

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 2002-2003 against grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving
Voted	I. Revenue	12883.47	244.34	13127.81	11861.89	1265.92
	II. Capital	3850.63	214.93	4065.56	2947.62	1117.94
	III. Loans & Advances	184.85	-	184.85	165.67	19.18
Total Voted		16918.95	459.27	17378.22	14975.18	2403.04
Charged	IV. Revenue	3252.51	289.09	3541.60	3472.21	69.39
	V. Capital	0.05	-	0.05	0.02	0.03
	VI. Public Debt	8169.28	-	8169.28	6213.34	1955.94
Total Charged		11421.84	289.09	11710.93	9685.57	2025.36
Grand Total		28340.79	748.36	29089.15	24660.75	4428.40

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 508.97 crore and capital expenditure Rs 2354.16 crore.

The overall savings of Rs 4,428.40 crore as mentioned above was the net result of savings of Rs 4,718.25 crore in 65 cases and appropriations offset by excess of Rs 289.85 crore in four cases of grant 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. Fulfilment of Allocative Priorities

2.3.1. Appropriation by Allocative Priorities

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

Grant No. 5 – Education

(Rupees in crore)

Revenue (Voted)		Total grant	Actual Expenditure	Saving
Original:	2501.49			
Supplementary:	-	2501.49	2042.16	459.33

Savings occurred mainly under 2202-General Education-Elementary Education-Salaries to Government Primary School Teachers (Rs 176.08 crore) in the Non-Plan and in the Plan side, under Centrally Sponsored Schemes Rs 242.38 crore (Sarva Shiksha Abhiyan : Rs 198 crore, Operation Blackboard Scheme : Rs 32 crore, Other Schemes : Rs 12.38 crore) and Rs 72.21 crore under various State Plan Schemes (Upgradation of Government Schools : Rs 41.98 crore, Sarva Shiksha Abhiyan (Special Component Plan) : Rs 26.40 crore, Computer Training for School Children : Rs 3.83 crore). Reasons for the savings were not intimated.

Grant No. 8 – Finance

(Rupees in crore)

Capital (Charged)		Total grant	Actual Expenditure	Saving
Original:	8169.28			
Supplementary:	-	8169.28	6213.34	1955.94

Savings occurred mainly under 6003-Internal Debt of the State Government-Loans from State Bank of India (Rs 1,279.61 crore) and Rs 664.73 crore were surrendered in March 2003. Reasons for final savings were not intimated.

Grant No. 11 – Health and Family Welfare

(Rupees in crore)

Revenue (Voted)		Total grant	Actual Expenditure	Saving
Original:	717.48			
Supplementary:	29.17	746.65	617.31	129.34

Savings occurred mainly under 2210-Medical and Public Health – Health Services-Allopathy-World Bank aided Area Project for the Development of Health Care in Punjab (Rs 21.11 crore), Provision of Efficient Health Care for every Group of 5000 persons scheme (Rs 7.24 crore), under Plan scheme and Rs 10.96 crore under 2211-Family Welfare-Rural Family Welfare Services - Centrally Sponsored Scheme and in the Non-plan side under Government Medical College, Patiala (Rs 7.68 crore). Reasons for savings were not intimated.

(Rupees in crore)

Capital (Voted)		Total grant	Actual Expenditure	Saving
Original:	-			
Supplementary:	19.20	19.20	-	19.20

Savings occurred mainly under 4210-Capital Outlay on Medical and Public Health-Project for the improvement and upgradation of Punjab State Dental Medical College and attached Hospitals (Rs 12.94 crore). Reasons for savings were not intimated.

Grant No. 17 – Local Government, Housing and Urban Development

(Rupees in crore)

Revenue (Voted)		Total grant	Actual Expenditure	Saving
Original:	151.30			
Supplementary:	-	151.30	77.70	73.60

Savings occurred mainly under 3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions – Devolution of Share of Taxes and Duties to Municipalities as recommended by the 2nd Punjab Finance Commission (Rs 71.39 crore) (Non Plan). Reasons for the savings were not intimated.

(Rupees in crore)

Capital (Voted)		Total grant	Actual Expenditure	Saving
Original:	130.81			
Supplementary:	100.86	231.67	35.25	196.42

Savings occurred mainly under 4217-Capital Outlay on Urban Development-Prevention of Pollution of Sutlej River (Rs 75 crore under Centrally Sponsored Scheme and Rs 23.10 crore under State Plan Scheme) and Urban Infrastructure Central Assistance (Rs 11.56 crore) and 6216-Loans for Housing – Loans to Punjab State Housing Board (Rs 45 crore). Reasons for the savings were not intimated.

Grant No. 22 – Revenue and Rehabilitation

(Rupees in crore)

Revenue (Voted)		Total grant	Actual Expenditure	Saving
Original:	445.97			
Supplementary:	-	445.97	188.44	257.53

Savings occurred mainly under 2245-Relief on account of Natural Calamities-Calamities Relief Fund (Rs 135.30 crore in Non Plan) due to non transfer of allotment to Calamity Relief Fund to Reserve Funds for which no reasons were received.

Grant No. 23 – Rural Development and Panchayats

(Rupees in crore)

Revenue (Voted)		Total grant	Actual Expenditure	Saving
Original:	339.80			
Supplementary:	-	339.80	204.06	135.74

Savings occurred mainly under 2515-Other Rural Development Programmes-Sampuran Gramin Rozgar Yojana (Rs 46.88 crore) and Swaranjayanti Gram Swarojgar Yojana (Rs 31.50 crore) under Centrally Sponsored Scheme and Rs 41.32 crore under 3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions – Grant-in-aid Devolution of four *per cent* share of taxes and duties to Panchayati Raj Institutions as recommended by the Punjab Finance Commission (Rs 41.32 crore). Reasons for savings were not intimated.

(Rupees in crore)

Capital (Voted)		Total grant	Actual Expenditure	Saving
Original:	160.74			
Supplementary:	-	160.74	33.37	127.37

Savings occurred mainly under 4515-Capital Outlay on Other Rural Development Programmes – Grants recommended by Eleventh Finance Commission for Panchayati Raj Institutions (Rs 92.58 crore) under Plan scheme and Rs 46.87 crore under Centrally Sponsored Scheme – Sampuran Gramin Rozgar Yojana. Reasons for the savings were not intimated.

- Further, scrutiny of records of two departments i.e. Chief Engineer, Irrigation Works (Grant No. 15) and Chief Engineer (B&R) (Grant No. 21) revealed that savings due to non-release of funds by Government of Punjab/Government of India/NABARD amounted to Rs 253.16 crore. Of this, Rs 100.61 crore were under State Plan Schemes, Rs 19.31 crore under Centrally Sponsored Schemes and Rs 133.24 crore under Non-plan. Details of schemes are in **Appendix III**.

- In 50 cases, savings exceeding Rs One crore in each case and also by more than 10 *per cent* of total provision amounted to Rs 1,094.73 crore as indicated in **Appendix IV**. In 30¹ of these, the entire provision totaling Rs 330.80 crore was not utilised.

- Of the excess of Rs 289.85 crore under four grants and appropriations requiring regularisation by the Legislature, the excess under Grant No.21-Public Works alone amounted to Rs 268.06 crore.

2.3.2. Persistent savings

In eight cases, involving six grants/appropriations, there were persistent savings of more than Rupees One crore in each case and 20 *per cent* or more of provision. Details are given in **Appendix V**. Under six Centrally Sponsored Schemes, there were savings of 100 *per cent*.

¹ 3, 5, 8 to 10, 14, 15, 21, 25, 28 to 34, 37 to 50.

2.3.3. Excess requiring regularisation

- **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 1849.63 crore for the years 1996-97 to 2001-02 had not been regularised so far (July 2003). This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
1996-97	6	9,12,15,21,25,26	254.67	Not received
1997-98	4	1,5,12,21	312.98	Not received
1998-99	6	5,7,8,21,26,28	242.80	Not received
1999-2000	2	21,26	86.10	Not received
2000-2001	7	7,8,14,15,21,26 & 27	566.85	Not received
2001-2002	4	1,15,21,26	386.23	Not received
Total	29		1849.63	

- **Excess over provisions during 2002-03 requiring regularisation**

The excess of Rs 289.85 crore under four grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given below :

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
<i>Amount in Rupees</i>				
Revenue (Voted)				
1.	15-Irrigation & Power	11633258000	11848343102	215085102
2.	21-Public Works	6670190000	9350872265	2680682265
Revenue (Charged)				
3.	18-Personnel and Administrative Reforms	15834000	18389653	2555653
4.	26-State Legislature	1178000	1339251	161251
	TOTAL	18320460000	21218944271	2898484271

Reasons for the excesses had not been furnished by the Government as of July 2003.

2.3.4. Original budget and supplementary provisions

Supplementary provisions (Rs 748.36 crore) made during this year constituted 2.64 per cent of the original provision (Rs 28,340.79 crore) as against 20.16 per cent in the previous year.

2.3.5. Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 270.03 crore made in 14 cases during the year proved unnecessary in view of aggregate saving of Rs 689.28 crore as detailed in *Appendix VI*.

In 11 cases, against additional requirement of only Rs 261.43 crore, supplementary grants and appropriations of Rs 351.97 crore were obtained, resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 90.54 crore. Details of these cases are given in *Appendix VII*.

In one case (Grant No. 15-Irrigation and Power), supplementary provision of Rs 126.18 crore proved insufficient leaving an uncovered excess expenditure of Rs 21.50 crore.

2.3.6. Persistent excesses

Significant excesses were persistent in six cases involving one grant as detailed in *Appendix VIII*. Persistent excess requires investigation by the Government.

2.3.7. 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 funds proved injudicious in view of final excess/savings over grant by over Rupees One crore are detailed in *Appendix IX and X* respectively.

2.3.8. 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. However, at the close of the year 2002-03, there were 27 cases in which savings above Rs one crore in each case amounting to Rs 1,205.95 crore had not been surrendered. In 12 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating Rs 2,060.66 crore (61.5 per cent of total savings) remained un-surrendered. This included un-surrendered savings of Rs 1,291.21 crore (66 per cent of savings under Grant No. 8 – Finance), Rs 459.18 crore (99 per cent under Grant No. 5 – Education) and Rs 160.71 crore (62 per cent under Grant No. 22-Revenue and Rehabilitation). Details are given in *Appendix XI and XII* respectively.

- Besides, in 10 cases, Rs 1,457.06 crore were surrendered in March 2003 indicating inadequate financial control over expenditure. Details are given in *Appendix XIII*.

2.4. Unreconciled expenditure

Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The

number of Controlling Officers who did not reconcile their figures and the amounts involved were as under:

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
1992-93	8	693.37
1993-94	31	585.03
1994-95	8	84.52
1995-96	2	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	4	27.82
2000-2001	2	1147.74
2001-2002	8	1387.56
2002-03	5	31.00
Total	103	6264.77

2.5. Defective Re-appropriation

During 2002-2003, 41 re-appropriation orders of Rs 4,270.37 crore were issued. Of which, 37 orders aggregating Rs 4,178.78 crore were issued on 31st March 2003 the last day of the fiscal year. Twenty two re-appropriation orders of the value of Rs 1,243.11 crore were not considered in accounts as these were either not signed by competent authority or arithmetically wrong or not having prior approval of Finance Department. Details are in **Appendix XIV**.

2.6. Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for the four quarters and also for the month of March 2003 is depicted in **Appendix XV** which shows that the expenditure incurred in March 2003 in 11 cases ranged between 39 and 100 *per cent* of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.7. Budgetary Control

2.7.1. A review of budgetary procedure and control over expenditure in case of six grants² covering 21 offices and 11 departments revealed that budget estimates due in the month of October were sent to the Finance Department after delay ranging from five to 47 days. The liability register to keep a watch over undischarged liabilities was not maintained by the Drawing and Disbursing Officers operating Grants No. 13, 15, 21, 23 and 24.

² 13-Industries, 15-Irrigation & Power, 20-Programme Implementation, 21-Public Works, 23-Rural Development and Panchayats, 24-Science, Technology and Environment.

2.7.2. Further detailed scrutiny of two departments i.e. Chief Engineer Irrigation Works (Grant No. 15) and Chief Engineer (B&R) (Grant No. 21) revealed the following irregularities:

- Budget Manual and instructions issued by Finance Department from time to time provide that proforma showing the details of provision proposed for salary of gazetted and non-gazetted staff in Form BM-10 is to be sent alongwith budget proposals. No such proforma was appended to the budget estimates submitted to Administrative/Finance Department, in the absence of which the accuracy on account of salary could not be verified.
- In 24 cases, funds aggregating to Rs 95.74 crore for schemes awaiting sanction were included resulting in non-utilisation of funds. Details are given in **Appendix XVI**.
- In 35 cases, there was persistent saving exceeding Rs 10 lakh in each case and 20 *per cent* or more of the provision during the last three years. Details are given in **Appendix XVII**. In 15³ of the above cases, entire provision totaling Rs 467.44 crore remained unutilised.
- In 14 cases, expenditure aggregating Rs 172.52 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 XVIII**.
- Significant excess persisted in five cases as detailed in **Appendix XIX**. Persistent excess required investigation by Government for remedial action.
- 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 697.90 crore (Voted) and Rs 0.15 crore (Charged) was incurred in 113 and three cases respectively as detailed in **Appendix XX** without any provision in original estimates/supplementary demand and without any re-appropriation orders to this effect. This expenditure was not incurred on any new scheme/service.

2.8. Retention of funds outside budgetary control of State Legislature

Article 266 and 283 of the Constitution of India provide that all receipts of the State should be credited to the Consolidated Fund of the State and withdrawal of moneys therefrom should be regulated by law made by the Legislature of the State. Accordingly, fees/cess levied through Acts of Legislature of State and sale proceeds of Government lands should be credited to the Consolidated Fund of the State. According to Article 202 *ibid*, a Statement of the estimated receipts and expenditure of the State for that year, called “The Annual Financial Statement”(or the “Budget”) is to be laid before the State Legislative Assembly.

It was noticed that in four Funds namely ‘The Cattle Fair Fund’ (CFF) (February 1968), The Punjab Education Development Fund (PEDF) (August 1998), The Punjab Infrastructure Development Fund (PIDF) (December 1998) and the Punjab Infrastructure Fund (PIF) (February 2001) receipts aggregating

³ Sr. No. 11 to 17, 24, 25, 27, 28, 29, 30, 33, 34.

Rs 527.27⁴ crore realised during 1998-2003 on account of fees in cattle fairs, cess on sale of liquor, beer, petrol and agricultural produces and sale proceeds of lands were credited to the Funds rather than to the Consolidated Fund of the State which resulted in reduction in receipts deposited in the Consolidated Fund. Transfer of substantial money to various funds resulted in incurring of substantial expenditure without budgetary control of the State Legislature.

The provisions of Cattle Fair Fund provided that the money be kept in the Personal Ledger Account. Contrary to these provisions, the Department opened a current account in a nationalised bank for this Fund in June 1999 and credited all money to this account. A saving bank account was also opened in August 2002. The balances in the current/saving accounts during this period ranged between Rs 0.25 lakh and Rs 1.95 crore. Retention of funds in the banks was irregular. Further retention of money in the current account entailed loss of interest amounting to Rs 29.97 lakh for the period from June 1999 to June 2003.

2.9. Personal Ledger Accounts/Personal Deposit Accounts

2.9.1. As per the provisions of the Punjab Treasury Rules, special banking accounts shall be kept for certain class of deposit transactions of a public or quasi public nature. The account kept for these transactions in the treasury shall be of the nature of banking account and no money shall be accepted as Personal Deposits under Personal Ledger Account without the permission of competent authority. Rules further provide that Personal Ledger Accounts (PLAs) opened by debit to Consolidated Fund should be closed to nil at the end of the financial year and withdrawal of funds from treasuries to avoid lapse of budget and keeping them in bank/Personal Ledger Account is prohibited. As of March 2003, Rs 44.28 crore were lying under the head '8443-Civil Deposits-106-Personal Deposits'. The following irregularities were noticed in the maintenance of PLAs:

2.9.2. Funds amounting to Rs 4.19 crore sanctioned (March 1998/1999) by the District Planning and Development Boards (DPDBs), Fatehgarh Sahib (Rs 0.87 crore), Hoshiarpur (Rs 1.93 crore) and Ropar (Rs 1.39 crore) mainly for rural development works/schemes were irregularly deposited in the PLAs for Cattle Fair Fund (CFF) of respective District Development and Panchayat Officer (DDPO) by book transfer to avoid lapse of budget grant. Of these, Rs 2.35 crore were lying in the PLAs of DDPO, Hoshiarpur (Rs 1.24 crore) and Ropar (Rs 1.11 crore) as of April 2003. The DDPOs attributed (November 2002) that funds received at the fag end of the year were kept in the PLAs as it was not feasible to utilise the same during a short spell. Similarly, funds amounting to Rs 1.53 crore sanctioned (January-March 1999) by DPDB, Hoshiarpur for various development works were irregularly deposited in the PLA of Chief Executive Officer, Zila Parishad, Hoshiarpur by book transfer during March 1999 in order to avoid lapse of budget grant and an amount of Rs 57 lakh was lying in the PLA as of April 2003.

⁴ CFF: Rs 9.06 crore , PEDF: Rs 63.81 crore , PIDF: Rs 414.31 crore and PIF: Rs 40.09 crore.

2.9.3. A loan of Rs 5.21 lakh sanctioned (January 1990) by Government for construction of shops was kept in the PLA of Executive Officer, Panchayat Samiti, Kharar (Ropar District) and was also lying unutilised as of April 2003.

2.9.4. PLA of Insolvency Judge, Ludhiana having balance of Rs 30.51 lakh was inoperative for more than five years.

However, in contravention of the financial rules even the District Treasury Officers, Ropar and Ludhiana have not closed the PLAs of Executive Officer, Kharar and Insolvency Judge, Ludhiana to nil (April 2003).