

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 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

Total Number of Grants and Appropriations :

The summarised position of actual expenditure during 2002-03 against 133 grants and 76 appropriations was as follows:

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
		(Rupees in crore)				
Voted	I Revenue	31407.61	6137.33	37544.94	31719.34	(-)5825.60
	II Capital	5039.30	1605.75	6645.05	6048.97	(-)596.08
	III Loans and Advances	2428.48	1554.60	3983.08	2226.74	(-)1756.34
Total (Voted)		38875.39	9297.68	48173.07	39995.05	(-)8178.02
Charged	IV Revenue	11825.96	562.22	12388.18	11498.14	(-)890.04
	V Capital	0.39	7.88	8.27	8.58	0.31
	VI Public debt	13413.22	1005.47	14418.69	15352.84	934.15
	VII Loans and Advances	--	24.06	24.06	24.06	--
Total (charged)		25239.57	1599.63	26839.20	26883.62	44.42
Appropriation to Contingency Fund		450.00	--	450.00	450.00	--
Grand Total		64564.96	10897.31	75462.27	67328.67	(-)8133.60

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 2743.18 crore and capital expenditure Rs 2920.59 crore.

The overall savings of Rs 8133.60 crore as mentioned above was the net result of savings of Rs 10676.47 crore in 172 cases of grants and appropriations offset by excess of Rs 2542.87 crore in 29 cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the

Controlling Officers requiring them to explain the significant variations, which were not received.

2.3 Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities brought out the following:

In 37 cases, savings exceeded Rs 10 crore in each case and also by more than 20 *per cent* of total provision as indicated in **Appendix-XIV**.

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. However, the excess expenditure amounting to Rs 9832.72 crore for the years 1997-98 to 2001-02 had not been regularised so far. This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Amount of excess	Reasons for excess
1997-1998	69	895.47	Not received
1998-1999	72	1118.10	Not received
1999-2000	83	1837.90	Not received
2000-2001	67	2298.80	Not received
2001-2002	57	3682.45	Not received
Total	348	9832.72	

2.3.3 Excess over provisions during 2002-03 requiring regularisation

The excess of Rs 1361.49 crore under 12 grants and Rs 1181.39 crore under 17 appropriations during the year also required regularisation. Details of these are given in **Appendix XV**.

2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 10897.31 crore) made during this year constituted 16.88 *per cent* of the original provision (Rs 64564.96 crore) as against 19.31 *per cent* in the previous year.

Unnecessary/excessive/inadequate supplementary provisions

2.3.5 Supplementary provisions of Rs 1727.67 crore made in 57 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs 6102.22 crore as detailed in **Appendix XVI**.

2.3.6 In 38 cases, against additional requirement of only Rs 4044.40 crore, supplementary grants and appropriations of Rs 7329.27 crore were obtained resulting in each case savings exceeding Rs 1 crore, aggregating Rs 3284.87 crore. Details of these are given in **Appendix XVII**.

2.3.7 In 6 cases, supplementary provision of Rs 1647.34 crore proved insufficient by more than Rs 1 crore each leaving an aggregate uncovered excess expenditure of Rs 2122.74 crore. Details are given below:

(Rupees in crore)

Sr. No	Number and Name of the Grants and Appropriations	Original	Supplementary	Total Grants/ Appropriation	Actual Expenditure	Excess
I Grants						
1	B-10 Loans For Housing	33.07	4.15	37.21	43.02	5.81
2	I-1 Irrigation, Power and other Economic Services	636.58	10.18	646.75	1730.64	1083.89
3	O-2 Rural Employment	587.98	586.73	1174.72	1213.77	39.05
4	S-1 Medical and Public Health	353.29	36.58	389.88	391.25	1.37
	Total	1610.92	637.64	2248.56	3378.68	1130.12
II Appropriations						
5	G-8 Public Debt and Inter-State Settlement	13338.04	1000.00	14338.04	15328.47	990.43
6	Y-1 Interest Payments	7.88	9.71	17.58	19.77	2.19
	Total	13345.92	1009.71	14355.62	15348.24	992.62
	Grand Total	14956.84	1647.34	16604.18	18726.92	2122.74

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 fund proved injudicious in view of final excess/saving over grant by over Rs 1 crore are detailed in **Appendix XVIII**.

2.3.9 Anticipated savings not surrendered

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to Finance Department as and when the savings are anticipated. However, at the close of the year 2002-03 there were 15 grants/appropriations in which large savings occurred but no part of which had been surrendered by the concerned departments. The amount

involved in these cases was Rs 316.41 crore (2.96 per cent of the total savings). Details are given below:

(Rupees in crore)

Sr. No.	Number and name of grant/appropriation	Savings
1	D-2 Agriculture Services	0.03
2	D-8 Capital Expenditure on Animal Husbandry	0.51
3	D-11 Internal Debt of the State Government	1.81
4	D-12 Loans for Housing	0.08
5	E-1 Interest Payments	44.47
6	G-6 Pension and Other Retirement Benefits	183.88
7	G-6 Pension and Other Retirement Benefits	45.96
8	G-7 Social Security and Welfare	0.73
9	H-8 Capital Expenditure on Public Works and Administrative and Functional Buildings	0.02
10	K-2 Stationery and Printing	0.07
11	L-6 Regional Imbalance	9.78
12	L-8 Capital Expenditure on Removal of Regional Imbalance	27.69
13	R-3 Capital Expenditure on Social Services	0.67
14	T-1 Interest Payments	0.68
15	T-2 Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.03
	Total	316.41

In 39 other grants/appropriations, the amount of available savings of Rs 1 crore and above in each grant/appropriation not surrendered aggregated Rs 1863.83 crore (17.46 per cent of total savings). Details are given in **Appendix XIX**. Thus in these cases, Government could not utilise the unspent funds for other activities when more funds could be utilised.

A scrutiny of Appropriation Accounts for the years 1999-2003 revealed excess allocation under the House Building Advance (HBA) resulting in savings of Rs 45.24* crore during the above period.

This indicated that funds were provided year after year without any proper estimation. Further, considering that the borrowings of Government showed an upward trend over the years, the savings of Rs 45.24 crore would have reduced the interest burden of Government by Rs 4.52# crore. Thus, excess allocation of funds under HBA resulted in nugatory expenditure of Rs 4.52 crore on interest upto March 2003.

* Savings under HBA: 1999-2000 - Rs 0.67 crore, 2000-01 - Rs 1.36 crore, 2001-02 - Rs 13.49 crore and 2002-03 - Rs 29.72 crore

Calculated at an average rate of 10 per cent per annum.

2.3.10 Besides, in 29 cases (surrender of funds in excess of Rs 10 crore), Rs 5727.69 crore were surrendered on the last two days of March 2003 indicating inadequate financial control over expenditure. Details are given in **Appendix XX**.

2.3.11 In 39 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the actual savings of Rs 1751.76 crore, the amount surrendered was Rs 1908.37 crore, resulting in excess surrender of Rs 156.61 crore. Details are given in **Appendix XXI**.

2.4 Unreconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts and Entitlement) every month. The reconciliation had, however, remained in arrears in several departments. In respect of 21 departments, expenditure of Rs 2387.81 crore pertaining to 2002-03 remained unreconciled till April 2003. Details are given in **Appendix XXII**.

2.5 Budgetary Control

2.5.1 In 12 cases, expenditure aggregating Rs 1511.01 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 XXIII**.

2.5.2 As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 168.62 crore was incurred in 29 cases as detailed in **Appendix XXIV** without any provision in original estimates/supplementary demand and without any re-appropriation orders to this effect.

2.6 Advances from Contingency Fund

The Contingency Fund of the State was established under the Bombay Contingency Fund Act, 1956, in terms of the provisions of Articles 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, the 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 150 crore which was temporarily raised to Rs 600 crore with effect from 1 November 2002. The balance at the beginning of the year was Rs 134.20 crore with an unrecouped balance of Rs 15.80 crore. The ordinance ceased to operate after six weeks from the reassembly of the Legislature. During 2002-03, advances drawn but not recouped to the Fund amounted to Rs 36.85 crore. The closing balance of the Fund as on 31 March 2003 was Rs 113.15 crore.

The details of expenditure incurred by the 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 2002-03, 134 sanctions were issued for withdrawal of Rs 1105.68 crore from the Contingency Fund. A review of the operation of Contingency Fund disclosed that (i) three sanctions amounting to Rs 3.79 crore were subsequently reduced to Rs 2.49 crore, (ii) two sanctions amounting to Rs 50.02 crore were increased to Rs 304.53 crore, (iii) two sanctions amounting to Rs 1.04 crore were neither operated nor cancelled, (iv) the actual expenditure (Rs 28 lakh) was more than the amount sanctioned (Rs 14 lakh) and (v) one sanction amounting to Rs 50 lakh was subsequently cancelled.

A few illustrative cases detailed in **Appendix XXV** show that advances from Contingency Fund were obtained (Rs 151.51 crore in 16 cases) though the expenditure was foreseeable.

2.7 Operation of Personal Ledger Accounts

2.7.1 In all 3944 Personal Ledger Accounts (PLAs) were in operation in 2002-03. The flow of funds in respect of these PLAs during 2002-03 was as shown below:

		(Rupees in crore)
Opening Balance as on 1 April 2002	:	308.75
Amount transferred to PLAs during the year	:	2150.62
Amount disbursed from PLAs during the year	:	1940.06
Closing balance as on 31 March 2003	:	519.31

Records relating to 62 PLAs maintained by selected courts, Special Land Acquisition Officers (SLAO), Motor Accident Claims Tribunals (MACT), Joint Directors, Higher Education and Educational institutions were reviewed in audit between June and August 2003. The important points noticed are given below:

2.7.2 Out of Rs 9.88 crore received from Central Railway for disbursement of compensation for land acquired for Amravati-Narkhed Rail line, the SLAO, Zilla Parishad, Amravati diverted Rs 59.64 lakh for making payment of royalty charges for the mines and minerals used by the contractors in construction work and Rs 1.49 lakh for payment of electric and telephone bills, hire charges of jeep, office stationery etc.

2.7.3 Nine* officers received Rs 24.32 crore from various transactions. Out of this, Rs 1.33 crore was credited to Government account at

* SLAO, N.H. Project, Nashik, SLAO No-12, Ahmednagar, SLAO, Ulhasnagar Valley Project, Thane, SLAO No-2, Nashik, SLAO No-3, Pune, SLAO No-1, Pune, Mumbai-Pune Express Way, Superintendent Yervada Central Prison, Pune, Director of Technical Education, Mumbai, Inspector General of Registration and Controller of Stamps, Pune.

the instance of audit and amount of Rs 22.99 crore was still lying in PLA. This is not permissible as per Maharashtra Treasury Rules, 1968.

2.7.4 In the absence of PLA, the SLAOs were crediting the amount under Revenue Deposit head. Though 10 SLAOs were closed and merged with other SLAOs during the period from 1987 to 1993, Rs 6.23 crore lying under Revenue Deposit head were not transferred/credited to PLA operated by the SLAOs (July 2003).

2.7.5 In 10[#] offices, the PLAs were not being closed at the end of each financial year and the accumulated balance of Rs 62.06 crore remained to be transferred to the Consolidated Fund of the State as of March 2003.

2.7.6 The Joint Director of Technical Education, Pune deposited (December 2002) from PLA Rs 12 lakh in district Court, Satara towards increased amount of compensation payable to the land owners in respect of acquisition of land for Government Polytechnic, Karad. The Joint Director of Technical Education, Mumbai paid advances amounting to Rs 1.53 crore to the various colleges during July 1997 to March 2003 for meeting expenditure on centralised admission process.

In both the above cases, the amount (Rs 1.65 crore) has not been recouped to PLA (July 2003).

2.7.7 SLAOs 1 and 2, Pune (Express Highway) provided (March 2000) Rs 17.82 crore for meeting expenditure on payment of compensation to the private land owners for acquisition of land for Mega City Project. An amount of Rs 1.45 crore was incurred towards establishment charges, measurement charges, advertisement charges and court expenses. Government of Maharashtra directed (September 2001) SLAOs to stop the Mega City Project and to refund the balance amount to the Executive Engineer, Express Highway Division, Mumbai. SLAOs 2 and 1 refunded the unspent balance of Rs 10 crore and Rs 6.37 crore during March 2002 and June 2003 respectively, which resulted delay of 6 months to 18 months in surrendering the funds.

2.7.8 In one case an unclaimed amount of Rs 6.20 crore lying in PLA of Motor Accident Claim Tribunal (MACT), Mumbai was not credited to Government Account as on 31 March 2003 for want of permission of the High Court. This is not permissible as per the rule 742 (2) of the Civil Code Manual (Volume-I), MACT.

2.7.9 In eight cases, Rs 1.39 crore invested in fixed deposits were not shown in the closing balance. This is not permissible as per court's orders. In respect of 28 PLAs, there were an un-reconciled difference of Rs 8.49 crore between cash book and treasury balance as on 31 March 2003.

[#] SLAO, General and Maharashtra Industrial Development Corporation, Nagpur, SLAO, Zilla Parishad (Works), Nagpur, SLAOs (B&IP) No-1, Bhandara, (B&IP) No-3 Gondia, Aurangabad, Zilla Parishad (Works), Amravati, Additional SLAO Pench Project, Nagpur, Joint Directors, Higher Education, Aurangabad and Amravati.

2.7.10 In respect of SLAO No. 2, Nashik, PLA cash book was not maintained for a period of two years and seven months (27.9.1996 to 14.5.2002) and not attested by the competent authority for the period from 27.9.1996 to 21.9.1998 and 4.4.2001 to 14.5.2002 which resulted in non clearance of difference of Rs 34 lakh. In respect of Joint District Registrar and Collector of Stamps, Thane, cashbook and passbook were not written from the date of operation of PLA (ie 1 January 2002). During the scrutiny of transaction of the PLA from Thane treasury it has been observed that the books of treasury as on 31 March 2003 showed a minus balance of (-) Rs 19848799. In eight PLAs, separate cashbook for PLA was not maintained while in two PLAs, transactions were not recorded daily.

Irrigation Department

2.8 Diversion of Accelerated Irrigation Benefit Programme funds

The Central Loan Assistance (CLA) aggregating to Rs 423.99 crore was received during 1996-2003 by the Finance Department (FD) and required to be paid to the approved Accelerated Irrigation Benefit Programme (AIBP) projects both by the Irrigation Department (ID) and FD, by making suitable budget provision in the respective annual budgets/final modified grant. However, the AIBP funds of only Rs 57.02 crore were released to the projects by the ID and FD till 31 March 2003 as detailed below:

(Rupees in crore)

Year	CLA received by Finance Department under AIBP	CLA paid by Irrigation Department to the projects	CLA not paid to the projects
1996-97	14.00	14.00	--
1997-98	40.00	10.00	30.00
1998-99	50.86	--	50.86
1999-2000	49.88	--	49.88
2000-01	97.02	--	97.02
2001-02	39.10	--	39.10
2002-03	133.13	18.85 14.17	100.11
Total	423.99	57.02	366.97

Thus, the AIBP funds of Rs 366.97 crore could not be utilised by the State for envisaged purpose for which it was sanctioned but diverted for other purposes under common pool.

On this being pointed out in audit, ID accepted (May 2003) the fact of non payment of AIBP funds of Rs 366.97 crore as of March 2003 to the project authorities. However, the detailed reasons for diversion of AIBP funds for other purpose under common pool were not intimated to audit (August 2003).