

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

APPROPRIATION ACCOUNTS 2004-2005 AT A GLANCE

Total No. of grants: 31

Total provision and actual expenditure

Table: 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	7096.55		
Supplementary	728.47		
Total gross provision	7825.02	Total gross expenditure	10653.65
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	202.95	<i>Deduct</i> -Actual recoveries in reduction of expenditure	625.39
Total net provision	7622.07	Total net expenditure	10028.26

Voted and Charged provision and expenditure

Table: 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	4313.30	1774.81	4680.07	1652.06
Capital	783.53	953.38	760.57	3560.95
Total gross:	5096.83	2728.19	5440.64	5213.01
<i>Deduct</i> -Recoveries in reduction of expenditure	202.95	--	625.39	--
Total net:	4893.88	2728.19	4815.25	5213.01

2.1 Introduction

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

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation 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 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-2005 against 31 grants/appropriations was as follows:

Table: 2.3

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	4143.08	170.22	4313.30	4680.07	(+) 366.77
	II Capital	647.24	92.62	739.86	736.81	(-) 3.05
	III Loans and Advances	34.22	9.45	43.67	23.76	(-) 19.91
Total Voted		4824.54	272.29	5096.83	5440.64	(+) 343.81
Charged	IV Revenue	1768.72	6.09	1774.81	1652.06	(-) 122.75
	V Capital	2.29	1.36	3.65	3.38	(-) 0.27
	VI Public Debt	501.00	448.73	949.73	3557.57**	(+) 2607.84
Total Charged		2272.01	456.18	2728.19	5213.01	(+) 2484.82
Grand Total		7096.55	728.47	7825.02	10653.65	(+) 2828.63

** Includes Rs 319.80 crore and Rs 1673.99 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs 7,096.55 crore, supplementary grants and appropriations of Rs 728.47 crore were obtained during 2004-2005. There was net excess of Rs 2,828.63 crore which was the result of overall excess of Rs 2974.61 crore partly offset by saving of

* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 539.20 crore; Capital expenditure: Rs 86.19 crore.

Rs 145.98 crore. Supplementary appropriation of Rs 6.09 crore under IV-Revenue (charged) was unnecessary because actual expenditure was less than the original appropriation.

2.3 Fulfilment of Allocative Priorities

Savings/excesses in grants/appropriations

2.3.1 Net excess of Rs 2,828.63 crore was the result of savings in 34 cases and excesses in 31 cases as shown below:

Table: 2.4

(Rupees in crore)

	Savings		Excesses		Net Saving (-)/excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	96.17 (In 14 grants)	46.82 (In 13 grants)	462.93 (In 17 grants)	23.86 (In 10 grants)	(+) 366.76	(-) 22.96
Charged Appropriations	123.00 (In 6 appropriations)	0.53 (In 1 appropriation)	0.26 (In 2 appropriations)	2608.10 (In 2 appropriations)	(-) 122.74	(+) 2607.57

Appropriation by Allocative Priorities

2.3.2 Out of overall savings of Rs 267 crore, major savings of Rs 241 crore (90 per cent) occurred in eight grants and one appropriation as mentioned below:

Table: 2.5

(Rupees in crore)

Sr. No.	Grant No.	Original	Supplementary	Total	Actual expenditure	Saving
(Revenue Voted)						
1.	06-Excise and Taxation	15.84	3.49	19.33	16.48	2.85
2.	19-Social Justice and Empowerment	129.55	--	129.55	128.27	1.28
3.	15-Planning and Backward Area Sub-Plan	107.74	0.97	108.71	90.88	17.83
4.	29-Finance	677.02	--	677.02	610.15	66.87
	Total:	930.15	4.46	934.61	845.78	88.83
(Revenue Charged)						
5.	29-Finance	1758.31	5.30	1763.61	1641.13	122.48
	Total:	1758.31	5.30	1763.61	1641.13	122.48
(Capital Voted)						
6.	12-Horticulture	7.95	--	7.95	5.53	2.42
7.	13-Irrigation and Flood Control	118.12	--	118.12	112.20	5.92
8.	17- Roads and Bridges	137.85	7.51	145.36	140.43	4.93
9.	23-Water and Power Development	27.00	--	27.00	10.22	16.78
	Total:	290.92	7.51	298.43	268.38	30.05
	Grand Total:	2979.38	17.27	2996.65	2755.29	241.36

Areas in which major savings occurred in seven of the above eight grants are given in **Appendix-X**.

Reasons for savings were not intimated by the departments in respect of grant numbers 6, 10, 12, 13, 15, 19, 21, 23 and 29.

In 11 cases savings exceeding Rs one crore in each case and also 5 per cent and more than the total provision amounted to Rs 250.55 crore as indicated in **Appendix-XI**.

Excess over provision relating to previous years requiring regularisation

2.3.3 According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to Rs 12,836.25 crore for the years 2000-2001, 2001-2002, 2002-2003 and 2003-2004 as detailed below was yet to be regularised (August 2005) by the State Legislature. The memorandum of excess expenditure for the year 2000-2001 is in process of regularisation in the *Vidhan Sabha* Secretariat (August 2005).

Table: 2.5

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/Appropriation No(s)	Amount of excess
2000-2001	17	1, 4, 5, 8, 9, 10, 12, 13, 14, 15, 17, 20, 23, 24, 28, 29 and 31	2059.54
2001-2002	16	1, 5, 9, 10, 11, 13, 15, 16, 17, 19, 23, 24, 28, 29, 30 and 31	2965.36
2002-2003	17	3, 5, 6, 7, 9, 10, 12, 13, 15, 17, 18, 20, 23, 27, 28, 29 and 31	3295.75
2003-2004	21	1, 2, 3, 4, 5, 7, 9, 10, 12, 13, 15, 16, 17, 19, 23, 25, 26, 28, 29, 30 and 31	4515.60
	Total:		12836.25

Possibilities of financial irregularities remaining unexamined due to failure and long delays in furnishing explanations of unregularised excess expenditure cannot be ruled out.

Excess over provision during 2004-2005 requiring regularisation

2.3.4 During 2004-2005, there was a total excess of Rs 462.93 crore in seventeen grants in the revenue section and Rs 0.26 crore in two appropriations while the excesses in the capital section amounted to Rs 23.86 crore in ten grants and Rs 2608.10 crore in two appropriations. The

* Includes Rs 319.80 crore and Rs 1,673.99 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

excess of Rs 3,095.15 crore (details given below) requires regularisation under Article 205 of the Constitution of India.

Table: 2.6

(In Rupees)

Sr. No.	Grant	Total grant/ appropriation	Actual expenditure	Amount of excess
Grants				
Revenue (Voted)				
1.	05-Land Revenue and District Administration	1,50,97,01,000	1,51,96,31,812	99,30,812
2.	08-Education	9,55,20,99,000	9,66,76,59,175	11,55,60,175
3.	09-Health and Family Welfare	2,68,01,24,000	2,86,08,08,844	18,06,84,844
4.	10-Public Works Building	1,30,93,14,000	2,04,54,85,466	73,61,71,466
5.	11-Agriculture	72,13,77,667	72,14,74,032	96,365
6.	12-Horticulture	52,68,00,000	54,15,36,834	1,47,36,834
7.	13-Irrigation and Flood Control	65,46,71,000	74,49,39,445	9,02,68,445
8.	14-Animal Husbandry, Dairy Development and Fisheries	68,27,65,000	69,40,46,809	1,12,81,809
9.	17-Roads and Bridges	3,11,04,14,000	3,37,95,53,192	26,91,39,192
10.	18-Supplies, Industries and Minerals	52,82,07,555	54,66,18,032	1,84,10,477
11.	20-Rural Development	97,30,62,000	1,00,97,89,866	3,67,27,866
12.	23-Water and Power Development	60,11,81,000	71,39,19,706	11,27,38,706
13.	25-Road and Water Transport	31,55,93,000	50,97,92,881	19,41,99,881
14.	26-Tourism and Civil Aviation	3,39,40,000	3,47,92,304	8,52,304
15.	28-Water Supply, Sanitation, Housing and Urban Development	3,47,43,98,000	6,22,34,48,918	2,74,90,50,918
16.	30-Miscellaneous General Services	18,77,74,900	19,12,49,042	34,74,142
17.	31-Tribal Development	2,02,31,88,000	2,10,92,07,405	8,60,19,405
Total:		28,88,46,10,122	33,51,39,53,763	4,62,93,43,641
Charged				
18.	15-Planning and Backward Area Sub-Plan	--	6,991	6,991
19.	19-Social Security and Welfare (Including Nutrition)	--	25,69,520	25,69,520
Total:		--	25,76,511	25,76,511
Capital (Voted)				
20.	03-Administration of Justice and Election	2,14,01,000	2,14,23,854	22,854
21.	07-Police and Allied Organisations	13,51,43,000	18,88,39,000	5,36,96,000
22.	08-Education	32,51,90,000	32,88,97,554	37,07,554
23.	09-Health and Family Welfare	54,53,10,000	56,93,18,500	2,40,08,500
24.	14-Animal Husbandry, Dairy Development and Fisheries	2,64,90,000	2,79,38,995	14,48,995
25.	15-Planning and Backward Area Sub-Plan	22,08,01,000	27,62,49,609	5,54,48,609
26.	16-Forest and Wild Life	1,37,51,000	1,85,46,913	47,95,913
27.	28-Water Supply, Sanitation, Housing and Urban Development	1,82,62,99,000	1,91,51,74,634	8,88,75,634
28.	30-Miscellaneous General Services	2,16,11,000	2,29,09,848	12,98,848
29.	31-Tribal Development	69,61,53,000	70,14,30,357	52,77,357
Total:		3,83,21,49,000	4,07,07,29,264	23,85,80,264
Capital Charged				
30.	17-Roads and Bridges	1,40,00,000	1,66,43,371	26,43,371
31.	29-Finance	9,49,73,19,548	35,57,56,66,358	26,07,83,46,810
Total:		9,51,13,19,548	35,59,23,09,729	26,08,09,90,181
Grand Total:		42,22,80,78,670	73,17,95,69,267	30,95,14,90,597

Reasons for the excesses had not been furnished by the Government as of July 2005.

Original Budget and Supplementary Provision

2.3.5 The overall supplementary grants and appropriations obtained during 2004-2005 constituted 10 *per cent* of the original grants and appropriations.

Unnecessary/excessive/inadequate Supplementary Provision

2.3.6 Supplementary provision of Rs 1.08 crore in Revenue Section in two cases and Rs 0.69 crore in one case in Capital Section was wholly unnecessary as the expenditure in each case was even less than the original provision, the saving being more than Rs one crore in each case, as indicated in the **Appendix-XII**.

In four cases against additional requirement of Rs 16.00 crore (Revenue: Rs 5.10 crore; Capital: Rs 10.90 crore) supplementary grants of Rs 26.12 crore (Revenue: Rs 9.16 crore and Capital: Rs 16.96 crore) were obtained resulting in overall saving of Rs 10.12 crore. Relevant details are given in **Appendix-XIII**.

Supplementary provision of Rs 76.40 crore (Revenue: Rs 22.15 crore; Capital: Rs 54.25 crore) obtained in 13 cases, as detailed in **Appendix-XIV**, proved inadequate by more than Rs one crore in each case leaving an aggregate uncovered excess expenditure of Rs 171.74 crore.

Persistent savings/excesses

2.3.7 Expenditure was persistently less than the total provisions by 6 *per cent* or more in three cases during 2002-2005 while it exceeded the provision by 14 *per cent* or more persistently in four other cases. Relevant details are indicated in **Appendix-XV**.

Surrender of funds

2.3.8 Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excesses under some other units. No savings should be held in reserve for possible future excesses.

It was, however, noticed that in ten cases against the available savings of Rs 106.19 crore (savings of Rs one crore and above in each case), savings aggregating Rs 73.75 crore were either not fully surrendered or not surrendered at all. In two cases, the amount surrendered exceeded the overall savings by Rs 3.47 crore. Further, in the case of four grants, Rs 12.24 crore were surrendered although expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are indicated in **Appendix-XVI**.

These instances were indicative of ineffective monitoring and control over expenditure.

Trend of recoveries

2.3.9 The demands for grants are for the gross amounts of expenditure to be incurred in a particular year and show recoveries to be taken in reduction of expenditure separately by way of footnotes thereunder. Similarly, the recoveries are also shown separately in the Appropriation Accounts in an Appendix thereto.

Scrutiny of the Accounts for 2004-2005 revealed that against the budget estimates of Rs 120.73 crore actual recoveries were Rs 539.20 crore in the revenue section. In the capital section, against the budget estimates of Rs 82.22 crore, actual recoveries and adjustments were Rs 86.19 crore. Thus, recoveries in reduction of expenditure were underestimated by Rs 418.47 crore in the revenue section and Rs 3.97 crore in the capital section. Details of major variations of 18 *per cent* and more of the original estimates and not less than Rs one crore in each case are given in **Appendix-XVII**.

Injudicious reappropriation

2.3.10 A grant or appropriation is distributed by sub-heads or standard objects (called primary units) under which it is to be accounted for. Reappropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of the financial year. Reappropriation of funds should be made only when it is known or anticipated that the appropriation in respect of the unit from which the funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation of the said unit.

In 13 cases (sub-heads) involving eleven grants/appropriations, the reappropriation of Rs 65.85 crore proved to be injudicious as:

the original provisions under the sub-heads to which the funds were transferred by reappropriation (Rs 26.48 crore) were adequate and consequently, the amounts reappropriated remained unutilised and,

the heads from which the funds (Rs 39.37 crore) were transferred did not have any savings available under them for reappropriation.

Relevant details are contained in **Appendix-XVIII**.

Miscellaneous Departments

2.4 Drawal of funds in advance of requirements and loss of interest

Rupees 17.71 crore was drawn in advance of actual requirements mainly to avoid lapse of budget grants, out of which Rs 10.16 crore were lying unutilised with executing agencies and in bank accounts etc.

State Financial Rules provide that money should not be drawn from the treasury unless it is required for immediate disbursement. It is not permissible

to draw advances from the treasury for execution of the works, the completion of which is likely to take considerable time. Any unspent balance is required to be refunded promptly into the treasury. The Drawing and Disbursing Officers (DDO) have not been authorised by any general or special rules/orders to deposit unutilised funds in banks/post offices.

Test-check of records (August 2003-October 2004) of four DDOs of the departments of Education, Health, Home and Horticulture revealed that Rs 17.71 crore were drawn by them between 2000-2001 and 2003-2004 for purchase of medical equipment, award of scholarships and construction of building, irrigation channel etc., of which an amount of Rs 10.16 crore (57 per cent) was lying unutilised either with the executing agencies (Rs 0.64 crore) or as deposit with the banks (Rs 9.52 crore) as of February 2005 as per details given below:

Table: 2.7

(Rupees in crore)

Sr. No.	Department/ Office (Drawing and Disbursing Officer)	Amount drawn	Month/ year of drawal	Purpose	Unutilised amount	Reasons furnished by the department
Education						
1.	Director, Secondary Education	9.86	2002-2003 and 2003-2004	Award of scholarship to students	2.37	Funds were drawn to avoid lapse of budget grant.
Health						
2.	Principal, Indira Gandhi Medical College	7.00	March 2004	Purchase of medical equipment.	7.00	The funds were drawn to avoid lapse of budget grant. Equipment was yet to be procured (June 2005).
Home						
3.	Superintendent of Police, Lahaul and Spiti	0.64	2000-2001 to 2003-2004	Construction of building.	0.64	Land for construction of buildings was yet to be acquired (January 2005). Funds are lying with State Public Works Department (February 2001 to October 2004).
Horticulture						
4.	Subject Matter Specialist, Pangri (Chamba district)	0.21	2000-2001 and 2002-2003	Construction of irrigation channel and garden colonies.	0.15	The payment could not be released due to non-completion of works (September 2003). Director Horticulture stated (June 2005) that Rs 10 lakh had been deposited in Government treasury in January 2005 and Rs 4.79 lakh had been fully utilised now.
Total:		17.71			10.16	

Such unauthorised deposit of Government funds in banks apart from being irregular also resulted in non-providing of intended benefits to the beneficiaries. Further, action of the departments in keeping the money outside Government account resulted in loss of Rs 73.19 lakh* being the difference between the interest earned on depositing the amount in banks and average rate of interest paid by the Government on loans raised from different sources during 2001-2005.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

2.5 Irregular drawal of advances on Abstract Contingent Bills

To avoid delay in discharge of claims, advances for countersigned contingencies are required to be drawn on Abstract Contingent Bills (AC Bills) by the Drawing and Disbursing Officers (DDOs) subject to presentation of Detailed Contingent Bills (DC Bills) to the Controlling Officers (COs) for countersignature and for onward transmission to the Accountant General. Further, no fresh AC Bills can be drawn by DDOs until the AC Bills drawn during the previous month are adjusted by submitting DC Bills to the COs. A certificate to the effect that all DC Bills have been submitted to the CO in respect of AC Bills drawn more than a month ago is also required to be attached to every (AC) bill.

Test-check of the records of 21 DDOs under the Horticulture, Police and Social Justice and Empowerment departments revealed (June 2005) that these DDOs drew Rs 133.50 crore through 1,058 AC Bills during 2003-2005 by debiting the expenditure to the final heads of account to meet the expenditure on various items.

			(Rs in lakh)
* _____			
Director, Secondary Education	2002-2003	Rs 2,70,58,495x(10.37-4)%	17.24
	2003-2005	Rs 2,36,95,458x(10.98-4)%	33.08
Principal, IGMC	2004-2005	Rs 7,00,00,000x(10.98-8)%	20.86
Subject Matter Specialist, Pangri	2000-2001	Rs 10,00,000x(10.15-4)%x1/12	0.05
	2001-2002	Rs 10,00,000x (11.06-4)%	0.71
	2002-2003	Rs 10,00,000x(10.37-4)%	0.64
		Rs 4,79,000x (10.37-4)%x7/12	0.18
	2003-2004	Rs 14,79,000x(10.98-4)%x5/12	0.43
		Total:	73.19

Details of these drawals during the aforesaid period and their adjustment as on 31 May 2005 are given below:

Table: 2.8

(Rupees in crore)

Sr. No.	Name of the department	Number of DDOs	AC Bills drawn		DC Bills submitted		DC Bills awaited	
			Number	Amount	Number	Amount	Number	Amount
1.	Horticulture	11	641	76.57	507	39.58	134	36.99
2.	Police	7	116	22.77	25	1.71	91	21.06
3.	Social Justice and Empowerment	3	301	34.16	206	15.16	95	19.00
Total:		21	1058	133.50	738	56.45	320	77.05

Cogent reasons for non-adjustment of 320 outstanding AC Bills* amounting to Rs 77.05 crore were not furnished by the departments. However, they stated (June 2005) that the advances were being adjusted on receipt of accounts from the concerned functionaries.

The matter was referred to the Government in July 2005; their reply had not been received (July 2005).

*

Year	Number of AC Bills outstanding	Amount
2002-2003	56	12.25
2003-2004	104	25.59
2004-2005	160	39.21
Total:	320	77.05