

## 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 2002-03 against grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I. Revenue	25782.02	1166.83	26948.85	24367.40	(-)2581.45
	II. Capital	6623.15	408.31	7031.46	7580.73	(+)549.27
	III. Loans & Advances	1046.85	216.62	1263.47	804.31	(-)459.16
<b>Total Voted</b>		<b>33452.02</b>	<b>1791.76</b>	<b>35243.78</b>	<b>32752.44</b>	<b>(-)2491.34</b>
Charged	IV. Revenue	11681.30	3.23	11684.53	8625.44	(-)3059.09
	V. Capital	9.86	---	9.86	3.94	(-)5.92
	VI. Public Debt	13109.16	1135.90	14245.06	17643.24	(+)3398.18
<b>Total Charged</b>		<b>24800.32</b>	<b>1139.13</b>	<b>25939.45</b>	<b>26272.62</b>	<b>(+)333.17</b>
<b>Grand Total</b>		<b>58252.34</b>	<b>2930.89</b>	<b>61183.23</b>	<b>59025.06</b>	<b>(-)2158.17</b>

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs. 54.33 crore and capital expenditure Rs. 3790.28 crore.

The overall savings of Rs. 2158.17 crore as mentioned above was the net result of savings of Rs. 7690.57 crore in 168 cases of grants and appropriations (*Appendix-2.1*) offset by excess of Rs. 5532.40 crore in 27 cases of grants and appropriations (*Appendix-2.2*). The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations, which were however not received ( March 2004).

**2.3 Appropriation by Allocative Priorities**

**2.3.1 Grants where savings were of the order of Rs.200 crore and above**

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

(Rupees in crore)

Revenue (Charged)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	10661.99	10661.99	8404.27	2257.72
Supplementary	NIL			

Savings occurred mainly under the Head 2049-Interest Payment –Interest on market loans issued in Financial year 2001-02 (Rs. 118.15 crore) and Interest on Special Securities issued to Small Saving Funds (Rs. 1305.40 crore). It highlighted that funds available under Debt Services were not used enhancing thereby the interest liabilities for which no explanations were recorded.

(Rupees in crore)

Revenue (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	2082.68	2161.55	1167.87	993.68
Supplementary	78.87			

Lump-sum provision of Rs.1000 crore for payment of dearness allowances to all Government employees was made under this grant. Subsequently, when the payment of dearness allowances was made through supplementary grants of the respective departments, no modification/surrender was made under this grant, leading to en-block surrender of the entire provision of Rs.1000 crore in the year end.

**Grant No. 9– Power Department**

(Rupees in crore)

Revenue (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	1214.34	1214.42	726.73	487.69
Supplementary	0.08			

Savings occurred mainly under 2801-Power (Rs. 436.15 crore) on account of grants for compensation to Uttar Pradesh Power Corporation Limited (Rs. 51.34 crore). Reasons for the savings were not intimated.

(Rupees in crore)

Capital (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	803.06	945.56	721.32	224.24
Supplementary	142.50			

Saving occurred mainly under the Head 4801-Capital Outlay on Power Project on account of investment in UP Electricity Corporation (Rs. 32.45 crore) and Prime Minister Gramodyog Yojana (Rs. 50.93 crore). Reasons for saving under above Head have not been intimated (February 2004).

**Grant No. 94-Irrigation Department (Works)**

(Rupees in crore)

Revenue (Charged)		Total (Original+Supplementary)	Actual Expenditure	Savings
Original	381.93	381.93	Nil	381.93
Supplementary	Nil			

Provisions related to “2049-Interest Payments on Loans from Government of India for Irrigation Schemes” could not be utilised during the year. Incidentally, during 2000-01 and 2001-02, total appropriation Rs. 389.68 crore and Rs. 381.93 crore respectively were also not utilised for interest payments, which indicated that the Department, although it repeatedly got budget provision failed to discharge its obligation without any reason.

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

In 88 out of 168 cases (53 per cent), savings exceeded Rs. 1 crore in each case and also were more than 10 per cent of total provision. The total amount of such savings was Rs.6911.22 crore which is almost 90 per cent of the total savings (Appendix 2.3). This indicated that the budget estimates were completely unrealistic and had no correlation with the actual requirement.

**2.3.2 Persistent savings**

In eight cases involving seven grants/appropriation, there were persistent savings for the last four years, of more than rupees one crore in each case as given on the next page :

(Rupees in crore)

Sl. No.	Grant Number	Description of the Grants/Appropriation	Amount of savings with percentage in the brackets			
			1999-2000	2000-01	2001-02	2002-03
		<b>Revenue-Voted</b>				
1	40	Planning Department	204.09 (86)	223.96 (94)	14.39 (32)	4.55 (12)
2	41	Election Department	11.65 (16)	20.37 (48)	32.51 (34)	12.08 (26)
3	49	Women and Child Welfare Department	54.48 (18)	119.30 (29)	218.80 (42)	30.75 (07)
4	61	Finance Department (Debt Services and other expenditure)	914.75 (52)	815.60 (43)	1012.15 (52)	993.68 (46)
		<b>Capital-Voted</b>				

## *Audit Report (Civil) for the year ended 31 March 2003*

5	7	Industries Department (Heavy and Medium Industries)	9.28 (07)	186.93 (56)	113.35 (42)	3.00 (03)
6	26	Home Department (Police)	7.84 (25)	77.31 (82)	90.89 (58)	43.81 (18)
7	61	Finance Department (Debt Services and other expenditure)	6.92 (09)	88.47 (16)	45.61 (80)	47.58 (82)
		<b>Revenue-Charged</b>				
8	51	Revenue Department (Relief on account of natural calamities)	13.34 (11)	226.74 (72)	153.59 (99)	162.87 (100)

### **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. 23916.20 crore for the years 1984-85 to 2001-02 had not been regularised so far (February 2004). This was a breach of Legislative control over appropriations. The details are given in **Appendix-2.4**.

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

The excess of Rs. 5532.40 crore under 27 grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given in **Appendix-2.2**.

### **2.3.4 Original budget and supplementary provisions**

Supplementary provisions (Rs. 2930.89 crore) made during this year constituted 5 per cent of the original provisions (Rs. 58252.34 crore) as against 8.24 per cent in the previous year.

### **2.3.5 Unnecessary/excessive/inadequate supplementary provisions**

Supplementary provisions amounting to Rs. 734.06 crore in 56 cases during the year proved unnecessary as the expenditure in these cases was not even equal to the original grant and the savings had to be either surrendered or re-appropriated. Such savings formed almost 22 per cent of the total savings. The details are available in **Appendix 2.5**.

### **2.3.6 Inadequate Supplementary Grants to cover excess expenditure**

In 13 cases, there was excess expenditure of Rs.1279.96 crore as the supplementary grants of Rs.188.46 crore proved inadequate. In 12 other cases also, no demand for supplementary grants were anticipated despite the excess expenditure of Rs. 848.92 crore. This indicated failure of the departments not only to assess the requirements of additional funds but also inadequacy of the system of monitoring the trend of expenditure (**Appendix-2.6**).

### 2.3.7 Persistent excesses

Significant excesses as detailed below were persisting under Public Works Department (Buildings) Grant No. 5 – Capital – Voted. These ranged from 540 to 1449 *per cent* during the last six years. Persistent excesses indicate lack of budgetary control and require an investigation by the Government.

(Rupees in crore)

Year	Allotment	Expenditure	Percentage Excess
1997-98	14.47	130.32	801
1998-99	9.72	150.60	1449
1999-2000	20.49	171.95	739
2000-01	28.50	194.04	581
2001-02	18.75	120.12	540
2002-03	13.41	151.57	1030

### 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 46 cases in which savings above rupees one crore in each case amounting to Rs. 2328.58 crore had not been surrendered. In 37 cases, even after partial surrender, savings of rupees one crore and above in each case aggregating Rs. 3579.35 crore (55.68 *per cent* of total savings) remained unsurrendered. Details are given in *Appendix-2.7*.

Besides, in 54 cases, Rs. 1758.78 crore were surrendered in March 2003 indicating inadequate financial control over expenditure. Details are given in *Appendix-2.8*.

## 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	79	4584.30
1993-94	42	7423.30
1994-95	37	4191.71
1995-96	44	6698.25
1996-97	38	3095.82
1997-98	50	5165.24
1998-99	61	15348.65

**Audit Report (Civil) for the year ended 31 March 2003**

1999-2000	67	14672.38
2000-01	51	11294.80
2001-02	N.A.	Nil
2002-03	104	41275.93
<b>Total</b>	<b>573</b>	<b>113750.38</b>

### **2.5 Rush of Expenditure**

Financial Rules provides 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 2003 under five heads of accounts ranged between 32 *per cent* and 40 *per cent* of the total expenditure during the year as detailed below:

(Rupees in crore)

<b>Head of Account</b>	<b>Total Provision</b>	<b>Total Expenditure</b>	<b>Expenditure during March</b>	<b>Percentage of expenditure during the month of March to total expenditure</b>
2220-Information and Publicity	29.27	28.79	9.09	32
2701-Major and Medium Irrigation	707.61	1072.90	420.34	39
2702-Minor Irrigation	152.65	281.18	113.26	40
2801-Power	901.21	413.71	136.16	33
3054-Roads and Bridges	5311.02	674.74	251.17	37
<b>Total</b>	<b>7101.76</b>	<b>2471.32</b>	<b>930.02</b>	