



CHAPTER II
**ALLOCATIVE PRIORITIES AND
APPROPRIATION**

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2.1 Introduction

The Appropriation Accounts prepared annually indicate expenditure (capital and revenue) on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and 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 is within the authorisation given under the Appropriation Act and 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 2006-07 against 29 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Expenditure	Unspent provision (-)/ Expenditure in excess of provision (+)
Voted	Revenue	30,730.50	4,001.58	34,732.08	29,576.46	(-)5,155.62
	Capital	7,276.01	3,199.40	10,475.41	8,679.23	(-)1,796.18
	Loans & advances	334.53	180.37	514.90	357.23	(-)157.67
Total Voted		38,341.04	7,381.35	45,722.39	38,612.92	(-)7,109.47
Charged	Revenue	4,453.36	11.72	4,465.08	4,306.64	(-)158.44
	Capital	0.30	0	0.30	0.10	(-)0.20
	Public debt	2,304.39	0	2,304.39	1,749.37	(-)555.02
Total Charged		6,758.05	11.72	6,769.77	6,056.11	(-)713.66
Grand Total		45,099.09	7,393.07	52,492.16	44,669.03	(-)7,823.13

The overall unspent provision of Rs.7,823.13 crore was the net result of unspent provision of Rs.8,306.58 crore in 29 grants/appropriations partly offset by excess expenditure of Rs.483.45 crore in five grants/appropriations (details vide Appropriation Accounts 2006-07). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (November 2007).

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of total unspent provision of Rs.8,306.58 crore, unspent provisions of more than Rs.100 crore occurred in 12 grants/ appropriation, during 2006-07. Large unspent provisions were in areas like Finance, Urban Development, Water Resources, Debt Servicing, etc as detailed in the table below:

(Rupees in crore)

Sl. No	Grant	Provision	Expenditure	Unspent provision
1	1-Agriculture and Horticulture Revenue Voted	1,259.30	870.37	388.93
2	3-Finance Revenue Voted	6,371.00	4,073.65	2,297.35
3	5-Home and Transport Revenue Voted	1,728.80	1,530.62	198.18
4	6-Infrastructure Development Capital Voted	386.54	261.19	125.35
5	7-Rural Development and Panchayat Raj Capital Voted	1,131.88	743.66	388.22
6	11-Women and Child Development Revenue Voted	844.18	640.13	204.05
7	17-Education Revenue Voted	5,834.11	5,638.85	195.26
8	19-Urban Development Revenue Voted	3,507.35	2,415.03	1,092.32
9	20-Public Works Revenue Voted Capital Voted	1,767.11 2,273.94	1,348.98 2,041.22	418.13 232.72
10	21-Water Resources Capital Voted	4,860.70	4,118.54	742.16
11	22-Health and Family Welfare Revenue Voted	1,387.20	1,159.12	228.08
12	29-Debt Servicing Revenue Charged Capital Charged	4,366.02 2,304.39	4,236.40 1,749.37	129.62 555.02
	Total	38,022.52	30,827.13	7,195.39

Major heads of account under which major part of the provisions remained unspent in these 12 grants / appropriation are detailed in **Appendix 2.1**.

The reasons furnished by three departments for unspent provisions under a few major heads of account are given below:

Home and Transport department

- ❖ Unspent provision of Rs.53.86 crore under the major head '2055' was due to non-finalisation of tenders in respect of works relating to modernization of police force.
- ❖ Non-commissioning of fire stations/non-recruitment of fire force personnel was the reason for unspent provision of Rs.11.79 crore under the major head '2070'.
- ❖ Non-utilisation of Rs.30.41 crore provided under major head '3055' towards subsidy payable to transport corporations to meet expenditure on wage settlement was due to non receipt of demand for the purpose during the year.

Rural Development and Panchayat Raj department

- ❖ Non-utilisation of Rs.170.50 crore (out of unspent provision of Rs. 343.84 crore) under the major head '4215' was on account of delay in execution of rural water supply scheme due to re-tendering of the works.
- ❖ Unspent provision of Rs.24.77 crore under the major head '4515' was due to non-receipt of expected number of projects from the local bodies for implementation of 'suvarna gramodaya scheme'.

Urban Development department

- ❖ Unspent provision of Rs.42.93 crore under the major head '2215' was on account non-receipt of Government of India's share.
- ❖ Non-receipt of approval of Planning Commission for Externally Aided Projects was the reason for unspent provision of Rs.972.19 crore under the major head '2217'.

2.3.2 There were unspent provisions (Rs. 101.79 crore) in 22 cases relating to seven grants due to non / short / late release of funds and non / late receipt of sanctions from Government (**Appendix 2.2**). These unspent provisions were surrendered on the last day of the financial year.

2.3.3 Persistent unspent provisions

In 42 cases relating to nine grants there were persistent unspent provisions of Rs.0.25 crore and above during last three years (**Appendix 2.3**).

2.3.4 Surrender of unspent provisions

According to rules framed by Government, the departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, out of total unspent provision of Rs.7,737.30 crore[♦] in 28 grants/appropriations, Rs.2,571.18 crore (33 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs.5,166.12 crore (67 per cent) remained un-surrendered (**Appendix 2.4**).

2.4 Excess expenditure requiring regularisation

2.4.1 As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.8,019.74 crore for the years 1989-90 to 2005-06 was yet to be regularised (November 2007) (**Appendix 2.5**).

2.4.2 Details of excess expenditure of Rs.483.45 crore incurred against five grants/appropriations during 2006-07 required to be regularized are given below:

(Amount in Rupees)

Sl. No.	Grant & Section	Provision	Expenditure	Excess
1	8-Forest, Ecology and Environment Capital Voted	3,46,25,000	6,21,76,703	2,75,51,703
2	14- Revenue Revenue Voted Capital Voted	14,25,79,25,000 7,21,00,000	18,24,17,76,151 14,41,57,561	3,98,38,51,151 7,20,57,561
3	15-Information Technology Capital Voted	16,70,00,000	20,37,16,803	3,67,16,803
4	18-Commerce and Industries Revenue Voted	12,71,83,63,000	13,42,26,26,918	70,42,63,918
5	24-Energy Revenue Charged	70,00,000	1,70,00,000	1,00,00,000
	Total	27,25,70,13,000	32,09,14,54,136	4,83,44,41,136

[♦] Excludes Rs.569.13 crore surrendered in excess in three grants and Rs.0.15 crore surrendered in full in one grant.

2.4.3 Persistent excesses

There were 12 cases of persistent excess expenditure over provision in four grants during last three years (**Appendix 2.6**).

2.5 Unnecessary/insufficient/excessive supplementary provision

Supplementary provision (Rs.7,393.07 crore) made during the year constituted 16 per cent of the original provision (Rs.45,099.09 crore) as against 12 per cent in the previous year.

2.5.1 Supplementary provision of Rs.302.92 crore made under 66 detailed/object heads relating to 21 grants/appropriation proved unnecessary (**Appendix 2.7**).

2.5.2 Under 27 detailed heads relating to 13 grants/appropriation supplementary provision of Rs.192 crore obtained proved insufficient leaving uncovered excess expenditure of Rs.114.79 crore (**Appendix 2.8**).

2.5.3 Under 31 detailed heads relating to 17 grants/appropriation supplementary grant of Rs.782.32 crore obtained proved excessive resulting in unutilised provision of Rs.254.48 crore (**Appendix 2.9**).

2.6 Re-appropriation of funds

A grant or appropriation for disbursements is distributed by sub-head/detailed head/object head under which it is accounted for. The competent executive authorities may approve re-appropriation of funds between the primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

2.6.1 Injudicious re-appropriation of funds

In 41 cases, re-appropriation of funds was made injudiciously resulting either in un-utilised provisions or excess over provision of more than Rs.0.25 crore in each case (**Appendix 2.10**). Of these:

- in four cases, additional funds of Rs.283.88 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs.12.94 crore.
- in 19 cases, the unutilised provisions were not properly assessed as even after the withdrawal of Rs.337.08 crore through re-appropriation, Rs.158.49 crore remained unutilised.
- in 13 cases, additional funds of Rs.42.41 crore provided by re-appropriation resulted in unutilised provision of Rs.22.38 crore and the re-appropriation proved excessive.

- in five cases, the withdrawal of Rs.12.57 crore through re-appropriation resulted in as the final expenditure exceeding the net provision by Rs.13.25 crore.

2.6.2 Defective re-appropriation

During 2006-07, 191 re-appropriation orders involving an amount of Rs.972.03 crore were issued of which, 48 re-appropriation orders for Rs.21.29 crore were not considered in accounts. These orders were found either exceeding the power of sanction or involved items of new service or not signed by competent authority or not having prior approval of Finance Department. Illustrative cases are listed in (Appendix 2.11).

2.7 Un-reconciled expenditure

To enable departmental officers to exercise proper control over expenditure, there are standing instructions of Government that expenditure recorded in their books should be reconciled with those recorded in the books of the Accountant General (Accounts and Entitlement).

During 2006-07, out of 224 Chief Controlling Officers, 77 officers had not reconciled expenditure of Rs.20,221.78 crore (48 *per cent* of the expenditure of Rs.41,662.12 crore incurred by them).

2.8 Errors in budgeting

Six cases of error in budgeting involving an amount of Rs.110.69 crore were noticed. (Appendix 2.12).

2.9 Rush of expenditure

The financial rules require that expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure for the four quarters and also for the month of March 2007 as depicted in Appendix 2.13 shows that the expenditure incurred in March 2007 in 23 cases ranged between 30 and 100 *per cent* of the total expenditure during the year.

2.10 New service/New instrument of service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. The Government has issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. These, *inter alia*, stipulate that the expenditure over the grant/appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of 'New Service'.

In 29 cases involving eight grants, expenditure totalling Rs.198.61 crore which should have been treated as 'New Service/New Instrument of Service' was met without the approval of the Legislature (**Appendix 2.14**).

2.11 Expenditure without budget provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.29.65 crore was incurred without provision either in original or in supplementary demand in 18 cases involving seven grants test-checked in audit (**Appendix 2.15**).

2.12 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act, 1957 in terms of provisions of Article 267 (2) and 283(2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is Rs.80 crore.

During 2006-07, 22 sanctions aggregating Rs.75.84 crore were issued. Of these, in seven cases, sanction for advances obtained was in excess of the amount required. The amount drawn in these cases ranged between 35 and 87 *per cent* of the amount sanctioned (**Appendix 2.16**).

2.13 Abstract Contingent Bills

2.13.1 Introduction

The Manual of Contingent Expenditure, 1958 (Manual) permitted Drawing and Disbursing Officers (DDOs) to draw contingent charges required for immediate disbursement on Abstract Contingent (AC) bills subject to rendering detailed bills to their Controlling Officers for countersignature and onward transmission to the Accountant General (Accounts and Entitlement) (AG-A&E). Controlling Officers should ensure that no amounts are drawn from the treasury unless required for immediate disbursement.

Audit conducted review of 7416 AC bills covering Rs.42.26 crore drawn during 2002-2007 by 57 DDOs of six¹ departments in 11 districts² during February to May 2007. Important points noticed are brought out in the succeeding paragraphs.

¹ Education [Technical Education(Polytechnic)], Finance [Commercial Taxes], Home & Transport [Jails], Kannada & Culture [Art & Culture], Labour & Employment [ITI], Revenue [Election]

² Bangalore (Urban), Belgaum, Bellary, Bijapur, Dharwar, Gulbarga, Hubli, Karwar, Mysore, Raichur, Shimoga

2.13.2 Non- submission/delayed submission of Detailed Bills

According to Rule 37(3) of the Manual, DDOs are required to send detailed bills in respect of AC bills drawn by them to their Controlling Officers before the closure of the first week of the following month in which AC bills are drawn for onward transmission to AG (A&E) by the fifteenth of the same month

As of May 2007, 37 of the 57 DDOs of the test checked departments had not submitted detailed bills for Rs 8.22 crore drawn on 500 AC bills to their Controlling Officers as detailed below:

(Rupees in crore)

Department	Number of DDOs	Number of AC bills	Amount
Education (Technical Education -Polytechnic)	02	30	0.06
Home and Transport (Prisons)	03	139	0.06
Finance (Commercial Taxes)	01	21	3.43
Kannada and Culture (Art & Culture)	04	94	2.30
Labour & Employment (ITT's)	06	68	0.23
Revenue (Election)	21	148	2.14
Total	37	500	8.22

Of these, 298 bills for Rs.5.23 crore drawn between August 2004 and March 2007 submitted by the DDOs were pending with the Controlling Officers, while 202 bills for Rs.2.99 crore drawn between March 2003 and December 2006 were yet to be forwarded to the Controlling Officers by the DDOs. The Departmental officers did not furnish reasons for pendency.

Further, in the departments test checked, there were delays upto three years in forwarding the detailed bills for Rs.19.59 crore drawn on 4841 AC bills by 47 DDOs during 2002-07 to the AG (A&E) as detailed below:

(Rupees in crore)

Delay up to	Number of AC bills	Amount
One month	1546	5.77
Six months	2485	8.48
One year	631	2.77
Two years	154	2.55
Three years	25	0.02
Total	4841	19.59

The delay was due to drawal of funds far in advance of requirement.

2.13.3 Delay in remittance of unspent amount

In Prisons Department, the entire amount of Rs.97 lakh drawn on an AC Bill in February 2004 by the Deputy Inspector General of Central Prison, Bangalore was remitted to the Government account in March 2006. The amount drawn for installation of Cellular Jammer System in the Central Prison was kept in personal deposit account. This resulted in locking up of Government funds for two years. The DDO stated (March 2007) that the amount could not be utilised as the Cellular Jammer System imported from Russia did not meet the requirements and the efforts to import the equipment

from a supplier in Israel also failed due to restrictions imposed by Customs authorities.

2.13.4 Non-observance of procedures by Controlling Officers and Treasury Officers

Based on observations in earlier Audit Reports, the State Government, for streamlining the procedure of drawal of AC bills and their settlement, directed (September' 2004) the Controlling Officers to route all detailed bills through treasuries to enable the latter to enforce the submission of detailed bills by not honouring further AC bills till the clearance of all outstanding AC bills. Audit scrutiny revealed that these directions were not followed in the test checked districts as detailed below:

Detailed bills for Rs.8.33 crore drawn on 2256 AC bills by 43 DDOs between October 2004 and March 2007 were not routed through respective treasuries. Instead, Controlling Officers forwarded (2002-07) these bills after counter signature directly to the AG (A&E) as detailed below:

(Rupees in crore)

Department	Number of DDOs	Detailed bills not routed through treasuries	
		Number	Amount
Education (Technical Education -Polytechnic)	02	173	0.25
Home and Transport (Prisons)	04	1035	1.25
Kannada and Culture (Art & Culture)	05	455	0.38
Labour & Employment (ITI's)	09	297	0.78
Revenue (Election)	23	296	5.67
Total	43	2256	8.33

Treasury Officers³ in violation of the procedure honoured 1937 AC bills of 42 DDOs for Rs.6.84 crore between November 2004 and March 2007 though 319 AC bills amounting to Rs.1.51 crore drawn by them earlier were outstanding for settlement.

2.13.5 Splitting of AC bills to avoid sanction from higher authority

DDOs were required to obtain permission of Finance Department for drawal of AC bills for amounts exceeding Rupees one lakh. However, 11 DDOs of the Labour & Employment Department preferred split up bills to avoid recourse to Finance Department for approval. The amounts so drawn on 165 AC bills during 2005-07 aggregated Rs.1.61 crore.

The matter was reported to Government in August 2007; reply had not been received (October 2007).



³ Bangalore (Urban), Belgaum, Bellary, Bijapur, Dharwar, Hubli, Karwar, Mysore, Raichur, Shimoga