

## CHAPTER II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### 2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Audit of appropriations 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 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 2005-06 against 179 grants and 85 appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriations	Supplementary grants/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I. Revenue	39889.86	9065.86	48955.72	43318.31	5637.41
	II. Capital	11304.03	3525.52	14829.55	13391.35	1438.20
	III. Loans and Advances	2302.71	3470.14	5772.85	5038.47	734.38
Total (Voted)		53496.60	16061.52	69558.12	61748.13	7809.99
Charged	IV. Revenue	14103.57	526.75	14630.32	13621.92	1008.40
	V. Capital	8.33	1.85	10.18	10.77	-0.59
	VI. Public Debt	2758.43	3124.01	5882.44	5741.65	140.79
Total (Charged)		16870.33	3652.61	20522.94	19374.34	1148.60
Appropriation to Contingency Fund		1850.00		1850.00	1850.00	0.00
Grand Total		72216.93	19714.13	91931.06	82972.47	8958.59

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure: Rs 4660.34 crore and capital expenditure: Rs 4100.56 crore.

The overall savings of Rs 8,958.59 crore was the net result of savings of Rs 10,115.58 crore in 222 cases of grants/appropriations offset by excess of Rs 1,156.99 crore in 34 cases of grants/appropriations. Detailed Appropriation Accounts were sent to the Controlling Officers and reasons for savings/excesses were called for, which were not received.

**2.3 Fulfilment of Allocative Priorities**

**2.3.1 Appropriation by Allocative Priorities**

Analysis of savings with reference to allocative priorities shows that out of savings of Rs 8,958.59 crore, as much as 60 per cent occurred in six grants as mentioned below:

(Rupees in crore)

Number and Name of the Grant	Original/Supplementary	Total Grant	Actual Expenditure	Savings
<b>F-2 Urban Development and Other Advance Services</b>				
Revenue - Voted	(O) 524.80 (S) 93.64	618.44	404.85	213.59
<b>F-5 Capital Expenditure on Social Services</b>				
Capital - Voted	(O) 1589.34 (S) 184.17	1773.51	879.66	893.85
<b>G-2 Other Fiscal and Miscellaneous Services</b>				
Revenue - Voted	(O) 4325.06 (S) --	4325.06	826.13	3498.93
<b>L-3 Rural Developments Programmes</b>				
Revenue - Voted	(O) 922.84 (S) 334.80	1257.64	974.35	283.29
<b>O-9 Capital Expenditure on Other Rural Development Programmes</b>				
Capital - Voted	(O) 468.68 (S) 335.65	804.33	463.76	340.57
<b>V-3 Capital Expenditure on Social Services</b>				
Capital - Voted	(O) 58.75 (S) 299.17	357.92	181.15	176.77

No specific reasons for savings were given under the above grants.

In 22 cases, savings exceeded Rs 10 crore in each case and also by more than 20 per cent of the total provision (Appendix 2.1).

**Excess requiring regularisation**

**2.3.2 Excess over provision relating to previous years requiring regularisation**

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. The excess expenditure amounting to Rs 9,946.72 crore for the years 2000-01 to 2004-05 was however, yet to be regularised.

(Rupees in crore)

Year	Number of grants/appropriations	Amount of excess	Reasons for excess
2000-01	67	2298.80	Not received
2001-02	57	3682.45	Not received
2002-03	29	2542.88	Not received
2003-04	25	1015.24	Not received
2004-05	26	407.35	Not received
<b>Total</b>	<b>204</b>	<b>9946.72</b>	

**2.3.3 Excess over provisions during 2005-06 requiring regularisation**

The excess of Rs 1,097.16 crore under 19 grants and Rs 59.83 crore under 15 appropriations required regularisation (**Appendix 2.2**).

**2.3.4 Original budget and supplementary provisions**

Supplementary provisions (Rs 19,714.13 crore) made during the year constituted 27.30 *per cent* of the original provision (Rs 72,216.93 crore) as against 32.49 *per cent* in the previous year.

**Unnecessary/excessive/inadequate supplementary provisions**

**2.3.5** Supplementary provisions of Rs 1,115.26 crore made in 38 cases of grants/appropriations during the year proved unnecessary in view of the aggregate saving of Rs 2,983.03 crore as detailed in **Appendix 2.3**.

**2.3.6** In 54 cases, against the additional requirement of Rs 10,883.31 crore, supplementary grants and appropriations of Rs 13,760.02 crore were obtained, resulting in savings exceeding Rs 1 crore in each case, aggregating Rs 2,876.71 crore. Details of these are given in **Appendix 2.4**.

**2.3.7** In nine cases, supplementary provision of Rs 1,264.30 crore proved insufficient by more than Rs 1 crore each, leaving an aggregate uncovered excess expenditure of Rs 544.74 crore (**Appendix 2.5**).

**2.3.8 Excessive/unnecessary re-appropriation of funds**

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Cases where the re-appropriation of funds proved injudicious in view of final excess/savings over grants by over Rs 1 crore are detailed in **Appendix 2.6**.

**2.3.9 Anticipated savings not surrendered**

According to rules, spending departments were required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings were anticipated. At the close of the year 2005-06, there were however, 19 grants/appropriations in which savings occurred but no part of them had been surrendered by the concerned departments. The amount involved in these cases was Rs 404.97 crore (4 *per cent* of the total savings) (**Appendix 2.7**).

Similarly, out of the total savings of Rs 2,615.04 crore under 39 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 1,128.66 crore (11.16 *per cent* of the total savings). Details are given in **Appendix 2.8**. Thus in these cases, Government could not utilise the unspent funds for other activities where more funds could have been utilised.

**2.3.10** Besides, in 40 cases, (surrender of funds in excess of Rs 10 crore), Rs 4,750.04 crore were surrendered on the last two days of March

2006, indicating inadequate financial control over expenditure. Details are given in **Appendix 2.9**.

**2.3.11** In 31 grants/appropriations, the amounts surrendered were in excess of the actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 743.91 crore, the amount surrendered was Rs 856.11 crore, resulting in excess surrender of Rs 112.20 crore. Details are given in **Appendix 2.10**.

#### **2.4 Unreconciled expenditure**

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlement) every month. The reconciliation however, remained in arrears in several departments. In respect of the Public Health and Revenue and Forests Departments, expenditure of Rs 53.47 crore pertaining to 2005-06 remained unreconciled till April 2006 as shown below :

<b>Sr. No.</b>	<b>Department</b>	<b>Expenditure for 2005-06 not reconciled (Rupees in crore)</b>	<b>Grant and Major Head</b>
1.	Revenue and Forests	0.05	C-09 6245
2.	Public Health	53.42	R-01 2210
	<b>Total</b>	<b>53.47</b>	

#### **2.5 Budgetary Control**

**2.5.1** In eight cases, expenditure aggregating Rs 2,714.66 crore exceeded the approved provisions by Rs 25 lakh or more in each case and also by more than 10 *per cent* of the total provisions. Details are given in **Appendix 2.11**.

**2.5.2** As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 465.65 crore was incurred in 13 cases as detailed in **Appendix 2.12**, without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

**2.5.3** Government made allocations of Rs 26.85 crore for 414 works under Superintending Engineers of Public Works Circles, Kolhapur, Nagpur and Thane. There was no demand from the respective Divisions for any allocation to these works, as the works were already completed. The allocations were thus unnecessary. Further, a token provision of Rs 9.64 crore was included in the Appropriation Act 2005 for 705 new works in the same circles. This provision proved unnecessary as none of these works were taken up.

#### **2.6 Advances from Contingency Fund**

The Contingency Fund is in the nature of an imprest and its corpus is Rs 150 crore, which was temporarily raised to Rs 1,850 crore by issue of three

ordinances (11 August 2005, 14 October 2005 and 15 February 2006). The balance at the beginning of the year was Rs 45.48 crore with an unrecouped balance of Rs 104.52 crore. During 2005-06, advances drawn but not recouped to the Fund amounted to Rs 238.57 crore. The closing balance of the Fund as on 31 March 2006 was Rs 711.42 crore.

The details of expenditure incurred by the Controlling officers from the advances sanctioned from the Contingency Fund were not sent by them and reconciliation was not done with the Accountant General's books.

During 2005-06, 102 sanctions were issued for withdrawal of Rs 1,127.80 crore from the Contingency Fund. A review of the operation of the Contingency Fund disclosed that (i) seven sanctions amounting to Rs 299.23 crore were increased to Rs 1,097.04 crore and (ii) one sanction amounting to Rs 4.78 lakh was subsequently cancelled.

A few illustrative cases detailed in **Appendix 2.13** show that advances from the Contingency Fund were obtained (for Rs 66.51 crore in six cases) though the expenditure was foreseeable.

## PLANNING DEPARTMENT

### 2.7 Fulfilment of allocative priorities

#### Utilisation of funds mandated under Article 371(2) of the Constitution

Under Article 371 (2) of the Constitution of India, separate Development Boards (Boards) for Vidarbha, Marathwada and the Rest of Maharashtra were constituted on 30 April 1994. The Governor, on the recommendations of the Boards and subject to the requirements of the State as a whole, directs the Government to allocate funds equitably for developmental expenditure over the areas of Development Board. After the establishment of the Boards, an Indicators and Backlog Committee (IBC), set up in November 1995, reported (July 1997) that Rs 14,006.77 crore (as of March 1994) were required for liquidating the backlog in development of nine sectors in the entire State. Based on further directives (December 2001) of the Governor, Government reworked the backlog for the nine sectors to Rs 9377.69 crore (Vidarbha Rs 4536.36 crore and Marathwada Rs 2,755.24 crore) as on 31 March 2002, which was to be removed by 2006.

Actual funds released and spent under nine sectors vis-à-vis Governor's directives were as under:

**(Rupees in crore)**

Sector-wise allocations during 2002-05	Vidarbha				Marathwada			
	Allocation as per directives of Governor	Final Budget provision	Expenditure	Percentage of expenditure to allocation	Allocation as per directives of Governor	Final Budget provision	Expenditure	Percentage of expenditure to allocation
Irrigation	3919.79	1391.58	1391.58	35.50	2440.83	1293.18	1293.18	52.98
Roads	501.98	85.62	85.62	17.06	180.57	54.63	54.63	30.25
General Education	13.58	0.00	0.00	0.00	12.66	0.00	0.00	0.00
Technical Education	93.44	10.34	10.34	11.06	65.02	09.28	09.28	14.27
Water Supply	0.00	0.00	0.00	0.00	53.70	39.56	39.56	73.67
Land Development	119.98	55.21	55.21	46.02	44.55	18.50	18.50	41.53
Veterinary Services	0.09	0.02	0.02	22.22	0.78	0.04	0.04	5.13
Health	156.64	16.12	16.12	10.29	390.01	15.04	15.04	3.86
Energisation of Pumps	629.09	103.69	103.69	16.48	281.79	82.48	82.48	29.27
<b>Total</b>	<b>5434.59</b>	<b>1662.58</b>	<b>1662.58</b>	<b>30.59</b>	<b>3469.91</b>	<b>1512.71</b>	<b>1512.71</b>	<b>43.60</b>

It may be seen from the above that the expenditure as against the allocation was 30.59 per cent in Vidarbha Region and 43.60 per cent in Marathwada Region during 2002-05.

As the Governor's directives were not complied with by 2006, the Governor had to issue fresh directives (06 March 2006) to liquidate the backlog in irrigation sector by 2010 and in other sectors by 2009.

It would be appropriate if suitable mechanism is put in place in the Government to allocate and to monitor the release and utilisation of the funds as per the Governor's directives.

These points were referred to the Principal Secretary to Government in July 2006. Reply had not been received (October 2006).