

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

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 expenditure.

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 whether 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 grants and appropriations was as follows:

(Rupees in crore)						
	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving (-) Excess(+)
Voted	I. Revenue	34579.26	4710.56	39289.82	34562.25	(-) 4727.57
	II. Capital	12493.88	2559.34	15053.22	14948.37	(-) 104.85
	III. Loans & Advances	592.71	242.81	835.52	683.84	(-) 151.68
Total Voted		47665.85	7512.71	55178.56	50194.46	(-) 4984.10
Charged	IV. Revenue	14288.50	218.93	14507.43	12109.59	(-) 2397.84
	V. Capital	9.97	1.30	11.27	8.81	(-) 2.46
	VI. Public Debt	13767.53	500.20	14267.73	8333.49	(-) 5934.24
Total Charged		28066.00	720.43	28786.43	20451.89	(-) 8334.54
Grand Total		75731.85	8233.14	83964.99	70646.35	(-) 13318.64

Note: - The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under voted revenue expenditure Rs 54.70 crore and capital expenditure Rs 6241.18 crore and capital expenditure charged Rs 4.77 crore.

The overall savings of Rs 13318.64 crore as mentioned above were the net result of savings of Rs 14345.42 crore in 166 cases of grants and appropriations (*Appendix-2.1*) offset by excess of Rs 1026.78 crore in 29

cases of grants and appropriations (*Appendix-2.2*). The net saving of Rs 13318.64 crore was 62 *per cent* more than the Supplementary Provision of Rs 8233.14 crore. The details of savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations, which were, however, not received (October 2006).

2.3 Appropriation by Allocative Priorities

2.3.1 Grants where savings were of the order of Rs 400 crore and above

Grant No. 61 – Finance Department (Debt Services and Other Expenditure)

(Rupees in crore)

Capital (Charged)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	12824.08	12824.08	6894.82	5929.26
Supplementary	Nil			

Overall savings occurred mainly due to savings under the Head 6003- Internal Debt of the State Government- Repayment of Ways and Means Advances (Rs 6893.37 crore), partly counter balanced by excess expenditure under 101- Market Loans.

Grant No. 61 – Finance Department (Debt Services and Other Expenditure)

(Rupees in crore)

Revenue (Charged)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	13772.80	13772.80	11590.85	2181.95
Supplementary	Nil			

Overall savings occurred mainly due to savings under the Head 2049-Interest Payments – Interest on Loans for State/ Union Territory Plan Schemes– Lump Sum Loans (Rs 2554.31 crore), partly counter balanced by excess expenditure under 101- Interest on Market Loans and 305- Management of Debt.

Grant No. 61 – Finance Department (Debt Services and Other Expenditure)

(Rupees in crore)

Revenue (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	3271.45	3271.54	2341.69	929.85
Supplementary	0.09			

Savings occurred mainly under the Head 2052 – Secretariat General Services- Lump sum provision for increase of pay revision and DA, etc. (Rs 293.56 crore).

Grant No. 83 – Social Welfare Department (Special Component Plan Scheduled Castes)

(Rupees in crore)

Revenue (Voted)		Total (Original + Supplementary)	Actual Expenditure	Saving
Original	1677.88	1700.48	1150.30	550.18
Supplementary	22.60			

Savings occurred mainly under the Head 2505- Rural Employment- Central Plan/ Centrally Sponsored Schemes (Rs 155.82 crore).

Grant No. 21- Food and Civil Supplies Department

(Rupees in crore)

Capital (Voted)		Total (Original + Supplementary)	Actual Expenditure	Saving
Original	5080.64	5322.23	4915.01	407.22
Supplementary	241.59			

Savings occurred mainly under the Head 4408- Capital Outlay on Food Storage and Warehousing- Khandsari Sugar Schemes (Rs 257.73 crore).

2.3.2 Savings exceeding Rs 1 crore in each case and also more than 10 per cent of total provision

Savings exceeded Rs 1 crore in each case and also were more than 10 per cent of total provision in 29 grants in revenue (voted) section, in 19 grants in capital (voted) section, in 5 grants in revenue (charged) section and in 3 grants in capital (charged) section. The total of such savings was Rs 13016.11 crore (*Appendix-2.3*) which is 91 per cent of the total savings (*Appendix-2.1*). This indicated that the budget estimates were unrealistic and had no correlation with the actual requirement.

2.3.3 Persistent savings

In six cases involving 5 grants, there were persistent savings for the last four years, of more than Rupees one crore in each case as under:

(Rupees in crore)

Sl. No	Grant Number	Description of the Grants/Appropriation	Amount of savings with percentage in the brackets			
			2002-03	2003-04	2004-05	2005-06
Revenue-Voted						
1.	40	Planning Department	4.55 (12)	5.02 (12)	4.41 (10)	6.71 (12)
2.	49	Women and Child Welfare Department	30.75 (07)	41.76 (10)	62.64 (8)	37.33 (4)
3.	61	Finance Department (Debt Services and other expenditure)	993.68 (46)	511.59 (27)	156.95 (8)	929.85 (28)
Capital-Voted						
4.	7	Industries Department (Heavy and Medium Industries)	3.00 (03)	87.39 (73)	19.47 (23)	20.35 (15)
5.	26	Home Department (Police)	43.81 (18)	77.79 (52)	108.80 (49)	135.55 (50)
6.	61	Finance Department (Debt Services and other Expenditure)	47.58 (82)	39.42 (68)	38.61 (67)	25.97 (20)

2.3.4 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 32395.42 crore for the years 1990-91 to 2004-05 had not been regularised so far (October 2006). This was a breach of Legislative control over appropriations. The details are given in *Appendix-2.4*

Excess over provisions during 2005-06 requiring regularisation

The excess of Rs 1026.78 crore under 29 grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given in *Appendix-2.2*

2.3.5 Original budget and supplementary provisions

Supplementary provisions (Rs 8233.14 crore) made during this year constituted 11 *per cent* of the original provisions (Rs 75731.85 crore) as against 29 *per cent* in the previous year.

2.3.6 Unnecessary supplementary provisions

Supplementary provisions amounting to Rs 1481.76 crore in 51 cases during the year proved unnecessary as the expenditure in these cases fell short of even the original grant and the savings had to be either surrendered or re-appropriated. Such savings (Rs 4406.11 crore) formed almost 31 *per cent* of the total savings. The details are available in *Appendix-2.5*.

2.3.7 Inadequate supplementary grants to cover excess expenditure

In 23 cases, there was excess expenditure of Rs 1023.70 crore as the supplementary grants of Rs 1924.25 crore proved inadequate. In 6 other cases, no demand for supplementary grants was anticipated despite the excess expenditure of Rs 3.08 crore. This indicated failure of the departments to assess the requirements of additional funds and also the inadequacy of the system of monitoring expenditure (*Appendix-2.6*).

2.3.8 Persistent excesses

Significant excesses as detailed below were persisting under Public Works Department (Buildings) Grant No. 55 – Capital – Voted. These ranged from 448 to 1030 *per cent* during the last six years. Persistent excesses indicated lack of budgetary control and require an investigation by the Government.

(Rupees in crore)

Year	Allotment	Expenditure	Excess (Per cent)
2000-01	28.50	194.04	581
2001-02	18.75	120.12	540
2002-03	13.41	151.57	1030
2003-04	26.19	170.57	551
2004-05	29.53	161.70	448
2005-06	20.64	198.34	861

2.3.9 Anticipated savings not surrendered

According to rules, the 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, there were 58 cases in which savings above Rupees one crore in each case aggregating Rs 2847.07 crore were not surrendered. In 21 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs 8013.34 crore which were not surrendered. Details are given in *Appendix -2.7*.

Besides, in 43 cases, Rs 4054.56 crore was surrendered in March 2006 indicating inadequate financial control over expenditure. Details are given in *Appendix-2.8*.

2.3.10 Injudicious surrender

In the following cases, injudicious and unrealistic surrenders were made under 6 grants in March 2006 in spite of the expenditure being already in excess of the total provisions.

(Rupees in crore)

Number and name of grants	Expenditure in excess of the provisions	Amount surrendered in March 2006
Revenue-Voted		
19-Personal Department (Training and Other Expenditure)	12.82	9.54
53-National Integration Department	0.48	0.05
55-Public Works Department (Buildings)	0.16	0.41
58- Public Works Department (Communications-Roads)	58.63	4.27
Capital-Voted		
55-Public Works Department (Buildings)	198.34	0.45
57- Public Works Department (Communication-Bridges)	8.04	8.50
58- Public Works Department (Communications-Roads)	502.05	95.39
96-Irrigation Department (Works)	2.84	304.67
Capital-Charged		
55-Public Works Department (Buildings)	0.27	0.01

2.3.11 Surrender more than the available savings

In the following cases, surrenders were more than savings. The surrender of funds in excess of the anticipated savings reflected poor monitoring and control over expenditure by the Controlling Officers. The resultant excess would require regularisation.

(Rupees in crore)		
Number and name of grants	Savings	Surrenders
Revenue-Voted		
2-Housing Department	13.86	24.12
9- Power Department	49.80	50.69
42- Judicial Department	34.59	36.81
43- Transport Department	3.49	3.60
91- Institutional Finance Department (Stamps and Registration)	6.16	9.79
Capital-Voted		
21- Food and Civil Supplies Department	407.22	551.70
42- Judicial Department	16.41	21.62
Revenue-Charged		
42- Judicial Department	4.77	5.06

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 the expenditure figures during the last three years was as under:-

(Rupees in crore)		
Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
2003-04	71	40152.99
2004-05	57	30314.72
2005-06	48	16816.78

During 2005-06, out of 166 Controlling Officers, 48 Controlling Officers did not reconcile their figures of expenditure aggregating Rs 16816.78 crore.

2.5 Rush of expenditure

Financial rules provide that expenditure should be evenly distributed throughout the year and rush of expenditure in the closing month of the financial year should be avoided. It was, however, observed that the expenditure in March 2006 under 28 heads of account was 55 *per cent* of the total expenditure. Details are given in *Appendix-2.9*.