

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 2007-08

Number of Grants/Appropriations 29

Table 2.1: Total Provision and Actual Expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	17107.82		18490.31
Supplementary	1895.62		
Total Gross Provision	19003.44	Total Gross Expenditure	18490.31
Deduct-Estimated recoveries in reduction of expenditure	840.80		778.80
Total Net Provision	18162.64	Total Net Expenditure	17711.51

Table 2.2: Provision and Expenditure-Voted and Charged

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	10128.89	2048.99	9917.01	2449.17
Capital	6292.39	533.17	4357.17	1766.96
Total Gross	16421.28	2582.16	14274.18	4216.13
Deduct- recoveries in reduction of Expenditure	840.80	-	778.80	-
Total Net	15580.48	2582.16	13495.38	4216.13

The summarised position of the actual expenditure during 2007-08 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	9671.94	456.95	10128.89	9917.01	(-) 211.88
	Capital	5573.81	656.21	6230.02	4318.90	(-) 1911.12
	Loans and Advances	62.37	-	62.37	38.27	(-) 24.10
Total Voted:		15308.12	1113.16	16421.28	14274.18	(-) 2147.10
Charged	Revenue	1266.58	782.41	2048.99	2449.17	(+) 400.18
	Capital	-	-	-	-	-
	Public Debt	533.12	0.05	533.17	1766.96	(+) 1233.79
Total Charged:		1799.70	782.46	2582.16	4216.13	(+) 1633.97
Grand Total:		17107.82	1895.62	19003.44	18490.31	(-) 513.13

The overall saving of Rs. 513.13 crore was due to the net effect of saving of Rs. 2791.04 crore (Revenue: Rs. 507.10 crore; Capital: Rs. 2283.94 crore) and excess of Rs. 2277.91 crore (Revenue: Rs. 695.39 crore, Capital: Rs. 1582.52 crore) in respect of 28 grants and three appropriations and 14 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. 695.39 crore in 9 grants and one appropriation, while in the capital section, excess expenditure amounted to Rs. 1582.52 crore in six grants and one appropriation as detailed below:

Table 2.4

(Rupees in crore)

Sl. No	Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess expenditure	Percentage of excess
I-Revenue (Voted)					
1.	6-Power Development	2109.01	2241.88	132.87	6
2.	8-Finance	1271.07	1276.56	5.49	0.4
3.	12-Agriculture	295.88	322.14	26.26	9
4.	14-Revenue	303.30	363.08	59.78	20

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs. 176.88 crore) and Capital (Rs. 601.92 crore).

Sl. No	Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess expenditure	Percentage of excess
I-Revenue (Voted)					
5.	15-Consumer Affairs and Public Distribution	3.10	3.49	0.39	13
6.	16-Public Works	346.71	364.47	17.76	5
7.	25-Labour, Stationery and Printing	27.71	39.30	11.59	42
8.	27-Higher Education	186.38	194.68	8.30	4
9.	28-Rural Development	102.43	132.13	29.70	29
	Total Revenue (Voted)	4645.59	4937.73	292.14	
II-Revenue (Charged)					
12.	8-Finance	2032.11	2435.36	403.25	20
	Total Revenue (Charged)	2032.11	2435.36	403.25	
	Total Revenue Section	6677.70	7373.09	695.39	
III-Capital (Voted)					
13.	11-Industries and Commerce	93.60	100.67	7.07	8
14.	16-Public Works	744.25	1051.24	306.99	41
15.	20-Tourism	85.16	109.83	24.67	29
16.	24-Hospitality, Protocol and Toshakhana	-	8.58	8.58	100
17.	26-Fisheries	8.00	8.74	0.74	9
18.	29-Transport	26.58	27.25	0.67	3
	Total Capital (Voted)	957.59	1306.31	348.72	
IV-Capital (Charged)					
19.	8-Finance	533.12	1766.92	1233.80	231
	Total Capital (Charged)	533.12	1766.92	1233.80	
	Total Capital Section	1490.71	3073.23	1582.52	
	Grand Total	8168.41	10446.32	2277.91	

The excess expenditure of Rs. 2277.91 crore over the provision was mainly due to part clearance of overdraft of Rs. 1069.45 crore obtained during the current year by the State Government from the Jammu and Kashmir Bank Limited.

In six grants and one appropriation (*Appendix-2.I*), there was excess expenditure of Rs. 839.84 crore despite obtaining supplementary grants of Rs. 1009.98 crore. This was on account of the failure of the Departments in assessing the requirement of additional funds correctly 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. 68810.75 crore for the years 1980-81 to 2006-07, as per details at *Appendix-2.2*, was pending regularisation with the Finance Department.

2.5 Unnecessary/Excessive Supplementary Provision

In 14 cases, involving 10 grants and one appropriation (*Appendix-2.3*), supplementary provision of Rs. 341.65 crore was obtained in anticipation of expenditure in excess of the original provision. However, the final expenditure of Rs. 3506.28 crore was even less than the original grant of Rs. 4004.29 crore. The savings of Rs. 839.66 crore thus exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In ten other cases relating to eight grants and one appropriation, supplementary grants aggregating Rs. 543.34 crore were obtained against the requirement of Rs. 311.43 crore resulting in saving of Rs. 231.91 crore (*Appendix-2.4*).

Apart from these cases, savings in 13 cases (involving 11 grants) 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 2007-08 as also expenditure in the month of March 2008 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	1569.75	9.87
Second quarter	3143.98	19.77
Third quarter	2960.50	18.61
Fourth quarter	8232.10 (3606.00)	51.75 (22.67)
Total	15906.33	

(#Does not include Rs. 1805.18 crore on account of loans and advances and figures in brackets represent expenditure in the month of March)

It is evident from the above table that the flow of expenditure was not evenly distributed throughout the year, inspite of issuance of warning slips, by the Senior Deputy Accountant General (A&E), from time to time. Expenditure incurred during the month of March 2008 constituted 22.67 *per cent* of the total expenditure.

2.7 Persistent Excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2005-06, 2006-07 and 2007-08 in 3 grants and one appropriation as detailed below:

Table 2.6

(Rupees in crore)

Sl. No.	Name of grant/appropriation	Amount of excess (Percentage in brackets)		
		2005-06	2006-07	2007-08
I. Revenue-Voted				
1.	15-Consumer Affairs and Public Distribution	0.77 (30)	0.60 (23)	0.39 (13)
2.	25-Labour, Stationery and Printing	11.20 (47)	11.49 (46)	11.59 (42)
3.	28-Rural Development	15.94 (19)	79.90 (99)	29.71 (29)
II-Capital Charged				
4.	8-Finance	11839.59 (3526)	997.34 (233)	1233.79 (231)

2.8 Persistent Savings

Persistent savings of 10 *per cent* and above were noticed during the years 2005-06, 2006-07 and 2007-08 in 17 grants and one appropriation as detailed in *Appendix-2.6*.

2.9 Expenditure without Budget Provision

During 2007-08, Rs. 218.03 crore was incurred under 36 Major Heads of account (19 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the Departments concerned (September 2008). 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 38 cases, (involving 26 grants and one appropriation) against the available savings of Rs. 2787.49 crore (involving savings of Rs. one crore and above in each case), no amount was 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. 175.02 crore, the actual recoveries were Rs. 176.88 crore. However, in the capital section, against the estimated recoveries of Rs. 665.78 crore, actual recoveries were Rs. 601.92 crore. The shortfall occurred mainly under Grant No. 5-Ladakh Affairs Department (Rs. 3.51 crore) under Revenue Section and under Grant Nos. 5-Ladakh Affairs Department (Rs. 1.01 crore), 12-Agriculture Department (Rs. 1.84 crore), 15-Consumer Affairs and Public Distribution Department (Rs. 58.37 crore) and 19-Housing and Urban Development Department (Rs. 2.64 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 2008, 80 controlling officers out of 284, had not completed the reconciliation in respect of the expenditure of Rs. 3659.40 crore, which constituted 23 *per cent* of the total net revenue and capital expenditure.