

Chapter-II

Allocative Priorities and Appropriation

2.1 Introduction

The Appropriation Accounts prepared every year contain details of amounts on various specified services actually spent by the Government vis-a-vis those authorised by the Appropriation Act.

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 Grants and expenditure thereagainst in respect of 29 Grants and Appropriations is as follows.

Summary of Appropriation Accounts 2006-07

Number of Grants/Appropriations **29**

Total Provision and Actual Expenditure

Table 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	15244.06		15178.45
Supplementary	673.90		
Total Gross Provision	15917.96	Total Gross Expenditure	15178.45
Deduct-Estimated recoveries in reduction of expenditure	815.71		638.30
Total Net Provision	15102.25	Total Net Expenditure	14540.15

Provision and Expenditure-Voted and Charged

Table 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	8973.31	1366.24	8938.89	1797.77
Capital	5149.84	428.57	3015.87	1425.92
Total Gross	14123.15	1794.81	11954.76	3223.69
Deduct- recoveries in reduction of Expenditure	815.71	-	638.30	-
Total Net	13307.44	1794.81	11316.46	3223.69

The summarised position of the actual expenditure during 2006-07 against 29 grants/appropriations is as follows:

Table 2.3

(Rupees in crore)

	Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure ¹	Saving (-)/ Excess (+)
Voted	Revenue	8547.15	426.16	8973.31	8938.89	(-) 34.42
	Capital	4802.84	246.28	5049.12	2971.98	(-) 2077.14
	Loans and Advances	100.72	-	100.72	43.89	(-) 56.83
Total Voted:		13450.71	672.44	14123.15	11954.76	(-) 2168.39
Charged	Revenue	1364.77	1.46	1366.24	1797.77	(+) 431.53
	Capital	-	-	-	-	-
	Public Debt	428.57	-	428.57	1425.92	(+) 997.35
Total Charged		1793.34	1.46	1794.81	3223.69	(+) 1428.88
Grand Total:		15244.05	673.90	15917.96	15178.45	(-) 739.51

The overall saving of Rs. 739.51 crore was due to the net effect of saving of Rs. 2,889.54 crore (Revenue: Rs. 531.99 crore; Capital: Rs. 2,357.55 crore) and excess of Rs. 2,150.03 crore (Revenue: Rs. 929.10 crore, Capital: Rs. 1,220.93 crore) in respect of twenty eight grants and five appropriations and fourteen grants and one appropriation, respectively.

Results of Appropriation Audit

2.3 Excess Expenditure requiring regularisation

In the revenue section, there was an excess expenditure of Rs. 929.10 crore in eleven grants and one appropriation, while in the capital section, excess expenditure amounted to Rs. 1,220.93 crore in four grants and one appropriation as detailed below:

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs. 122.61 crore) and Capital (Rs. 515.69 crore).

Table 2.4

(Rupees in crore)

S. No	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess expenditure	Percentage of excess
I-Revenue (Voted)					
1.	8-Finance Department	987.44	1117.72	130.28	13
2.	12-Agriculture Department	250.71	278.18	27.47	11
3.	14-Revenue Department	459.32	551.26	91.94	20
4.	15-Consumer Affairs and Public Distribution Department	2.64	3.24	0.60	23
5.	16-Public Works Department	323.39	338.32	14.93	5
6.	18-Social Welfare Department	133.49	251.28	117.79	88
7.	21-Forest Department	191.89	200.82	8.93	5
8.	23-Public Health Engineering Department	309.47	319.18	9.71	3
9.	25-Labour, Stationery and Printing Department	25.20	36.70	11.50	46
10.	27-Higher Education Department	160.96	163.39	2.43	2
11.	28-Rural Development Department	80.72	160.62	79.90	99
	Total Revenue (Voted)	2925.23	3420.71	495.48	
II-Revenue (Charged)					
12.	8-Finance Department	1352.01	1785.63	433.62	32
	Total Revenue (Charged)	1352.01	1785.63	433.62	
	Total Revenue Section	4277.24	5206.34	929.10	
III-Capital (Voted)					
13.	17-Health and Medical Education Department	171.58	184.03	12.45	7
14.	20-Tourism Department	73.38	78.91	5.53	8
15.	23-Public Health Engineering Department	205.65	409.96	204.31	99
16.	26-Fisheries Department	9.80	11.09	1.29	13
	Total Capital (Voted)	460.41	683.99	223.58	
IV-Capital (Charged)					
17.	8-Finance Department	428.57	1425.92	997.35	233
	Total Capital (Charged)	428.57	1425.92	997.35	
	Total Capital Section	888.98	2109.91	1220.93	
	Grand Total	5166.22	7316.25	2150.03	

The excess expenditure of Rs. 2,150.03 crore over the provision was mainly due to part clearance of overdraft of Rs. 1,022.16 crore obtained by the State Government from Jammu and Kashmir Bank Limited during the current year.

In case of seven grants, (*Appendix-2.1*) there was excess expenditure of Rs. 156.04 crore despite obtaining supplementary grants of Rs. 369.84 crore. This was on account of the failure of the Departments in assessing correctly the requirement of additional funds even at the close of the year and also because of the inadequacy of the system of monitoring the trend of expenditure under various heads of account.

2.4 Non-regularisation of excess over Grants

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs. 66,660.72 crore for the

years 1980-81 to 2005-06 as per details at *Appendix-2.2* was pending with the Finance Department for regularisation.

Savings under various Grants/Appropriations

2.5 Unnecessary/Excessive Supplementary Provision

In 14 cases, involving eleven grants and three appropriations (*Appendix-2.3*), supplementary provision of Rs. 72.29 crore was obtained in anticipation of expenditure in excess of the original provision. However, the final expenditure of Rs. 496.47 crore was even less than the original grant of Rs. 815.57 crore. The savings of Rs. 391.39 crore thus exceeded the entire supplementary provision indicating defective fund projection and unnecessary allotment of additional funds in these cases.

In nine other cases relating to eight grants, supplementary grants aggregating Rs. 230.79 crore were obtained against the requirement of Rs. 59.73 crore resulting in saving of Rs. 171.06 crore (*Appendix-2.4*).

Apart from these cases, savings in eighteen cases exceeded 10 *per cent* of the original budget provision and were more than Rupees one crore in each case, as detailed in *Appendix-2.5*.

2.6 Flow of Expenditure

Financial Rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is regarded as a breach of financial rules. Quarter-wise expenditure (net) during 2006-07 as also expenditure in the month of March 2007 under both revenue and capital sections incurred by the State Government is detailed below:

Table 2.5

(Rupees in crore)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	1758.00	13.46
Second quarter	2256.57	17.26
Third quarter	2634.30	20.15
Fourth quarter	6421.47 (2659.00)	49.13 (20.34)
Total	13070.34	

(Figures in brackets represent expenditure in the month of March)

It is evident from the table that the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Senior Deputy Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2007 constituted 20.34 *per cent* of the total expenditure.

Persistent Excesses/Savings

2.7 Persistent Excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2004-05, 2005-06 and 2006-07 in four grants as detailed below:

Table 2.6

S. No.	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		2004-05	2005-06	2006-07
I. Revenue-Voted				
1.	15-Consumer Affairs and Public Distribution Department	0.63	0.77	0.60
2.	25-Labour, Stationery and Printing Department	4.27	11.20	11.49
II. Capital-Voted				
3.	26-Fisheries Department	0.84	1.74	1.29
III-Capital Charged				
4.	8-Finance Department	1585.89	11839.59	997.34

2.8 Persistent Savings

Persistent savings of 10 *per cent* and above were noticed during the years 2004-05, 2005-06 and 2006-07 in 12 grants, as detailed in the *Appendix-2.6*.

Budgetary Control

2.9 Expenditure without Budget Provision

During 2006-07, Rs. 145.52 crore was incurred under 25 Major Heads of account (16 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the Departments concerned (September 2007). Incurring of expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the Departments/Controlling Officers concerned. Details of cases covered under this category are given in *Appendix-2.7*.

2.10 Unutilised Provisions and surrender thereof

Rules require that all savings should be surrendered as soon as these are anticipated. Savings should also not be held in reserve for possible future excess. It was, however, noticed that in 37 cases, against the available savings of Rs. 2,886.70 crore (involving savings of Rs. one crore and above in each case), savings aggregating Rs. 2,550.40 crore were not surrendered. Relevant details are indicated in *Appendix-2.8*. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.11 Recoveries as reduction of Expenditure

The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of

expenditure to other departments concerned. These anticipated recoveries and credits are separately shown in the budget estimates and actuals adjusted in the accounts as reduction of expenditure. Appropriation audit is conducted by comparing gross expenditure with gross amount of grant.

In the revenue section, against the estimated recoveries of Rs. 142.24 crore, the actual recoveries were Rs. 122.61 crore only. Similarly, in the capital section, against the estimated recoveries of Rs. 673.48 crore, actual recoveries were Rs. 515.69 crore. The shortfall occurred mainly under Grant Nos. 5-Ladakh Affairs Department (Rs. 8.20 crore), 6-Power Development Department (Rs. 15.69 crore) under Revenue Section and under Grant Nos. 12-Agriculture Department (Rs. 3.23 crore), 15-Consumer Affairs and Public Distribution Department (Rs. 150.62 crore) and 19-Housing and Urban Development Department (Rs. 3.16 crore) under Capital Section. Reasons for the shortfall though called for, were not intimated. Grant-wise details of deviations from the original estimates are given in *Appendix-II* to the Appropriation Accounts.

2.12 Non-reconciliation of departmental figures of expenditure

Standing Instructions of the Government require that expenditure booked by the Departmental Controlling Officers should be reconciled periodically with the expenditure figures booked by the Senior Deputy Accountant General (A&E). Such reconciliation enables the Departmental Officers to exercise proper control over the expenditure. As of 31 October 2007, 21 controlling officers out of 227, had not completed the reconciliation in respect of the expenditure of Rs. 1,255.06 crore, which constituted 10 *per cent* of the total net revenue and capital expenditure.