

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 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 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 2006-07 against grants and appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriations	Supplementary grants/ appropriations	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I. Revenue	46161.13	8409.32	54570.45	48805.55	5764.90
	II. Capital	10309.56	3036.01	13345.57	13011.43	334.14
	III. Loans and Advances	3151.60	950.37	4101.97	3231.42	870.55
Total (Voted)		59622.29	12395.70	72017.99	65048.40	6969.59
Charged	IV. Revenue	16757.09	822.17	17579.26	16703.82	875.44
	V. Capital	5.31	22.86	28.17	16.83	11.34
	VI. Public Debt	4894.56	35.07	4929.63	4706.76	222.87
Total (Charged)		21656.96	880.10	22537.06	21427.41	1109.65
Appropriation to Contingency Fund		1050.00	--	1050.00	1050.00	--
Grand Total		82329.25	13275.80	95605.05	87525.81	8079.24

Note: The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure: Rs 4,124.10 crore and capital expenditure: Rs 3,845.87 crore.

The overall savings of Rs 8,079.24 crore was the net result of savings of Rs 9,035.54 crore in 215 cases of grants/appropriations offset by excess of Rs 956.30 crore in 29 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 the savings with reference to allocative priorities brought out the following:

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 a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to Rs 11,103.71 crore for the years 2000-2001 to 2005-2006 was however, still to be regularised. Reasons for the excess expenditure had not been intimated by Government.

(Rupees in crore)

Year	No. of grants/ appropriation	Amount of excess
2000-01	67	2298.80
2001-02	57	3682.45
2002-03	29	2542.88
2003-04	25	1015.24
2004-05	26	407.35
2005-2006	34	1156.99
Total	238	11103.71

2.3.3 Excess over provisions during 2006-07 requiring regularisation

The excess of Rs 918.54 crore under 16 grants and Rs 37.76 crore under 13 appropriations requires regularisation (**Appendix 2.2**).

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 13,275.80 crore) made during the year constituted 16.13 per cent of the original provision (Rs 82,329.27 crore) as against 27.30 per cent in the previous year.

Unnecessary/excessive/inadequate supplementary provisions

2.3.5 Supplementary provisions of Rs 1,275.39 crore made in 46 cases of grants/appropriations during the year proved unnecessary in view of aggregate savings of Rs 3,246.69 crore as detailed in **Appendix 2.3**.

2.3.6 In 30 cases, against the actual requirement of Rs 5,378.97 crore, supplementary grants and appropriations of Rs 7,958.54 crore were obtained, resulting in savings exceeding Rs 1 crore, aggregating Rs 2,579.57 crore. Details of these are given in **Appendix 2.4**.

2.3.7 In 10 cases, supplementary provisions of Rs 2,558.15 crore proved insufficient by more than Rs 1 crore each, leaving an aggregate uncovered excess expenditure of Rs 751.47 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. Seventy-two cases where re-appropriation of funds proved injudicious in view of final excess/savings over the grants by over Rs 1 crore are detailed in **Appendix 2.6**.

2.3.9 Anticipated savings not surrendered

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2006-07, there were, however, 17 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 673.14 crore (7.45 per cent of the total savings) (Appendix 2.7).

Similarly, out of total savings of Rs 3,034.19 crore under 34 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 1,082.94 crore (12 per cent of 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 be utilised.

2.3.10 Besides, in 42 cases, (surrender of funds in excess of Rs 10 crore), Rs 6,615.11 crore were surrendered on the last two working days of March 2007, indicating inadequate financial control over expenditure. Details are given in Appendix 2.9.

2.3.11 In 36 grants/appropriations, the amounts surrendered were in excess of the actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 1,504.24 crore, the amount surrendered was Rs 1,838.91 crore, resulting in excess surrender of Rs 334.67 crore. Details are given in Appendix 2.10.

2.3.12 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

As per the Maharashtra Treasury Rules, 1968, detailed contingent (DC) bills are to be submitted within one month of the drawal of abstract contingent (AC) bills. Scrutiny revealed that DC bills had not been submitted by the Controlling Officers to the Accountant General for a total amount of Rs 1450.60 crore drawn in 50,015 AC bills upto March 2007, as shown below.

(Rupees in crore)

Year in which drawn	Number of AC Bills	Amount outstanding
Upto 2000-01	41505	334.00
2001-02	796	37.41
2002-03	835	26.16
2003-04	833	398.92
2004-05	1214	113.08
2005-06	2279	453.95
2006-07	2553	87.08
Total	50015	1450.60

Department-wise pending NPDC bills for the years upto 2006-07 is detailed in Appendix 2.11.

2.3.13 Delay in remittance of unspent amounts

The Maharashtra Treasury Rules, 1968 prohibit drawal of money from treasuries in anticipation of demands or to prevent the lapse of budget grants.

In respect of the cases mentioned in **Appendix 2.12**, the amounts drawn were neither fully spent for the specific purposes nor were the unspent balances remitted to the Government Account before closure of the financial year 2006-07.

2.3.14 Guarantees exceeding constitutionally mandated limits

Sections 33(2) of Maharashtra Act No.XV of 1996 and XXIII of 1998 authorised irrigation development corporations to borrow money not exceeding Rs 1000 crore each from the open market with guarantees issued by the State Government. As of March 2007, the Government, however, had guaranteed Rs 11,299.86 crore (including interest) borrowed by the following corporations from the open market, without limiting the guarantees to Rs.1000 crore and violated the limit for issue of guarantees fixed by the Legislature. This amounted to breach of Article 293 of the Constitution.

(Rupees in crore)

Corporations on whose behalf guarantees were given	Sum guaranteed outstanding as on 31 March 2007 as per Finance Accounts
Maharashtra Krishna Valley Development Corporation	8902.11
Godavari Marathwada Irrigation Development Corporation	2397.75
Total	11,299.86

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 24 departments, expenditure of Rs 4,278.21 crore pertaining to 2006-07 remained unreconciled till April 2007. Details are given in **Appendix 2.13**.

2.5 Budgetary Control

2.5.1 In seven cases, expenditure aggregating Rs 4,984.20 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 2.14**.

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 41.41 crore was incurred in 13 cases as detailed in **Appendix 2.15** without any provision in the original estimates/supplementary demands and without any re-appropriation orders to this effect.

2.5.3 Unnecessary budget provisions

Government made allocations of Rs 8.38 crore for 87 works under Superintending Engineers of Public Works Circles, Nagpur and Nanded. There was no demand from the respective divisions for any allocations to these works, as the works were already completed. The allocations thus proved unnecessary. Further, a token provision of Rs 7.12 crore was included

in the Appropriation Act 2006 for 458 works in the same circles. This provision also proved unnecessary as none of these works were taken up.

2.5.4 Drawal of funds to avoid lapse of budget grant

Two Collectors had withdrawn Rs 2.14 crore in advance of requirement.

As per the provisions of the Maharashtra Treasury Rules, 1968, no money shall be drawn from the treasury unless it is required for immediate disbursement.

Government released (September 2005 and February 2006) Rs 3.02 crore to the Collector, Amravati for providing relief to the public affected due to heavy floods during July/August 2005. Out of this amount, Rs 2.08 crore was placed (October 2005 and March 2006) with the Zilla Parishad, Amravati and Rs 94 lakh with the Public Works Department, the Municipal Corporation, Amravati, the Municipal Council, Daryapur and the Sub Divisional Officer (SDO), Morshi. The Zilla Parishad, Amravati did not spend the amount and credited Rs 1.65 crore in March 2007 to Government account. SDO, Morshi retained Rs 2 lakh during 2006-07 and credited the amount to Government account only in March 2007.

Thus, assessment of fund requirement by the Collector, Amravati was incorrect and led to drawal of money in advance in order to avoid lapse of budget grant.

Similarly, the Collector, Bhandara drew Rs 50 lakh in January 2005 under the scheme of development of tourist places. The Government, while sanctioning the grant had instructed the Collector to complete the earmarked work in the same financial year. It was, however, observed (March 2007) that out of Rs 50 lakh, Rs 2.70 lakh had been utilised. An amount of Rs 22.06 lakh was lying with the Public Works Division, Bhandara and Rs 25.24 lakh with the Collector as of March 2007. The Collector, thus, drew the funds without immediate requirement.

These points were reported to the Principal Secretary to the Government in May 2007. Reply had not been received (August 2007).

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 1,050 crore twice, on 18 August 2006 and 23 November 2006, by issue of ordinances. The balance at the beginning of the year was Rs 711.43 crore with an unrecouped balance of Rs 238.57 crore. During 2006-07, advances drawn but not recouped to the Fund amounted to Rs 55.36 crore. The closing balance of the Fund as on 31 March 2007 was Rs 94.64 crore.

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

During 2006-07, 148 sanctions were issued for withdrawal of Rs 1,429.05 crore from the Contingency Fund. A review of the operation of the Contingency Fund disclosed that (i) one sanction amounting to Rs 200 crore was increased to Rs 681 crore (ii) four sanctions amounting to Rs 32.27 crore were decreased to Rs 22.71 crore (iii) in seven cases of drawal of advance of Rs 4.78 crore, recoupment orders were not issued and the conditions for drawal of advance were violated. None of the sanctions was subsequently cancelled.

A few illustrative cases detailed in **Appendix 2.16** show that advances from the Contingency Fund were obtained (for Rs 202.51 crore in 19 cases) though the expenditure was foreseeable.

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

Under Article 371 (2) of the Constitution of India, the Governor, subject to the requirements of the State as a whole, directs the Government to allocate funds equitably for developmental expenditure over the Vidarbha, Marathwada and the rest of Maharashtra (ROM) areas of the State.

Actual funds released and spent under nine sectors vis-à-vis the Governor's directives during 2006-07 are in **Appendix 2.17**.

Though the overall allocation and expenditure in the ROM area was less than the allocation and expenditure on identified backlog sectors in Vidarbha and Marathwada, there was no allocation under General Education and Energisation of pumps for all the areas of the State. The allocation for the Health and Road sectors was less in Vidarbha and Marathwada as compared to the allocation and expenditure in the ROM area. For land development in Marathwada, the expenditure was only Rs 1 lakh against the allocation of Rs 11.59 crore as per directives of the Governor.

The Government confirmed (September 2007) the position of expenditure in respect of Water Supply, Roads and General Education Sectors and stated that expenditure figures in respect of other sectors would be communicated after a relook at them by the Secretaries concerned. The Government also stated (September 2007) that 'Nil' expenditure for primary education (under General Education) was due to increase in number of Government aided schools and permanent unaided schools resulting in non-creation of new posts of teachers which was the main reason for the backlog in General Education Department.