



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 2007-08 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	3,4870.40	2,740.54	37,610.94	33,013.93	(-)4,597.01
	Capital	9,115.48	2,217.76	11,333.24	8,805.81	(-)2,527.43
	Loans & advances	646.35	302.18	948.53	756.74	(-)191.79
Total Voted		44,632.23	5,260.48	49,892.71	42,576.48	(-)7,316.23
Charged	Revenue	4,891.40	5.57	4,896.97	4,581.75 ¹	(-)315.22
	Capital	---	---	---	---	---
	Public debt	2,649.47	---	2,649.47	1,328.77	(-)1,320.70
Total Charged		7,540.87	5.57	7,546.44	5,910.52	(-)1,635.92
Grand Total		52,173.10	5,266.05	57,439.15	48,487.00	(-)8,952.15

The overall unspent provision of Rs. 8,952.14² crore was the net result of unspent provision of Rs. 8,957.29 crore in 29 grants/appropriations partly offset by excess expenditure of Rs. 5.15 crore in three grants/appropriations (details vide Appropriation Accounts 2007-08). Detailed Appropriation Accounts were communicated to the Controlling Officers to explain the significant variations; explanations were not received (November 2008).

¹ Expenditure excludes Rs. 0.50 crore under the Major Head '2014', where the provision was under Voted instead of Charged.

² The overall unspent provision worked out differs from table above by 0.01 crore due to rounding.

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

Out of total unspent provision of Rs. 8,957.29 crore, unspent provisions of more than Rs. 100 crore occurred in 15 grants/ appropriations, during 2007-08. Large unspent provisions were in areas like Debt Servicing, Urban Development, Water Resources, Rural Development and Panchayat Raj, etc as detailed in the table below:

(Rupees in crore)

Sl. No	Grant	Provision	Expenditure	Unspent provision
1	1-Agriculture and Horticulture Revenue Voted	1,648.54	1,239.81	408.73
2	2-Animal Husbandry and Fisheries Revenue Voted	460.43	318.48	141.95
3	3-Finance Revenue Voted	4,207.57	3,979.04	228.53
4	7-Rural Development and Panchayat Raj Revenue Voted Capital Voted	1,685.39 1,712.15	1,300.69 1,116.00	384.70 596.15
5	10-Social Welfare Revenue Voted	1,335.91	1,233.66	102.25
6	11-Women and Child Development Revenue Voted	894.63	752.06	142.57
7	14-Revenue Revenue Voted Capital Voted	1,825.68 163.65	1,699.52 55.85	126.16 107.80
8	17-Education Revenue Voted	7,073.13	6,755.26	317.87
9	18-Commerce and Industries Revenue Voted	1,369.12	1,072.15	296.97
10	19-Urban Development Revenue Voted Capital Voted	4,192.00 726.38	2,997.05 571.05	1,194.95 155.33
11	20-Public Works Revenue Voted Capital Voted	1,555.42 1,960.97	1,211.17 1,743.25	344.25 217.72
12	21-Water Resources Capital Voted	4,611.87	3,443.22	1,168.65
13	22-Health and Family Welfare Revenue Voted	1,663.58	1,419.83	243.75
14	26-Planning, Statistics, Science and Technology Revenue Voted	602.89	424.13	178.76
15	29-Debt Servicing Revenue Charged Capital Charged	4,818.21 2,649.47	4,505.78 1,328.77	312.43 1,320.70
	Total	45,156.99	37,166.77	7,990.22

Major heads of account under which major part of the provisions remained unspent in these 15 grants / appropriation are detailed in **Appendix 2.1**.

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

Urban Development

- ❖ Unspent provisions of Rs. 821.44 crore was due to delay in receiving approval by the Government for projects and short release of Central share under the major head '2217'.

Water Resources

- ❖ Unspent provisions of Rs. 486.08 crore under the major head '4702' was due to non-utilisation of funds for major works, non-receipt of the State Government approval for major works, delay in finalisation of tenders etc.,

Debt Servicing

- ❖ Excess provision of funds over and above requirement by the Finance Department resulted in unspent provision of Rs. 198.51 crore was under the major head '2049'.
- ❖ Unspent provisions of Rs. 1,271.87 crore was due to availing facility of Special Ways and Means Advances only to the extent of shortfall in cash balances and non-utilisation of overdraft facility with Reserve Bank of India respectively under the major head '6003'.

2.3.2 There were unspent provisions (Rs. 754.43 crore) in 55 cases relating to eight 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 74 cases relating to 16 grants there were persistent unspent provisions of Rs. one 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. 8,833.71 crore³ in 28 grants/ appropriations, Rs. 2,693.14 crore (30 per cent) were surrendered on the last day of the financial year. Unspent provision of Rs. 6,140.57 crore (70 per cent) remained un-surrendered (**Appendix 2.4**).

³ Excludes Rs. 12.87 crore surrendered in full in four grants and Rs. 110.71 crore surrendered in excess in two grants.

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. 8,503.19 crore for the years 1989-90 to 2006-07 was yet to be regularised (November 2008) (**Appendix 2.5**).

2.4.2 Details of excess expenditure of Rs. 5.15 crore incurred against three grants/ appropriations during 2007-08 required to be regularised are given below:

(Amount in Rupees)

Sl. No.	Grant & Section	Provision	Expenditure	Excess
1	4-Department of Personnel and Administrative Reforms Revenue Charged	59,05,96,000	59,07,37,713	1,41,713
2	8-Forest, Ecology and Environment Revenue Charged Capital Voted	8,21,48,000 5,53,75,000	11,55,51,464 6,60,89,515	3,34,03,464 1,07,14,515
3	27-Law Capital Voted	5,61,64,000	6,34,00,501	72,36,501
	Total	78,42,83,000	83,57,79,193	5,14,96,193

Booking of expenditure pertaining to previous year initially booked under 'Civil Advances' was the reason furnished by the Forest, Ecology and Environment department for excess expenditure of Rs. 1.14 crore under the major head '4406'.

2.4.3 Persistent excesses

There were 26 cases of persistent excess expenditure over provision in eight grants during last three years (**Appendix 2.6**).

2.5 Unnecessary/insufficient/excessive supplementary provision

Supplementary provision (Rs. 5,266.05 crore) made during the year constituted 10 *per cent* of the original provision (Rs. 52,173.10 crore) as against 16 *per cent* in the previous year.

2.5.1 Supplementary provision of Rs. 94.13 crore made under 21 detailed/object heads relating to 12 grants proved unnecessary (**Appendix 2.7**).

2.5.2 Under 11 detailed heads relating to seven grants supplementary provision of Rs. 44.06 crore obtained proved insufficient leaving uncovered excess expenditure of Rs. 24.41 crore (**Appendix 2.8**).

2.5.3 Under 25 detailed heads relating to 15 grants supplementary grant of Rs.416.20 crore obtained proved excessive resulting in unutilised provision of Rs. 150.74 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 58 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 11 cases, additional funds of Rs. 19.42 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by Rs. 9.23 crore.
- in 21 cases, the unutilised provisions were not properly assessed as even after the withdrawal of Rs. 398.19 crore through re-appropriation, Rs.421.39 crore remained unutilised.
- in 24 cases, additional funds of Rs. 125.90 crore provided by re-appropriation resulted in unutilised provision of Rs. 42.95 crore and the re-appropriation proved excessive.
- in two cases, the withdrawal of Rs. 7.62 crore through re-appropriation resulted in as the final expenditure exceeding the net provision by Rs.5.37 crore.

2.6.2 Defective re-appropriation

During 2007-08, 256 re-appropriation orders involving an amount of Rs.7,195.01 crore were issued of which, 44 re-appropriation orders for Rs. 165.42 crore were not considered in accounts. These orders were found either exceeding the power of sanction or not self balanced 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 2007-08, out of 212 Chief Controlling Officers, 36 officers had not reconciled expenditure of Rs. 19,802.05 crore (43 *per cent* of the expenditure of Rs. 46,023.71 crore incurred by them). Twenty three Controlling officers who disbursed Rs. 756.74 crore of loans and advances had not reconciled expenditure figures.

2.8 Errors in budgeting

Eleven cases of errors in budgeting on account of obtaining supplementary provisions under the grants other than to which original provisions were made, arithmetical errors *etc.*, involving an amount of Rs. 32.87 crore were noticed.

Further, eight cases of error in budgeting due to correction slips being not taken into account involving an amount of Rs. 3,947.48 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 2008 as depicted in **Appendix 2.13** shows that the expenditure incurred in March 2008 in 17 cases ranged between 32 and 94 *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 15 cases involving three grants, expenditure totalling Rs. 38.55 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. 16.58 crore was incurred without provision either in original or in supplementary demand in 10 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 authorisation by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is Rs. 80 crore.

During 2007-08, 20 sanctions aggregating Rs. 42.35 crore were issued. A review of the operation of the Contingency Fund disclosed the following:

- In four cases, sanction for advances obtained was in excess of the amount required. The amount drawn in these cases ranged between 12 and 79 *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 10,930 AC bills covering Rs.135.47 crore drawn during 2003-08 by 55 DDOs of five⁴ departments in nine districts⁵ during March-June 2008. Important points noticed are brought out in the succeeding paragraphs.

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.

⁴ Home & Transport [Police], Agriculture [Watershed], Sericulture [Village & Small Industries], Health and Family Welfare [Medical Education] and Information.

⁵ Bangalore (Urban), Bangalore (Rural), Bijapur, Chickmagalur, Gulbarga, Kolar, Mysore, Tumkur and Udupi

As of July 2008, 15 of the 55 DDOs of the test-checked departments had not submitted detailed bills for Rs. 3.74 crore drawn on 309 AC bills to their Controlling Officers as detailed below:

(Rupees in crore)

Department	Number of DDOs	Number of AC bills	Amount
Home & Transport [Police]	02	13	0.80
Agriculture [Watershed]	04	169	1.06
Sericulture [Village & Small Industries]	01	2	0.02
Health and Family Welfare [Medical Education]	04	48	1.73
Information	04	77	0.13
Total	15	309	3.74

Further, in departments test-checked, there were delays upto two years in forwarding detailed bills for Rs. 90.69 crore drawn on 4,534 AC bills by 42 DDOs during 2003-08 to the AG (A&E) as detailed below:

(Rupees in crore)

Delay up to	Number of AC bills	Amount
One month	1,426	16.36
Six months	2,317	59.29
One year	680	12.34
Two years	111	2.70
Total	4,534	90.69

The departments attributed the delay to administrative reasons.