

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

The summarised position of actual expenditure during 2004-05 against 46 grants/appropriations was as follows:

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ⁴	Saving(-) Excess(+)
Voted	I. Revenue	994.59	320.35	1314.94	1205.52	(-)109.42
	II. Capital	260.71	232.03	492.74	396.41	(-)96.33
	III. Loans	41.50	0.46	41.96	34.41	(-)7.55
Total Voted:		1296.80	552.84	1849.64	1636.34	(-)213.30
Charged	IV. Revenue	4.60	0.16	4.76	4.61	(-)0.15
	V. Capital	--	--	--	--	--
	VI. Loans	--	--	--	--	--
	VII. Public Debt	239.42	12.64	252.06	540.13	(+)288.07
Total Charged:		244.02	12.80	256.82	544.74	(+)287.92
Appropriation to Contingency Fund (if any)		--	--			
Grand Total:		1540.82	565.64	2106.46	2181.08	(+)74.62

⁴ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.1.11 crore) and Capital expenditure (Rs.66.87 crore).

The overall excess of Rs.74.62 crore was the result of excess of Rs.308.98 crore in six items of grants and appropriations partly offset by savings of Rs.234.37 crore in 45 items of grants and appropriations. Detailed Appropriation Accounts were sent and explanations for savings/excesses were called for from the Controlling Officers but they were not received.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

(i) Out of overall excess of Rs.308.98 crore, major excess of Rs.300.77 crore (97 per cent) occurred in the grants/appropriations as mentioned below:

Table 2.2

(Rupees in crore)

Grant No.	Grant			Actual Expenditure	Excess
	Original	Supplementary	Total		
38-Rural Development	20.53	0.98	21.51	22.23	0.72
39-Electricity	67.14	32.32	99.46	111.43	11.97
Public-Debt	239.42	12.63	252.05	540.13	288.08
Total	327.09	45.93	373.02	673.79	300.77

Under Public Debt, excess of Rs.288.08 crore was mainly due to repayment of loan following drawal of Ways and Means Advances from the Government of India, which could not be anticipated at the beginning of the year and as such no provision was made. As regards the other two grants, reasons for excess were not intimated by the departments.

Areas in which major excess occurred in these grants/appropriations are given in **Appendix – VII**.

(ii) In nine cases aggregating Rs.188.77 crore the savings exceeded Rs.one crore in each case and were also more than 10 per cent of the total provision as indicated in **Appendix – VIII**.

(iii) In three cases there were persistent savings in excess of Rs.10 lakh and 20 per cent more than the provision during the years 2002-03, 2003-04 and 2004-05. Details are given in **Appendix-IX**.

2.3.2 Excess requiring regularisation

(i) According to 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.1437.08 crore for the years 2001-02, 2002-03 and 2003-04 was yet to be regularised. Details are given in **Appendix – X**.

(ii) Excess over provision during 2004-05 requiring regularisation: The excess of Rs.12.69 crore under five grants and Rs.296.29 crore under one appropriation requires regularisation under Article 205 of the Constitution. Details are given in *Appendix-XI*.

2.3.3 Original budget and supplementary provisions

Supplementary provision made during the year constituted 37 per cent of the original provision as against 42 per cent in the previous year. Total supplementary grants (other than under Public Debt) obtained during the year were Rs.553 crore while the ultimate total savings (other than under Public Debt) amounted to Rs.213.45 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

(i) Supplementary provision of Rs.78.62 crore made in eight cases during the year proved unnecessary in view of aggregate savings of Rs.98.10 crore as detailed in *Appendix - XII*.

(ii) In 36 cases, against additional requirement of only Rs.285.07 crore, supplementary grants/appropriations of Rs.414 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.128.93 crore (*Appendix - XIII*).

(iii) In three cases, supplementary provision of Rs.38.26 crore proved insufficient by more than Rs.10 lakh in each case leaving an aggregate uncovered excess expenditure of Rs.308.98 crore (*Appendix - XIV*).

2.3.5 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. In 25 cases, injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs.10 lakh in each case (*Appendix - XV*).

2.3.6 Anticipated savings not surrendered

According to the Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2004-05, savings of Rs.109.09 crore under 38 grants/appropriations were not surrendered (*Appendix-XVI*). In six cases, savings of Rs. one crore and above in each case aggregating to Rs.99.10 crore were not surrendered (*Appendix - XVI-A*).

2.3.7 Expenditure without provision

As per 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.317.82 crore was incurred in eight cases, (*Appendix-XVII*)

without any provision in the original estimate/supplementary demand or re-appropriation order.

2.3.8 Surrender in excess of actual savings

In 16 cases, the amount surrendered was in excess of actual savings. As against the total amount of actual savings of Rs.67.39 crore, the amount surrendered was Rs.71.22 crore, resulting in excess surrender of Rs.3.83 crore. In four cases surrenders were made even though expenditure was in excess of grant. As against excess expenditure of Rs.12.69 crore, the amount surrendered was Rs.0.94 crore. This indicated inadequate budgetary control. Details are given in **Appendix – XVIII**.

The above instances of budgetary irregularities are being reported every year. Had the provisions of Mizoram Budget Manual been followed, these instances could have been minimised to a great extent.

2.3.9 Rush of expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, in case of eight, illustrative heads of accounts (2202, 2205, 2210, 2235, 2401, 2403, 2505 & 2851) while the expenditure during the three quarters ending December 2004 was between 19 to 24 *per cent* of the total expenditure, it was highest at 38 *per cent* in the last quarter (March 2005) of the year. Expenditure of Rs.102.61 crore constituting 25 *per cent* of the total expenditure in these eight heads was incurred in March 2005 indicating a tendency to rush expenditure towards the end of the financial year.

Table 2.3

Quarter ended	Expenditure (Rupees in crore)	Percentage to total expenditure
30 June 2004	80.35	19
30 September 2004	76.79	19
31 December 2004	97.86	24
31 March 2005	158.57	38
Total expenditure	413.57	--
Expenditure during March 2005	102.61	25

2.3.10 Unreconciled expenditure

Financial rules require that the departmental controlling officers should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. In respect of 15 Departmental Controlling Officers, the expenditure of Rs.726.39 crore to the end of 2004-05, remained unreconciled till June 2005. Details are given in **Appendix-XIX**. The following Departmental Controlling Officers were the major defaulters:

Table 2.4

(Rupees in crore)

Sl.No.	Name of the Departmental Controlling Officers	Amount
1.	Secretary, Sectt. Administration Deptt.	23.14
2.	Director of Local Admn. Deptt.	8.28
3.	Inspector General of Prison	15.57
4.	Director of Horticulture	11.59
5.	Commissioner, Rural Development	30.29
6.	Secretary, Finance	524.81
7.	Director of Accounts & Pension	94.76

2.3.11 Non-adjustment of Abstract Contingent Bill

Rules provide that drawals on Abstract Contingent Bill (AC Bill) require presentation of Detailed Countersigned Contingent Bills (DCC Bills) to the Controlling Officer (CO) and transmission to the Accountant General. A certificate shall be attached to every AC bill to the effect that DCC bills have been submitted to the CO in respect of all one-month-old AC bills drawn earlier.

According to information furnished (July & September 2005) by the Accountant General (A&E), submission of DCC bills against drawal of Rs.14.55 crore in respect of 36 AC bills by two Drawing and Disbursing Officers (DDOs) of two departments was awaited as of September 2005. Of this, Rs.9.31 crore had been drawn by one DDO of a department during 2004-05. The remaining amount of Rs.5.24 crore had been drawn by two DDOs of two departments during the years 2001-02 (Rs.3.06 crore), 2003-04 (Rs.2.18 crore), which remained unadjusted for the period ranging from one year to four years. This indicated serious deficiency in control over expenditure as the entire amount of Rs.14.45 crore remained out of Government account for a considerable period due to non-submission of DCC bills, besides being fraught with the risk of misappropriation.