06	135.12
Supplementary	Nil			

Savings were mainly due to less payment of interest owing to less receipt of loans from State Bank of India, other banks and NABARD and also owing to lower rate of interest fixed by Reserve Bank of India and not availing of market borrowings.

Grant Number 15-Irrigation

(Rupees in crore)

Revenue (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	2,271.88	4,433.03	4,303.66	129.37
Supplementary	2,161.15			

Savings were mainly due to booking of expenditure under establishment on prorata basis.

Grant Number 11-Urban Development

(Rupees in crore)

Revenue (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	168.88	199.96	144.66	55.30
Supplementary	31.08			

Savings were mainly due to non-release of grants-in-aid by Government of India for Urban Infrastructure Development Scheme for Small and Medium Towns, Jawahar Lal Nehru National Urban Renewal Mission, Integrated Development of Small and Medium Towns, etc.

Grant Number 9-Education

(Rupees in crore)				
Revenue (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	2,323.05	2,346.00	2,292.08	53.92
Supplementary	22.95			

Savings were mainly due to keeping of posts vacant in primary and middle school classes, receipt of less medical reimbursement claims of employees, etc.

2.3.2 Substantial saving

In 26 cases, expenditure fell short by more than Rs 10 crore in each case and also by more than 10 per cent of the original provision as indicated in **Appendix XIV**. In seven cases¹, the entire provision totalling Rs 277.87 crore remained unutilised.

2.3.3 Persistent savings

In three cases, there were persistent savings of Rs 10 lakh and more and 10 per cent and more of the provisions in the last three years. Details are given below:

Sr. No.	Number and name of grants/appropriations	Percentage of saving to total provision (amount of savings - Rupees in crore)		
		2004-05	2005-06	2006-07
Revenue (Voted)				
1.	12-Labour and Employment	34 (38.01)	49 (96.01)	17 (21.87)
2.	18-Animal Husbandry	13 (18.28)	13 (19.85)	11 (18.45)
Capital (Charged)				
3.	Public debt	40 (2,005.86)	30 (475.43)	38 (684.02)

Persistent savings indicated inappropriate budget assumptions.

2.3.4 Unsurrendered Savings

According to rules, the spending departments are required to surrender the grants/appropriations or portions thereof every year to the Finance Department as and when the savings are anticipated.

However, in 12 cases, against the available savings of Rs 468.14 crore, only Rs 322.77 crore were surrendered leaving savings of Rs 145.37 crore

¹ Sr. No. 2, 8, 18, 19, 22, 25 and 26 of **Appendix XIV**.

unsurrendered as given below:

Sr. No.	Name of the grants/ appropriations	Saving	Surrender	Saving remained un-surrendered
		(Rupees in crore)		
Revenue (Voted)				
1.	2-General Administration	3.51	2.30	1.21
2.	9-Education	53.93	50.34	3.59
3.	10-Medical and Public Health	50.03	46.30	3.73
4.	12-Labour and Employment	21.87	19.30	2.57
5.	15-Irrigation	129.37	24.55	104.82
6.	17-Agriculture	34.79	27.55	7.24
7.	18-Animal Husbandry	18.45	17.66	0.79
8.	21-Community Development	1.96	0.27	1.69
9.	23-Transport	7.25	5.12	2.13
Capital (Voted)				
10.	25-Loans and Advances by State Government	6.92	3.47	3.45
Revenue (Charged)				
11.	6-Finance	135.12	122.77	12.35
Capital (Charged)				
12.	8-Buildings and Roads	4.94	3.14	1.80
Total		468.14	322.77	145.37

Though such failures had been pointed out in earlier Audit Reports, the deficiencies/shortcomings continue to persist year after year. This indicated that expenditure control mechanism and State level budgetary control process were ineffective.

2.3.5 Excessive supplementary provisions

Supplementary provisions of Rs 86.80 crore in five cases proved unnecessary as the expenditure in each case was less than the original provision as detailed below:

Sr. No.	Number and name of grant	Original grant	Supplementary provision	Total	Expenditure	Saving
		(Rupees in crore)				
Revenue (Voted)						
1	3-Home	828.35	9.11	837.46	806.32	31.14
2	9-Education	2,323.05	22.95	2,346.00	2,292.07	53.93
3	11-Urban Development	168.88	31.08	199.96	144.66	55.30
4	17-Agriculture	324.49	17.32	341.81	307.02	34.79
Capital (Voted)						
5	25-Loans and Advances by State Government	185.74	6.34	192.08	185.15	6.93
Total		3,830.51	86.80	3,917.31	3,735.22	182.09

2.3.6 Unnecessary augmentation of funds

In nine cases, against additional requirement of Rs 2,338.39 crore, supplementary provisions of Rs 2,536.72 crore were obtained resulting in savings (in each case exceeding Rs 50 lakh) aggregating Rs 198.33 crore.

Details of these cases are given below:

Sr. No.	Number and name of grants/ appropriations	Original grants/ appropriations	Supplementary provision	Total	Expenditure	Saving
(Rupees in crore)						
Revenue (Voted)						
1.	2-General Administration	178.04	10.53	188.57	185.06	3.51
2.	7-Other Administrative Services	38.96	3.72	42.68	41.09	1.59
3.	13-Social Welfare and Rehabilitation	799.86	188.67	988.53	954.19	34.34
4.	14-Food and Supplies	31.64	8.39	40.03	32.93	7.10
5.	15-Irrigation	2,271.88	2,161.15	4,433.03	4,303.66	129.37
6.	16-Industries	83.13	104.43	187.56	174.99	12.57
7	21-Community Development	548.78	44.68	593.46	591.50	1.96
8	23-Transport	704.07	11.04	715.11	707.86	7.25
Capital (Voted)						
9	16-Industries	2.69	4.11	6.80	6.16	0.64
Total		4,659.05	2,536.72	7,195.77	6,997.44	198.33

2.3.7 Excess expenditure over provisions of previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 268.87 crore in respect of four grants for the year 2005-06 was yet to be regularised (July 2007).

2.3.8 Excess expenditure over provisions of 2006-07 requiring regularisation

The excess of Rs 180.65 crore involving five grants under revenue account and Rs 436.09 crore under capital account in respect of four grants/ appropriations required regularisation under Article 205 of the Constitution. Details are given below:

Sr. No	Number and name of grants/appropriations	Total grants/ appropriations	Actual expenditure	Excess
(In Rupees)				
Revenue (Voted)				
1.	6-Finance	11,83,24,96,000	11,99,51,27,770	16,26,31,770
2.	8-Buildings and Roads	5,18,87,43,000	6,59,12,02,282	1,40,24,59,282
3.	20-Forest	1,50,30,55,000	1,73,56,21,301	23,25,66,301
Revenue (Charged)				
1.	3-Home	12,37,87,000	13,19,39,432	81,52,432
2.	7-Other Administrative Services	7,45,00,000	7,51,70,947	6,70,947
Total		18,72,25,81,000	20,52,90,61,732	1,80,64,80,732
Capital (Voted)				
1.	8-Buildings and Roads	3,59,68,50,000	4,56,18,99,223	96,50,49,223
2.	10-Medical and Public Health	4,24,50,00,000	5,64,27,18,308	1,39,77,18,308
3.	15-Irrigation	11,38,40,00,000	13,21,21,37,078	1,82,81,37,078
Capital (Charged)				
1.	15-Irrigation	4,00,00,000	20,99,80,699	16,99,80,699
Total		19,26,58,50,000	23,62,67,35,308	4,36,08,85,308

Government did not furnish reasons for excess expenditure (July 2007).

2.3.9 Substantial excesses

In 39 cases, the final modified grants exceeded the original provision by Rupees five crore or 10 *per cent*. Huge variation between the original budget provision and final allotment indicate poor budget projection. Details of these are given in *Appendix XV*.

2.3.10 Injudicious surrender of funds

In nine cases, funds were surrendered injudiciously in excess of the available savings as detailed in *Appendix XVI*. In such four cases, Rs 52.26 crore² were surrendered despite excess expenditure of Rs 319.54 crore. The injudicious surrender of funds indicates inadequacy in the financial and budgetary control practices in the departments.

2.3.11 Injudicious reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Cases where injudicious reappropriation of funds resulted in excesses/savings by over Rupees one crore in each case, are given in *Appendix XVII*.

2.3.12 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on any scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 273.05 crore was incurred in 17 cases, as detailed in *Appendix XVIII*, without provision in the original estimates/ supplementary demands and no reappropriation orders were issued.

2.4 Trend of recoveries

Under the system of gross budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries; these are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In three grants³, the actual recoveries adjusted in reduction of expenditure (Rs 54.32 crore) exceeded the estimated recoveries (Rs 44.98 crore) by Rs 9.34 crore. Though no recovery was provided in the budget estimates in respect of grant number '15-Irrigation' for the year 2006-07, recovery of

² Item No. 3, 4, 7 and 8 of *Appendix XVI*.

³ 10-Medical and Public Health (Revenue), 14-Food and Supplies (Revenue) and 22-Co-operation (Capital).

Rs 55.27 crore was made. Further, in respect of five grants⁴, the actual recoveries (Rs 1,027.54 crore) were less than the estimated recoveries (Rs 1,521.26 crore) by Rs 493.72 crore. Details of recoveries are given in **Appendix** to the Appropriation Accounts. Huge variation between the estimated recoveries and actual realisation indicated faulty budgeting.

2.5 Excesses/savings without explanation

After the close of accounts of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those under important heads/sub-heads in particular.

Explanations for excesses and savings in respect of the Appropriation Accounts for the year 2006-07 were not received in respect of 191 heads/sub-heads against the total of 576 heads/sub-heads of account.

⁴ 4-Revenue, 8-Buildings and Roads, 14-Food and supplies, 17-Agriculture and 25-Loans and Advances by State Government.