

## CHAPTER-II ALLOCATIVE PRIORITIES AND APPROPRIATION

### 2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-a-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. It also ascertains whether the expenditure 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 51 grants and four appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original Grant/Appropriation	Supplementary Grant/Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I. Revenue	19,041.53	2,340.60	21,382.13	20,198.12	(-) 1,184.01
	II. Capital	5,724.39	703.62	6,428.01	5,520.39	(-) 907.62
	III. Loans and Advances	181.34	164.76	346.10	312.64	(-) 33.46
<b>Total Voted</b>		<b>24,947.26</b>	<b>3,208.98</b>	<b>28,156.24</b>	<b>26,031.15</b>	<b>(-) 2,125.09</b>
Charged	IV. Revenue	5,831.25	5.99	5,837.24	5,735.84	(-) 101.40
	V. Capital	0.03	*	0.03	0.28	(+) 0.25
	VI. Public Debt-Repayment	4,380.65	0.90	4,381.55	1,780.42	(-) 2,601.13
<b>Total Charged</b>		<b>10,211.93</b>	<b>6.89</b>	<b>10,218.82</b>	<b>7,516.54</b>	<b>(-) 2,702.28</b>
<b>Grand Total</b>		<b>35,159.19</b>	<b>3,215.87</b>	<b>38,375.06</b>	<b>33,547.69<sup>1</sup></b>	<b>(-) 4,827.37</b>

\* Only Rs 7000.

*Note: The figures of actual expenditure are gross figures and exclude the recoveries adjusted as reduction of expenditure under revenue (Rs 980.16 crore) and capital (Rs 711.30 crore).*

The overall savings of Rs 4,827.37 crore as mentioned above was the net result of savings of Rs 4,827.79 crore in 54 grants and appropriations offset by

1. The total actual expenditure stands inflated to the extent of Rs 7,642.60 crore transferred to 8443-Civil Deposits and other Deposit heads.

excess of Rs 0.42 crore in six cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were intimated to the Controlling Officers requesting them to explain the significant variations. Explanations for savings/excesses in respect of 157 sub-heads out of 471 sub-heads commented upon in Appropriation Accounts (33.3 per cent) were not received (September 2007).

## 2.3 Fulfillment of Allocative Priorities

### 2.3.1 Appropriation by Allocative Priorities

Against the total savings of Rs 4,827.79 crore, savings of Rs 4,323.97 crore (89.6 per cent)<sup>2</sup> occurred in 12 cases relating to nine grants and two appropriations as indicated below:

(Rupees in crore)						
S. No.	No. and Name of the Grant	Original	Supple-mentary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1.	15-Pensions and Other Retirement Benefits	2,327.99	-	2,327.99	2,116.13	211.86
2.	21-Roads and Bridges	707.67	122.72	830.39	698.14	132.25
3.	26-Medical and Public Health and Sanitation	1,257.14	A	1,257.14	1,200.13	57.01
4.	29-Urban Plan and Regional Development	223.94	-	223.94	156.97	66.97
5.	30-Tribal Area Development	601.35	B	601.35	528.60	72.75
6.	34-Relief from Natural Calamities	875.15	593.39	1,468.54	1,327.91	140.63
7.	41-Community Development	1,045.81	C	1,045.81	840.86	204.95
<b>Capital-Voted</b>						
8.	27-Drinking Water Scheme	1,579.62	132.09	1,711.71	1,512.14	199.57
9.	29-Urban Plan and Regional Development	1,137.82	D	1,137.82	849.74	288.08
10.	46-Irrigation	954.57	E	954.57	705.33	249.24
<b>Revenue-Charged</b>						
11.	Interest Payments	5,802.25	F	5,802.25	5,701.82	100.43
<b>Capital-Charged</b>						
12.	Public Debt	4,380.66	G	4,380.66	1,780.43	2,600.23
<b>TOTAL</b>		<b>20,893.97</b>	<b>848.20</b>	<b>21,742.17</b>	<b>17,418.20</b>	<b>4,323.97</b>

A: Rs 13,000; B: Rs 3,000; C: Rs 9,000; D: Rs 1,000; E: Rs 33,000; F: Rs 3,000 and G: Rs 7,000.

The heads of account under which huge savings occurred in the above 12 cases are given in *Appendix-2.1*.

The savings under "Pensions and Other Retirement Benefits" was mainly due to less voluntary retirement cases received resulting less payment of Gratuity, leave encashment and commutation of Pensions during the year.

<sup>2</sup> Exceeding Rs 50 crore in each case.

The savings under Roads and Bridges, Drinking Water Scheme, Urban Plan and Regional Development and Irrigation was mainly due to less execution of works. The savings under "Relief from Natural Calamities" was mainly due to fewer relief works on drought and release of less assistance for repairs/reconstruction works. The savings under "Community Development" was mainly due to reduction in plan ceiling and less assistance to *Panchayats/Gram Panchayats*. The savings under "Public Debt" was mainly due to non-requirement of ways and means advances during the year.

In 21 cases involving 18 grants and one appropriation there were savings of Rs 4,038.51 crore which exceeded Rs 1 crore in each case and also by more than 10 *per cent* of total provision as indicated in **Appendix-2.2**.

### 2.3.2 Persistent savings

In seven cases, during the last three years there were persistent savings of more than Rs 1 crore in each case and also 10 *per cent* or more of the total grant as indicated in **Appendix-2.3**.

Besides, in five cases there were persistent savings from 2002-03 to 2006-07 as indicated below:

(Rupees in crore)						
S. No.	No. and Name of the grant	Amount of savings				
		2002-03	2003-04	2004-05	2005-06	2006-07
<b>Revenue-Voted</b>						
1.	14-Sales Tax	7.33	4.93	7.19	34.34	9.76
<b>Capital-Voted</b>						
2.	19-Public Works	18.62	24.15	9.59	61.71	31.96
3.	20-Housing	11.88	9.03	8.36	10.25	4.23
4.	24-Education, Art and Culture	12.45	16.99	13.35	10.27	19.97
5.	27-Drinking Water Scheme	36.24	253.31	452.81	308.47	199.57

The main reasons of persistent savings during 2002-07 were posts remained vacant in various cadres (Grant No. 14), reduced budgetary allocation in the Revised estimates and reduction in Annual Plan outlay (Grant No. 20 and 24) and economy measures and execution of less works (Grant No. 19 and 27).

### 2.3.3 Excess requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 424.01 crore for the years 2003-04 to 2005-06 as detailed below had not been regularised so far (September 2007).

Year	Number of Grants/Appropriations	Grant/Appropriation No.(s)	Amount of excess (Rs in crore)
2003-04	2/10	14,15,16,19,24,26,27,34,36,46, 48, Public Debt	324.00
2004-05	5/10	4, 5, 9, 13, 15, 16, 17, 21, 26, 27, 34, 35, 45, 46	50.68
2005-06	5/6	8, 15, 18, 21, 24, 27, 42, 43, 45	49.33
<b>Total</b>	<b>12/26</b>		<b>424.01</b>

**Excess over provision during 2006-07 requiring regularisation**

The excess of Rs 0.42 crore in three grants and three appropriations during the year requires regularisation under Article 205 of the Constitution of India. The excess was mainly under Revenue (Voted) Section amounting to Rs 0.39 crore (92.9 per cent) as indicated below:

(Rupees in thousand)				
S. No.	Number and name of the Grant/Appropriation	Provision (Original + Supplementary)	Expenditure	Excess
<b>Voted: Revenue Section</b>				
1.	17-Jails	38,21,10	38,60,27	39,17
2.	31-Rehabilitation and Relief	13,96	14,08	12
<b>Voted: Capital Section</b>				
3.	45-Loans to Government Servants	79	81	2
<b>Charged: Revenue Section</b>				
4.	4-District Administration	7,60	7,83	23
5.	13-Excise	2,90	4,42	1,52
6.	43-Minerals	1,15	2,47	1,32
	<b>Total</b>	<b>38,47,50</b>	<b>38,89,88</b>	<b>42,38</b>

Government did not furnish any reasons for the excess expenditure (September 2007).

**2.3.4 Original budget and supplementary provisions**

Supplementary provisions (Rs 3,215.87 crore) made during the year constituted nine per cent of the original provision (Rs 35,159.19 crore) as against two per cent in the previous year. Supplementary provisions of Rs 2,340.60 crore was obtained to augment revenue expenditure under 41 grants and Rs 868.39 crore to augment capital expenditure under 24 grants. To augment revenue expenditure under 30 charged appropriations Rs 5.99 crore were obtained and Rs 0.89 crore were obtained to augment capital expenditure under four charged appropriations.

**2.3.5 Unnecessary/excessive supplementary provisions**

Supplementary provisions of Rs 311.92 crore made in nine cases (each exceeding Rs 1 crore) during the year proved unnecessary as the expenditure did not come up to the level of original provisions in view of saving of Rs 442.47 crore as detailed in **Appendix-2.4**.

In 22 cases, supplementary grants of Rs 2,452.49 crore were obtained against additional requirement of Rs 2,086.11 crore, resulting in savings in each case exceeding Rs 1 crore, aggregating Rs 366.38 crore. Details of these cases are given in **Appendix-2.5**.

### 2.3.6 Persistent/substantial excesses

- Significant excesses were persistent in two grants as detailed below:

(Rupees in crore)

S. No.	Grant No., name and Head of account	Amount of excess (percentage of excess in parenthesis)		
		2004-05	2005-06	2006-07
<b>21-Roads and Bridges (Capital-Voted)</b>				
1.	5054-02-337(03)	17.37 (144.8)	7.08 (59.0)	10.22 (85.2)
<b>27-Drinking Water Scheme (Revenue-Voted)</b>				
2.	2215-01-102(01)	15.46 (5.0)	18.42 (5.6)	2.08 (0.6)

- In five cases involving four grants expenditure in each case exceeded by Rs 5 crore or more of the total provision aggregating to Rs 65.34 crore. Excess indicate poor budgeting and weak expenditure control. Details are given in **Appendix-2.6**.

### 2.3.7 Injudicious 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 re-appropriations of Rs 1 crore or more which proved injudicious are detailed as under:

- In 13 cases, additional funds of Rs 330.83 crore provided through re-appropriation proved unnecessary in view of final savings of Rs 126.63 crore as indicated in **Appendix-2.7**.
- In two cases, withdrawal of Rs 21.45 crore through re-appropriation proved excessive as the final expenditure exceeded the reduced Head by Rs 12.30 crore as indicated in **Appendix-2.8**.
- In nine cases, additional funds of Rs 111.88 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the augmented Head by Rs 53.66 crore as indicated in **Appendix-2.9**.
- In 10 cases, the savings were not properly assessed as even after the withdrawal of Rs 279.89 crore through re-appropriation there was a final saving of Rs 42.49 crore as indicated in **Appendix-2.10**.

### 2.3.8 Expenditure without provision

As envisaged in the State Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs 31.92 lakh in the Revenue Section under Grant No. 41 and Rs 63.79 lakh in the Capital Section under Grant No. 46, was incurred without making provisions in the original estimates/supplementary demand or through re-appropriation.

### 2.3.9 Anticipated savings not surrendered

As per the State Budget Manual, all anticipated savings should be surrendered to the Government, immediately the moment they are foreseen, without waiting till the end of the year. No savings should be held in reserve for possible future excesses. There were 16 cases in which after partial surrenders, savings of Rs 1 crore and above in each case aggregating Rs 157.23 crore (18.5 per cent of savings) remained un-surrendered. Details are given in *Appendix-2.11*.

Besides, in 19 cases of 15 grants and two appropriations, Rs 4,488.58 crore (94.9 per cent) were surrendered (exceeding Rs 20 crore in each case) on the last working day of March 2007, out of total surrender of Rs 4,730.36 crore, indicating inadequate financial control over expenditure. Details are given in *Appendix- 2.12*.

### 2.3.10 Injudicious surrender of funds

In six cases, the amount surrendered (atleast Rs 1 crore) was in excess, which indicated inefficient budgetary control. It was noticed that as against the total available savings of Rs 741.63 crore, the amount surrendered was Rs 804.03 crore, resulting in excess surrender of Rs 62.40 crore as detailed below:

(Rupees in crore)				
S. No.	Number and name of the grant	Savings	Amount surrendered	Excess surrendered
<b>Revenue-Voted</b>				
1.	24-Education, Art and Culture	37.32	70.84	33.52
2.	26-Medical and Public Health and Sanitation	57.01	60.78	3.77
3.	30-Tribal Area Development	72.75	80.81	8.06
<b>Capital-Voted</b>				
4.	21-Roads and Bridges	37.23	47.36	10.13
5.	29-Urban Plan and Regional Development	288.08	289.51	1.43
6.	46-Irrigation	249.24	254.73	5.49
	<b>TOTAL</b>	<b>741.63</b>	<b>804.03</b>	<b>62.40</b>

### 2.3.11 Defective/inaccurate budgeting

Full or substantial portions (more than 50 per cent of total provision) of the supplementary provisions obtained under the various Heads of Account on 23 March 2007 were surrendered/re-appropriated on 31 March 2007 indicating inaccurate budgeting as shown in *Appendix-2.13*. In three Grants (Nos. 22, 27 and 36) entire provisions were re-appropriated/ surrendered.

## 2.4 Rush of expenditure

State Budget Manual envisages that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of a financial year shall be regarded as breach of financial regularity

and should be avoided. Contrary to this, in respect of 15 Heads of Account, expenditure exceeding Rs 417 crore ranging between 51.1 and 100 per cent of the total expenditure for the year was incurred in March 2007. This includes six cases where entire expenditure was incurred during March 2007. Details are given in *Appendix-2.14*.

## 2.5 Budget Formulation and Budgetary Control

### Public Health Engineering Department

A review of budget formulation and budgetary control in respect of Grant No. 27-Drinking Water Scheme of Public Health Engineering Department, Government of Rajasthan showed significant irregularities as under:

#### 2.5.1 Position of Budget

The position of original Budget Estimates approved by the BFC, supplementary provision, final allotment and actual expenditure thereagainst for the year 2004-07 was as under:

(Rupees in crore)						
Year	Original Estimate	Supplementary Provision	Total Provision	Expenditure	Excess(+)/ Savings(-)	Amount Surrendered
<b>Head 2215</b>						
2004-05	889.90	16.84	906.74	926.58	(+) 19.84	1.94
2005-06	938.84	44.34	983.18	1,009.23	(+) 26.05	0.26
2006-07	994.52	79.78	1,074.30	1,062.94	(-) 11.36	7.64
<b>Head 4215</b>						
2004-05	1,255.40	*	1,255.40	802.59	(-) 452.81	405.90
2005-06	1,374.93	**	1,374.93	1,066.47	(-) 308.46	272.99
2006-07	1,579.62	132.09	1,711.71	1,512.14	(-) 199.57	176.12
<b>Total</b>	<b>7,033.21</b>	<b>273.05</b>	<b>7,306.26</b>	<b>6,379.95</b>	<b>(-) 926.31</b>	<b>864.85</b>

\* Rs 2,000

\*\* Rs 1,000

During 2004-07, as against total provision of Rs 7,306.26 crore, Rs 6,379.95 crore has been spent, indicating excess estimation by Rs 926.31 crore. While Rs 864.85 crore were surrendered, savings of Rs 61.46 crore lapsed.

#### 2.5.2 Delay in submission of final statement of excesses and savings

Paragraph 185(a) of the State Budget Manual prescribes that the controlling officers should submit the final statement of excesses and savings (in Form GA-26) to the Finance Department through the Administrative Department of the Government latest by February 1st each year. The controlling officers had submitted the final statement of excesses and savings to the Finance Department on last day of the financial years 2004-05, 2005-06 and 2006-07. Delay in submission of final statements led to non-utilisation of savings remaining unsurrendered with the Department.

### **2.5.3 Non-utilisation of allotted funds under the schemes**

The grants passed by the legislature had to be applied in the manner and to the purpose for which these are intended according to law/rules and regulations. It was noticed that during the financial years 2004-07, in 23 schemes (**Appendix-2.15**) entire budget provisions of Rs 243.46 crore had been surrendered/re-appropriated without incurring any expenditure.

### **2.5.4 Irregular flow of expenditure**

Regular flow of expenditure is the primary requirement of budgetary control. Expenditure should be evenly distributed throughout the year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. It was noticed that during March 2005 the expenditure in five schemes ranged from 28.6 to 100 *per cent*, during March 2006 in three schemes it ranged between 39.2 to 100 *per cent* and during March 2007 in four schemes it was 34.7 to 69.7 *per cent* as detailed in **Appendix-2.16**. It indicates that expenditure was not evenly distributed throughout the year and there was rush of expenditure at the fag end of the financial year.

### **2.5.5 Plan provisions of some detailed heads continuously diverted to Non-Plan**

Paragraph 192(xv) of the State Budget Manual prohibits Re-appropriation of funds provided for Plan and Centrally Sponsored Schemes to Non-Plan without the approval of Finance Department. It was noticed that during the financial years 2004-07, Rs 11.62 crore was irregularly diverted/re-appropriated from Plan to Non-Plan resultantly the developmental schemes/works suffered to that extent.

The matter was reported to the Government in September 2007; their reply has not been received (September 2007).

## **2.6 Irregular drawal of funds to avoid lapse of budget grant**

General Financial and Accounts Rules provide that funds shall be drawn only if required for immediate disbursement. Drawal of funds with a view to avoid lapse of budget grant is strictly forbidden.

In violation of above rules Executive Engineer, Water Resources Division-II, Baran had drawn Rs 56.94 lakh on 31 March 2006 for payment of land compensation to the land owners for additional land coming under the submergence of Benthali Irrigation Project and construction of Minors and Distributary number 1 and 2 of Left Main Canal of the Project before getting the award of land to be acquired sanctioned. The amount was lying in the Bank account with Land Acquisition Officer (LAO), Chhabara as of February 2007 due to non-issue of awards for land compensation. Thus, funds were drawn without immediate requirement to avoid lapse of budget grant.



Government stated (July 2007) that Rs 56.94 lakh was paid to LAO, Chhabara in March 2006 for early payment of compensation as proceedings for issuing awards were in progress and Rs 50.13 lakh has been paid to the farmers in March-May 2007. Reply was not acceptable as there was no immediate requirement for drawal of funds.

## **2.7 Loss of interest due to non-keeping funds in interest bearing account**

*Rajasthan Mukhya Mantri Jeevan Raksha Kosh Society (Raksha Kosh)* was established in March 1999 for providing financial assistance to the poor persons living Below Poverty Line (BPL) for getting specialised treatment for life threatening illnesses (i.e. cancer, kidney and urinary, heart disease and surgery etc.). The funds mobilised for the *Raksha Kosh* were to be placed in separate Bank Account.

Government released Rs 33.01 crore during March 2000 to March 2006 by depositing in non-interest bearing Personal Deposit Account of the Medical and Health Department. The amount was transferred to Bank Account in piecemeal after delays ranging from one to 13 months. This led to loss of Rs 77.63 lakh towards interest calculated at 3.5 *per cent* per annum payable by bank during March 2000 to March 2006. Besides, Government also irregularly transferred Rs 24.11 crore from the fund to *Mukhya Mantri Sahayata Kosh (Sahayata Kosh)* to extend facilities to non-BPL persons without the approval of GOI.

Government stated (July 2007) that delay in transfer of funds did not affect the implementation of the scheme and the funds from *Raksha Kosh* have been transferred to provide social security to non-BPL persons whose income does not exceed Rs 24,000 per year. Reply was not tenable as the action of the Department was contrary to GOI guidelines which led to loss of Rs 77.63 lakh.