

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 Acts 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 Acts 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 2006-07 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	42,364.42	2,152.87	44,517.29	42,349.42	(-) 2,167.87
	II. Capital	18,940.11	2,048.69	20,988.80	20,515.15	(-) 473.65
	III. Loans & advances	785.40	103.00	888.40	887.55	(-) 0.85
Total voted		62,089.93	4,304.56	66,394.49	63,752.12	(-) 2,642.37
Charged	IV. Revenue	13,685.34	378.23	14,063.57	13,607.37	(-) 456.20
	V. Capital	11.59	9.35	20.94	17.50	(-) 3.44
	VI. Public debt	14,585.39	0.00	14,585.39	5,912.08	(-) 8,673.31
Total charged		28,282.32	387.58	28,669.90	19,536.95	(-) 9,132.95
Grand Total		90,372.25	4,692.14	95,064.39	83,289.07	(-) 11,775.32

Note: - The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under voted revenue expenditure Rs. 102.89 crore and capital expenditure Rs. 6,548.51 crore and revenue expenditure (charged) Rs. 155 crore.

The overall savings of Rs. 11,775.32 crore as mentioned above were the net result of savings of Rs. 14,580.03 crore in 156 cases of grants and appropriations (*Appendix-2.1*) offset by excess of Rs. 2,804.71 crore in 44 cases of grants and appropriations (*Appendix-2.2*). The net savings of

Rs 11,775.32 crore was more than two and half times of the Supplementary Provision (Rs 4,692.14 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 2007).

2.3 Appropriation by allocative priorities

2.3.1 Grants where savings were of the order of Rs 300 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	13,052.14	13,052.14	4,379.32	8,672.82
Supplementary	Nil			

Savings were mainly under Head 6003- Internal Debt of the State Government, Repayment of Ways and Means Advances.

Grant No. 21 – Food and Civil Supplies Department

(Rupees in crore)

Capital (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	5,776.69	5,776.69	4,170.00	1,606.69
Supplementary	Nil			

Reasons for overall savings of Rs. 1,606.69 crore were not furnished by the Government.

Grant No. 83 – Social Welfare department (Special component plan for scheduled castes)

(Rupees in crore)

Revenue (Voted)		Total (Original + Supplementary)	Actual expenditure	Saving
Original	2,243.67	2,243.87	1,847.69	396.18
Supplementary	0.20			

Major savings were under the Head 2225– Welfare of Scheduled Castes, Scheduled Tribes and Other backward classes – Education (Rs. 101.02 crore) and special central assistance for scheduled castes component plan (Rs. 71.37 crore).

Grant No. 54- Public works department (Establishment)

(Rupees in crore)

Revenue (voted)		Total (original + supplementary)	Actual expenditure	Saving
Original	633.07	645.67	289.87	355.80
Supplementary	12.60			

Savings under the Head 2059– Public Works were due to *pro-rata* adjustment of Rs. 321.38 crore on account of expenditure on establishment.

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

Savings exceeded Rs. one crore in each case and also were more than 10 per cent of total provision in 29 grants of revenue (voted) section, 17 grants of capital (voted) section, two grants of revenue (charged) section and in two grants of capital (charged) section. The total of such savings was Rs 13,598.49 crore (*Appendix-2.3*) which is 93 per cent of the total savings. This indicated that the budget estimates were unrealistic and had no correlation with the actual requirement.

2.3.3 Persistent savings

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

(Rupees in crore)

Sl. No	Grant number	Description of the grants/appropriation	Amount of savings with percentage in the brackets			
			2003-04	2004-05	2005-06	2006-07
		Revenue-voted				
1.	40	Planning department	5.02 (12)	4.41 (10)	6.71 (12)	9.27 (15)
2.	49	Women and child welfare department	41.76 (10)	62.64 (8)	37.33 (4)	200.47 (14)
		Capital-Voted				
3.	26	Home department (Police)	77.79 (52)	108.80 (49)	135.55 (50)	157.87 (50)
4.	61	Finance department (Debt services and other expenditure)	39.42 (68)	38.61 (67)	25.97 (20)	138.40 (45)

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 33,422.20 crore for the years 1990-91 to 2005-06 had not been regularised so far (October 2007). This was a breach of legislative control over appropriations. The details are given in *Appendix-2.4*

Excess over provisions during 2006-07 requiring regularisation

Out of overall excess of Rs. 2,804.71 crore under 44 grants and appropriations during the year, excess of Rs. 320.24 crore was due to clearance of

Departmental Adjusting Account (Rs 29.28 crore) and recoupment of Rs. 290.96 crore to the Contingency Fund drawn during the years 1992-2006. The net excess of Rs. 2,484.47 crore requires regularisation under Article 205 of the Constitution. Details are given in *Appendix-2.2*

2.3.5 Original budget and supplementary provision

Supplementary provision (Rs. 4,692.14 crore) made during this year constituted five *per cent* of the original provisions (Rs. 90,372.25 crore) as against 11 *per cent* in the previous year. Despite lesser supplementary grants during the year, the overall savings increased from Rs. 14,345.42 crore (2005-06) to Rs. 14,580.03 crore.

2.3.6 Unnecessary supplementary provision

Supplementary provision amounting to Rs. 485.26 crore in 68 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 2,845.12 crore) formed almost 20 *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 26 cases, there was overall excess expenditure of Rs 2,402.61 crore as the supplementary grants of Rs 1,748.17 crore proved inadequate. In 18 other cases, no demand for supplementary grants was anticipated which resulted in uncovered excess expenditure of Rs 402.10 crore. This indicated failure of the departments to assess the requirements of additional funds and also the inadequacy of the system of monitoring over the expenditure (*Appendix-2.6*).

2.3.8 Persistent excesses

Significant excesses persisted under Public Works Department (Buildings) Grant No. 55 – Capital (Voted). These ranged from 448 to 1691 *per cent* during the last six years as detailed below. Persistent excesses indicated lack of budgetary control and required an investigation by the Government.

(Rupees in crore)			
Year	Allotment	Expenditure	Excess (Per cent)
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
2006-07	24.56	439.83	1691

2.3.9 Anticipated savings not surrendered

According to the Budget Manual, 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 2006-07, there were 50 cases in which savings above Rupees one crore in each case aggregating Rs. 2,723.30 crore were not surrendered. In 18 cases, even after

partial surrender, savings of Rupees one crore and above in each case aggregated Rs. 771.22 crore. Details are given in **Appendix -2.7**.

Besides, in 31 cases, Rs. 11,205.89 crore was surrendered in March 2007 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 surrender of funds was made in 14 grants in March 2007 in spite of the expenditure being in excess of the total provision.

(Rupees in crore)		
Number and name of grants	Expenditure in excess of the provisions	Amount surrendered in March 2007
Revenue-Voted		
2- Housing Department	44.18	2.78
24 - Cane Development Department (Sugar Industry)	3.05	8.20
38 - Civil Aviation Department	0.01	0.19
58 - Public Works Department (Communications- Roads)	53.05	62.81
61 - Finance Department (Debt Services and Other Expenditure)	54.85	33.82
73 - Education Department (Higher Education)	6.17	1.19
95- Irrigation Department (Establishment)	8.30	0.76
Capital-Voted		
7 - Industries Department (Heavy and Medium Industry)	76.99	28.29
37 - Urban Development department	17.07	14.30
57- Public Works Department (Communication-Bridges)	28.32	8.25
58- Public Works Department (Communications-Roads)	861.52	124.40
89 - Institutional Finance Department (Trade-Tax)	19.11	1.06
96-Irrigation Department (Works)	443.07	31.69
Revenue-Charged		
1 - Excise Department	4.81	0.04
20 - Personnel Department (Public Service Commission)	0.13	0.57

2.3.11 Surrender more than the available savings

In the following cases, surrenders were more than savings. The surrender of funds made in 17 grants 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		
1 - Excise department	4.62	4.66
4 - Industries department (Mines and minerals)	0.40	0.53
8 - Industries department (Printing and stationery)	0.75	5.41
12 - Agriculture and other Allied departments (Land development and water resources)	9.48	10.84
18 - Agriculture and other Allied departments (Co-operative)	1.65	2.50
21 - Food and civil supplies department	13.93	15.37
37 - Urban development department	17.95	42.59
39 - Language department	0.17	0.60
41 - Election department	6.24	6.60
43 - Transport department	2.44	2.55

46 - Administrative reforms department	1.03	1.14
57 - Public works department (Communication-Bridges)	0.49	1.04
70 - Science and technology department	4.57	7.52
78 - Secretariat administration department	21.15	22.06
92 - Culture department	9.05	9.56
Capital-Voted		
21- Food and civil supplies department	1,606.69	1,801.60
42- Judicial department	20.22	22.19
61 - Finance department (Debt Services and other expenditure)	138.40	203.31
Revenue-Charged		
18 - Agriculture and other Allied departments (Co-operative)	0.81	1.19
42- Judicial department	5.92	6.58
Capital-Charged		
61 - Finance department (Debt services and other expenditure)	8,672.82	8,722.00

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
2004-05	57	30,314.72
2005-06	48	16,816.78
2006-07	37	12,127.16

During 2006-07, out of 166 Controlling Officers, 37 Controlling Officers did not reconcile their figures of expenditure aggregating Rs 12,127.16 crore (15 per cent of the total expenditure).

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 2007 under 20 heads of account ranged between 43 per cent to 100 per cent of the total expenditure. Details are given in **Appendix-2.9**.