

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 2005-06 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 ¹	Saving(-) Excess(+)
Voted	I. Revenue	1196.92	375.50	1572.42	1392.39	(-) 180.03
	II. Capital	302.68	282.74	585.42	523.40	(-) 62.02
	III. Loans	38.69	2.51	41.20	34.09	(-) 7.11
Total Voted:		1538.29	660.75	2199.04	1949.88	(-) 249.16
Charged	IV. Revenue	5.05	0.30	5.35	5.22	(-) 0.13
	V. Capital	---	---	---	---	---
	VI. Loans	---	---	---	---	---
Public Debt (Charged)	Revenue	195.51	26.42	221.93	190.65	(-) 31.28
	Capital	63.26	69.23	132.49	161.74	(+) 29.25
Total Charged:		263.82	95.95	359.77	357.61	(-) 2.16
Appropriation to Contingency Fund (if any)		---	---	---	---	---
Grand Total:		1802.11	756.70	2558.81	2307.49	(-) 251.32

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.0.24 crore) and Capital expenditure (Rs.72.03 crore).

The overall savings of Rs.251.32 crore was the result of savings of Rs.281.12 crore in 44 items of grants and appropriations partly offset by excess of Rs.29.80 crore in five items of grants and appropriations. Detailed Appropriation Accounts were sent and explanations for savings/excesses were called for from the Controlling Officers but these were not received.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

2.3.1.1 Out of overall excess of Rs.29.80 crore, major excess of Rs.29.78 crore occurred in the grants/appropriations as mentioned below:

Table: 2.2

(Rupees in crore)

Grant No.	Grant			Actual Expenditure	Excess
	Original	Supplementary	Total		
4 – Law and Judicial	3.14	0.32	3.46	3.60	0.14
16 – Home Department	124.28	12.99	137.27	137.66	0.39
Public Debt (Capital)	63.26	69.23	132.49	161.74	29.25
Total	190.68	82.54	273.22	303.00	29.78

Under Public Debt (Capital Head), the excess of Rs.29.25 crore was due to incurring of expenditure in excess of actual appropriation under the Major Heads 6003 Internal Debt of the State Government and 6004 Loans and Advances from the Government of India. While the excess expenditure over the appropriation under Public Debt came down from Rs.288.08 crore in 2004-05 to Rs.29.25 crore in this year. The other two grants viz. Law and Judicial and Home Department had exceeded the budget provision only in this year.

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 – 2.1**.

2.3.1.2 In 14 cases, aggregating Rs.218.70 crore savings exceeded Rupees one crore in each case and were also more than 10 per cent of the total provision as indicated in **Appendix – 2.2**.

2.3.1.3 In three cases there were persistent savings in excess of Rs.10 lakh and more than 20 per cent of the provision during the years 2003-04, 2004-05 and 2005-06. Details are given in **Appendix – 2.3**.

2.3.2 Excess requiring regularisation

2.3.2.1 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.1291.62 crore for the years 2002-03, 2003-04 and 2004-05 was yet to be regularised. Details are given in *Appendix – 2.4*.

2.3.2.2 Excess over provision during 2005-06 requiring regularisation

The excess of Rs.0.55 crore under four grants and Rs.29.25 crore under one appropriation requires regularisation under Article 205 of the Constitution. Details are given in *Appendix – 2.5*.

2.3.3 Original budget and supplementary provisions

Supplementary provision made during the year constituted 42 *per cent* of the original provision as against 37 *per cent* in the previous year. Total supplementary grants (other than under Public Debt) obtained during the year were Rs.661.05 crore while the ultimate total savings (other than under Public Debt) amounted to Rs.249.29 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

2.3.4.1 Supplementary provision of Rs.60.99 crore made in 13 cases during the year proved unnecessary in view of the aggregate savings of Rs.133.16 crore as detailed in *Appendix – 2.6*.

2.3.4.2 In 28 cases, against the additional requirement of only Rs.440.31 crore, supplementary grants/appropriations of Rs.578.77 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.140.46 crore (*Appendix – 2.7*).

2.3.4.3 In three cases, supplementary provision of Rs.82.53 crore proved insufficient by more than Rs.10 lakh in each case leaving an aggregate uncovered excess expenditure of Rs.29.78 crore (*Appendix – 2.8*).

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 22 cases, injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs.10 lakh in each case (*Appendix – 2.9*).

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 2005-06, savings of Rs.71 crore under 34 grants/appropriations were not surrendered (*Appendix – 2.10*). In eight cases, savings of Rupees one crore

and above in each case aggregating to Rs.65.75 crore were not surrendered (**Appendix – 2.11**).

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.79.84 crore was incurred in four cases, (**Appendix – 2.12**) without any provision in the original estimate/supplementary demand or re-appropriation order.

2.3.8 *Surrender in excess of actual savings*

In 15 cases, the amount surrendered was in excess of actual savings. As against the total amount of actual savings of Rs.90.07 crore, the amount surrendered was Rs.91.65 crore, resulting in excess surrender of Rs.1.58 crore. In three cases, surrenders were made even though expenditure was in excess of grant. As against the excess expenditure of Rs.29.66 crore, the amount surrendered was Rs.5.39 crore. This indicated inadequate budgetary control. Details are given in **Appendix – 2.13**.

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 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 ten illustrative heads of accounts (2055, 2202, 2210, 2211, 2215, 2235, 2401, 2403, 2515 and 2851) while the expenditure during the three quarters ending December 2005 was between 17 to 24 *per cent* of the total expenditure, it was highest at 38 *per cent* in the last quarter (March 2006) of the year. Expenditure of Rs.183.31 crore constituting 27 *per cent* of the total expenditure in these ten heads of account was incurred in March 2006 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 2005	140.12	21
30 September 2005	118.15	17
31 December 2005	162.42	24
31 March 2006	254.91	38
Total expenditure	675.60	---
Expenditure during March 2006	183.31	27

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 nine Departmental Controlling Officers, the expenditure of Rs.195.73 crore to the end of 2005-06, remained unreconciled till June 2006. Details are given in *Appendix – 2.14*. 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.	Director General of Police	120.48
2.	Director of Sports & Youth Services	8.18
3.	Director of Fisheries	5.65
4.	Commissioner, Rural Development	50.49

2.3.11 Non-adjustment of Abstract Contingent Bill

Central Treasury 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 the information furnished (August & October 2006) by the Accountant General (A&E), submission of DCC bills against the drawal of Rs.13.98 crore in respect of 61 AC bills by three Drawing and Disbursing Officers (DDOs) of three Departments was awaited as of October 2006. Of this, Rs.7.78 crore had been drawn by DDOs of two Departments (Home and Rural Development) during 2005-06. The remaining amount of Rs.6.20 crore had been drawn by two DDOs of two Departments (School Education and Rural Development) during the years 2002-03 (Rs.5.15 crore), 2003-04 (Rs.0.47 crore) and 2004-05 (Rs.0.58 crore) which remained unadjusted for the periods ranging from one year to four years. This indicated serious deficiency in control over expenditure as the entire amount of Rs.13.98 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.