

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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CHAPTER – II

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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 Accounts 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 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	1342.66	279.38	1622.04	1477.65	(-) 144.39
	II. Capital	306.47	273.48	579.95	543.82	(-) 36.13
	III. Loans	40.48	0.50	40.98	3.23	(-) 37.75
Total Voted:		1689.61	553.36	2242.97	2024.70	(-) 218.27
Charged	IV. Revenue	5.16	0.31	5.47	5.53	(+) 0.06
	V. Capital	---	---	---	---	---
	VI. Loans	---	---	---	---	---
Public Debt (Charged)	Revenue	213.87	19.92	233.79	235.75	(+) 1.96
	Capital	128.06	17.87	145.93	110.95	(-) 34.98
Total Charged:		347.09	38.10	385.19	352.23	(-) 32.96
Appropriation to Contingency Fund (if any)		---	---	---	---	---
Grand Total:		2036.70	591.46	2628.16	2376.93	(-) 251.23

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs.1.63 crore) and Capital expenditure (Rs.80.36 crore).

The overall savings of Rs.251.23 crore was the result of savings of Rs. 276.69 crore in 40 items of grants and appropriations, partly offset by excess of Rs. 25.46 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.25.46 crore, major excess of Rs.25.30 crore 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	23.57	13.37	36.94	60.29	23.35
Public Debt (Revenue)	213.87	19.93	233.80	235.75	1.95
Total	237.44	33.30	270.74	296.04	25.30

Under Rural Development (Revenue and Capital head) excess expenditure of Rs. 23.35 crore was due to incurring of expenditure in excess of actual appropriation under the Major Heads (revenue) 2501 and 2575 (Rs.10.56 crore) and Major Head (capital) 4575 (Rs.12.79 crore) .

Under Public Debt (Revenue Head), the excess of Rs. 1.95 crore was due to incurring expenditure in excess of actual appropriation under Major Head 2049. The excess expenditure over the appropriation under Public Debt came down from Rs.29.25 crore in 2005-06 to Rs.1.95 crore in this year.

Areas in which major excess occurred in these grants/appropriations are given in **Appendix – 2.1**.

2.3.1.2 In 26 cases, savings aggregating Rs. 267.38 crore 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 two cases there were persistent savings in excess of Rs.10 lakh and more than 20 *per cent* of the provision during the years 2004-05, 2005-06 and 2006-07. 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. 1312.40 crore for the years 2003-04, 2004-05 and 2005-06 was yet to be regularised. Details are given in *Appendix – 2.4*.

2.3.2.2 Excess over provision during 2006-07 requiring regularisation

The excess of Rs. 23.51 crore under four grants and Rs. 1.95 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 29 *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. 553.67 crore while the ultimate total savings (other than under Public Debt) amounted to Rs. 218.21 crore.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

2.3.4.1 Supplementary provision of Rs. 8.36 crore made in 10 cases during the year proved unnecessary in view of the aggregate savings of Rs. 75.52 crore as detailed in *Appendix – 2.6*.

2.3.4.2 In 24 cases, against the additional requirement of only Rs. 368.90 crore, supplementary grants/appropriations of Rs. 456.64 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs. 87.74 crore (*Appendix – 2.7*).

2.3.4.3 In two cases, supplementary provision of Rs. 33.30 crore proved insufficient by more than Rs.10 lakh in each case leaving an aggregate uncovered excess expenditure of Rs. 25.30 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 16 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 2006-07, savings of Rs. 111.67 crore under 32 grants/appropriations were not surrendered (**Appendix – 2.10**). In nine cases, savings of Rupees one crore and above in each case aggregating Rs. 107.23 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. 35.05 crore was incurred in five 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 16 cases, the amount surrendered was in excess of actual savings. As against the total amount of actual savings of Rs. 32.51 crore, the amount surrendered was Rs. 40.46 crore, resulting in excess surrender of Rs.7.95 crore. In two cases, surrenders were made even though expenditure was in excess of grant. Despite the excess expenditure of Rs. 25.31 crore, the amount surrendered was Rs. 1.07 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*

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 2006 was between

20 to 26 *per cent* of the total expenditure, it was highest at 33 *per cent* in the last quarter (March 2007) of the year. Expenditure of Rs.139.49 crore constituting 20 *per cent* of the total expenditure in these ten heads of account was incurred in March 2007 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 2006	143.80	21
30 September 2006	143.56	20
31 December 2006	183.02	26
31 March 2007	230.33	33
Total expenditure	700.71	--
Expenditure during March 2007	139.49	20

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 Departmental Controlling Officers, the expenditure of Rs.376.36 crore to the end of 2006-07, remained unreconciled till November, 2007. 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.	Secretary, Finance	234.22
2.	Secretary, Sectt. Administration Department	38.57
3.	Commissioner, Rural Development	32.23
4.	Chief Engineer, Power and Electricity	30.74

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 (November 2007) by the Accountant General (A&E), submission of DCC bills against the drawal of Rs. 5.58 crore in respect of 46 AC bills by four Drawing and Disbursing Officers (DDOs) of four Departments was awaited as of November 2007. Of this, Rs. 5.58 crore had been drawn by DDOs of four Departments (Food and Civil Supply, Land Revenue and Settlement, Rural Development, Medical and Family Welfare) during 2006-07 which remained unadjusted. This indicated serious deficiency in control over expenditure as the entire amount of Rs. 5.58 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.