

## CHAPTER II : ALLOCATIVE PRIORITIES AND APPROPRIATION

### 2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services *vis-a-vis* those authorised by the Appropriation Act.

The objective of appropriation audit is 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 expenditure

**2.2.1** The summarised position of actual expenditure during 2005-06 against 56 grants/appropriations is as follows:

#### Summary of Appropriation Accounts – 2005-2006

*(Rupees in crore)*

Provision	Amount	Expenditure	Amount
Original	3864.42		<b>3420.05</b>
Supplementary	534.78		
<b>Total gross provision</b>	<b>4399.20</b>	<b>Total gross expenditure</b>	<b>3420.05</b>
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	175.00	<i>Deduct</i> -Actual recoveries in reduction of expenditure	118.63
<b>Total net provision</b>	<b>4224.20</b>	<b>Total net expenditure</b>	<b>3301.42</b>

The total net expenditure (Rs. 3301.42 crore) fell short of the provision (Rs. 4224.20 crore) by 21.85 *per cent* and was less than even the original provision (Rs. 3864.42 crore), rendering the supplementary provision of Rs. 534.78 crore unnecessary.

## 2.2.2 Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	2618.39	381.07	2125.48	375.83
Capital	1229.07	170.67	755.40	163.34
<b>Total Gross</b>	<b>3847.46</b>	<b>551.74</b>	<b>2880.88</b>	<b>539.17</b>
Deduct-recoveries in reduction of expenditure	175.00	-	118.63	-
<b>Total : Net</b>	<b>3672.46</b>	<b>551.74</b>	<b>2762.25</b>	<b>539.17</b>

The details in the above table indicate that the shortfall in expenditure occurred on account of both voted and charged expenditure, though the percentage of shortfall was higher for voted expenditure (24.78 per cent, as compared to 2.27 per cent for charged expenditure). Further, the percentage of shortfall in voted capital expenditure (38.54 per cent) was much higher than that for revenue expenditure (18.82 per cent).

## 2.2.3 Total provision and actual expenditure classified according to nature of expenditure

The following table shows that the savings under revenue (Rs. 492.91 crore) and capital (Rs. 472.15 crore) expenditure far exceeded the amount of supplementary grants.

(Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I.Revenue	2484.82	133.57	2618.39	2125.48	(-) 492.91
	II.Capital	945.69	279.51	1225.20	753.05	(-) 472.15
	III.Loans and Advances	3.87	-	3.87	2.35	(-)1.52
<b>Total Voted</b>		<b>3434.38</b>	<b>413.08</b>	<b>3847.46</b>	<b>2880.88</b>	<b>(-)966.58</b>
Charged	IV.Revenue	355.85	25.22	381.07	375.83	(-) 5.24
	V Capital	-	-	-	-	-
	VI.Public Debt	74.19	96.48	170.67	163.34	(-) 7.33
<b>Total Charged</b>		<b>430.34</b>	<b>121.70</b>	<b>551.74</b>	<b>539.17</b>	<b>(-) 12.57</b>
Appropriation to Contingency Fund (if any)		-	-	-	-	-
<b>Grand Total</b>		<b>3864.42</b>	<b>534.78</b>	<b>4399.20</b>	<b>3420.05</b>	<b>(-) 979.15</b>

## 2.3 Excess over provision requiring regularisation

### 2.3.1 Excess over provision relating to previous year

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. The excess expenditure amounting to Rs. 1097.56 crore for the years from 2001-02 to 2004-2005 had not yet been regularised (September 2006) as detailed below:

(Rupees in crore)

Year	Number of grants	Number of Appropriation	Amount of excess	Amount for which explanations not furnished to PAC
2001-02	10	4	275.57	275.57
2002-03	6	4	266.77	266.77
2003-04	2	3	233.55	233.55
2004-05	12	3	321.67	321.67
<b>Total</b>			<b>1097.56</b>	<b>1097.56</b>

### 2.3.2 Excess over provision relating to current year

The excess expenditure amounting to Rs. 14.58 crore that occurred in five grants and two appropriations during 2005-06 is required to be regularized by the Legislative Assembly under Article 205 of the Constitution. Details of these are given in **Appendix – VIII**.

### 2.4 Fulfillment of Allocative Priorities

**2.4.1 Appropriation by Allocative Priorities:** The overall savings of Rs. 979.15 crore were the result of savings of Rs. 993.73 crore in 56 grants and appropriations, partly offset by excess of Rs. 14.58 crore in five grants and two appropriations after actual recovery in expenditure of Rs. 118.63 crore in five grants (Revenue : Rs. 109.52 crore and Capital : Rs. 9.11 crore). About 72 per cent (Rs. 715.95 crore) of the total savings of Rs. 993.73 crore occurred in 16 cases (12 grants), as mentioned below, the highest being in the Finance Department (Rs. 173.68 crore), followed by the Tribal Welfare Department (Rs. 93.41 crore).

(Rupees in crore)

Grant No.	Grant			Actual expenditure	Saving
	Original	Supplementary	Total		
	<b>Revenue - Voted</b>				
13	PW (Roads and Bridges) Department				
	192.17	-	192.17	130.63	61.54
19	Tribal Welfare Department				
	151.90	42.82	194.72	172.60	22.12
31	Rural Development Department				
	85.88	0.07	85.95	55.58	30.37
35	Urban Development Department				
	30.98	37.14	68.12	27.00	41.12
41	Education (Social) Department				
	65.59	2.90	68.49	57.16	11.33
43	Finance Department				
	456.56	-	456.56	282.88	173.68
	<b>Capital - Voted</b>				
10	Home (Police) Department				
	22.54	0.47	23.01	5.83	17.18
13	Public Works (Roads and Bridges) Department				
	138.72	67.23	205.95	155.33	50.62
14	Power Department				
	152.44	37.67	190.11	152.16	37.95
16	Health and Family Welfare Department				
	82.85	9.10	91.95	54.18	37.77
19	Tribal Welfare Department				
	139.52	37.63	177.15	83.74	93.41
20	Welfare of SC Department				
	65.25	20.60	85.85	41.53	44.32
34	Planning and Co-ordination Department				
	54.86	-	54.86	12.24	42.62
41	Education (Social) Department				
	10.00	7.92	17.92	5.26	12.66
42	Education (Sports & Youth Programme) Department				
	17.75	5.00	22.75	0.14	22.61
43	Finance Department				
	18.98	-	18.98	2.33	16.65
<b>Total</b>	<b>1685.99</b>	<b>268.55</b>	<b>1954.54</b>	<b>1238.59</b>	<b>715.95</b>

**Appendix – IX** shows that these savings affected such areas as water supply and sanitation, programmes of rural and urban development, social security and welfare.

Reasons for the savings in the above 16 cases were not intimated by the concerned departments (September 2006).

**2.4.2** Supplementary provision of Rs. 165.98 crore made in 39 cases proved unnecessary or excessive, in view of the aggregate savings of Rs. 478.83 crore as detailed in **Appendix – X**. The major departments where the savings were substantial, and much in excess of the supplementary provisions, were: Tribal Welfare, Welfare of Scheduled Castes, Health, Education and Urban Development.

**2.4.3** In 20 cases, against additional requirement of Rs. 71.49 crore, supplementary grants of Rs. 201.63 crore were obtained resulting in savings of Rs. 128.16 crore. Details of these cases are given in **Appendix – XI**. The major departments where supplementary provisions were substantially higher than the requirement were Public Works, Tribal Welfare and Home (Police).

**2.4.4** In 52 cases, saving was more than Rs. 10 lakh in each case and also over 10 *per cent* of the total provision as shown in **Appendix – XII**.

**2.4.5** In 14 cases, there were persistent savings in excess of Rs. 10 lakh in each case and 10 *per cent* of the total provision during the last three years ending 2005-06 as detailed in **Appendix – XIII**. The major departments were Tribal Welfare, Welfare of Scheduled Castes, Public Works (PHE) and Food and Civil Supplies.

**2.4.6** In four cases, expenditure exceeded the approved provisions by more than Rs. 50 lakh, ranging from 2 to 121 *per cent* of the provision. This indicated lack of budgetary and expenditure control. The details are given in **Appendix – XIV**, which shows that the Taxes and Excise Department incurred expenditure that was 121 *per cent* more than the provision.

## **2.5 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. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings over Rs. 25 lakh in each case under 29 grants and appropriations are indicated in **Appendix – XV**. The major departments involved in such re-appropriations were: Revenue, Home (Police), Public Works (Roads and Bridges), Power, Planning and Coordination, Education (School) and Finance.

## **2.6 Expenditure without provision**

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme /service without provision of funds thereof. It was noticed that expenditure of Rs. 2.60 crore was incurred in three cases under three grants/appropriations, as detailed in **Appendix–XVI**, although no budget

provisions were made in the original estimates/supplementary demands, and no re-appropriation orders were issued. The departments involved were: Tribal Welfare, Education (Higher) and Family Welfare.

### **2.7 Anticipated savings not surrendered**

According to Financial 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. At the close of the year 2005-06, there were 64 cases in which savings amounting to Rs. 357.85 crore (over 36 *per cent* of the total savings of Rs. 983.12 crore) had not been surrendered. In 53 out of 64 cases, the savings that were not surrendered amounted to Rs. 50 lakh and above. The details are given in **Appendix – XVII**.

### **2.8 Surrender in excess of actual savings**

The amount surrendered in excess of actual savings indicates inadequate budgetary control. As against the actual savings of Rs. 8.49 crore in four cases, the amount surrendered was Rs. 25.25 crore, resulting in excess surrender of Rs. 16.76 crore (details in **Appendix- XVIII**). The departments involved were: Power, Panchayati Raj, Education (Sports and Youth Programme) and Law.

On the other hand, three departments *viz*, Revenue, Public Works (Water Resources), and Education (Higher) surrendered a total amount of Rs. 7.53 crore but ended incurring excess expenditure of Rs. 4.77 crore, as detailed in **Appendix XIX**.

### **2.9 Trend of recoveries and credits**

Under the system of gross budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In five grants/appropriations, the actual recoveries of Rs. 118.63 crore (Revenue: Rs. 109.52 crore; Capital: Rs. 9.11 crore) fell short of the estimated recoveries of Rs. 175.00 crore (Revenue: Rs. 160.00 crore; Capital: Rs. 15.00 crore) by Rs. 56.37 crore.

### **2.10 Unreconciled expenditure**

Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General (Accounts and Entitlement). Out of 60 Controlling Officers, three Controlling Officers carried out partial reconciliation, leaving Rs. 47.18 crore unreconciled (Agriculture (Horticulture): Rs. 6.11 crore, PWD (PHE): Rs. 4.05 crore and Revenue: Rs. 37.02 crore).

## 2.11 Rush of expenditure

The Financial Rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. In 43 cases, the expenditure in March 2006 was 10 *per cent* and above the total expenditure for the year (**Appendix XX**).

It was seen that the percentage of expenditure in March ranged upto 97 *per cent*, as in the case of the Information Technology Department. Some other departments where the expenditure in March was in excess of 50 *per cent* of the expenditure during the year were: Education (School), Jail, Forest, Rural Development, Horticulture, Fisheries and Home (Police).