

## CHAPTER-II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### APPROPRIATION ACCOUNTS 2005-06 AT A GLANCE

Total number of Grants/ Appropriations: 31

*Total provision and expenditure*

Table-2.1

*(Rupees in crore)*

Provision	Amount	Expenditure	Amount
Original	8706.52		8579.69
Supplementary	857.96		
<b>Total gross provision</b>	<b>9564.48</b>	<b>Total gross expenditure</b>	<b>8579.69</b>
Deduct-Estimated recoveries in reduction of expenditure	777.53	Deduct-Actual recoveries in reduction of expenditure	660.73
<b>Total net provision</b>	<b>8786.95</b>	<b>Total net expenditure</b>	<b>7918.96</b>

*Voted and Charged provision and expenditure*

Table -2.2

*(Rupees in crore)*

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	5893.87	1069.24	4657.78	967.53
Capital	2170.27	431.10	2485.54	468.84
<b>Total gross</b>	<b>8064.14</b>	<b>1500.34</b>	<b>7143.32</b>	<b>1436.37</b>
Deduct- recoveries in reduction of expenditure	777.53	-	660.73	-
<b>Total net:</b>	<b>7286.61</b>	<b>1500.34</b>	<b>6482.59</b>	<b>1436.37</b>

#### 2.1 Introduction

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 in respect of both charged as well as voted items of the budget.

The objective of Appropriation Audit is to ascertain whether the expenditure actually incurred under various Grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was 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 31 Grants/Appropriations was as follows:

**Table -2.3**

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving(-) Excess(+)
<b>Voted</b>	I-Revenue	5439.98	453.89	5893.87	4657.78	(-)1236.09
	II-Capital	1665.39	332.38	1997.77	2350.32	(+)352.55
	III-Loans and Advances	172.50	-	172.50	135.22	(-) 37.28
<b>Total Voted</b>		<b>7277.87</b>	<b>786.27</b>	<b>8064.14</b>	<b>7143.32</b>	<b>(-)920.82</b>
<b>Charged</b>	IV-Revenue	998.55	70.69	1069.24	967.53	(-)101.71
	V-Capital	1.70	1.00	2.70	1.50	(-)1.20
	VI-Public Debt	428.40	-	428.40	467.34*	(+)38.94
<b>Total Charged</b>		<b>1428.65</b>	<b>71.69</b>	<b>1500.34</b>	<b>1436.37</b>	<b>(-)63.97</b>
<b>Grand Total</b>		<b>8706.52</b>	<b>857.96</b>	<b>9564.48</b>	<b>8579.69</b>	<b>(-)984.79</b>

\* Includes Rs. 255.01 crore on account of repayment of Ways and Means Advances obtained from Reserve of Bank of India.

Against the original grants and appropriations of Rs.8706.52 crore, supplementary grants and appropriations of Rs. 857.96 crore were obtained during 2005-06. There was net saving of Rs. 984.79 crore which was the result of overall savings of Rs.1648.28 crore, partly offset by excess of Rs. 663.49 crore. Substantial excesses/savings reflect the failure of the Departments concerned to assess their requirement of funds realistically as also the inadequacy of the monitoring system resulting in funds not being surrendered/supplementary provision not being made.

Rs. 44.80 crore drawn under 12 Major Heads covered under 12 Grants\* from the State Contingency Fund between 1 April 2005 and 31 March 2006 remained unrecouped at the end of the year.

### 2.3 Fulfillment of Allocative Priorities

#### Savings/excesses in grants/appropriations

2.3.1 Net savings of Rs. 984.79 crore was the result of savings in 55 cases (*Appendix- 2.1*) and excesses in seven cases (*Appendix-2.2*) as shown below:

**Table-2.4**

(Rupees in crore)

	Savings		Excesses		Net savings(-)/ excess(+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	1236.09 (In 29 grants)	310.48 (In 18 grants)	-	625.75 (In six grants)	(-)1236.09	(+)315.27
Charged Appropriations	101.71 (In eight appropriations)	-	-	37.74 (In one appropriation)	(-)101.71	(+)37.74

#### Appropriation by Allocative Priorities

2.3.2 Out of the overall savings of Rs. 1648 crore, a major portion of Rs. 1137 crore (69 per cent) related to seven grants (in nine cases) as mentioned below:

\* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz Revenue expenditure Rs. 14.34 crore, Capital expenditure Rs. 646.39 crore.

\* Grant Nos. 3, 6, 7, 11, 15, 18, 19, 20, 22, 28, 30, 31.

**Table -2.5**

*(Rupees in crore)*

Sl. No.	Grant No.	Original	Supplementary	Total	Actual expenditure	Savings
<b>A-Revenue-Voted</b>						
1.	6.Revenue and General Administration	208.66	8.92	217.58	148.53	69.05
2.	7.Finance, Tax, Planning, Secretarial & Miscellaneous Services	1001.14	15.26	1016.40	708.95	307.45
3.	11. Education, Sports & Youth Welfare & Culture	1340.06	45.02	1385.08	1251.56	133.52
4.	12. Medical, Health & Family Welfare	301.96	56.19	358.15	276.84	81.31
5.	13. Water Supply, Housing & Urban Development	453.76	114.98	568.74	363.19	205.55
6.	21. Energy	200.15	-	200.15	91.69	108.46
<b>Total</b>		<b>3505.73</b>	<b>240.37</b>	<b>3746.10</b>	<b>2840.76</b>	<b>905.34</b>
<b>B-Revenue-Charged</b>						
7.	7.Finance, Tax, Planning, Secretarial & Miscellaneous Services	981.33	70.00	1051.33	955.38	95.95
<b>Total</b>		<b>981.33</b>	<b>70.00</b>	<b>1051.33</b>	<b>955.38</b>	<b>95.95</b>
<b>C-Capital-Voted</b>						
8.	6. Revenue and General Administration	118.00	-	118.00	61.44	56.56
9.	23. Industries	214.61	42.00	256.61	177.64	78.97
<b>Total</b>		<b>332.61</b>	<b>42.00</b>	<b>374.61</b>	<b>239.08</b>	<b>135.53</b>
<b>Grand Total</b>		<b>4819.67</b>	<b>352.37</b>	<b>5172.04</b>	<b>4035.22</b>	<b>1136.82</b>

Areas in which major savings occurred in the above seven grants are indicated in **Appendix-2.3**.

Reasons for savings were not intimated by most of the Departments.

**2.3.3** In 25 out of 31 grants/appropriations the expenditure fell short by more than Rs. one crore and also by more than 10 *per cent* of the provision. Details are indicated in **Appendix-2.4**. This indicated that requirements of funds had not been assessed correctly and that inflated demands for funds were placed by Controlling Officers for inclusion in the budget estimates.

***Excess expenditure over provision relating to previous years requiring authorization of the State Legislature***

**2.3.4** As per Article 205 of the Constitution of India, it is mandatory for a State Government, to obtain the authorisation of the State Legislature for amounts spent in excess of a grant/appropriation. Excess expenditure amounting to Rs. 4595.48 crore for the years 2001-02 to 2004-05 as detailed below was yet to be regularized (November 2006) by the State Legislature.

**Table- 2.6**

*(Rupees in crore)*

Year	No. of grants/ appropriations	Grants/Appropriation No(s)	Amount of excess
2001-2002	4	7,15,20&25	1299.64
2002-2003	13	7,10,12,14,15,16,17,19,20,22,24,25&26	1843.46
2003-2004	12	3,5,6,7,9,11,12,15,16,17,18&25	499.53
2004-2005	14	4,5,6,7,12,13,14,15,17,19,20,22,25&29	952.85
<b>Total</b>			<b>4595.48</b>

The possibility of financial irregularities remaining unexamined due to failure or long delays in furnishing explanations of excess expenditure cannot be ruled out.

***Excess expenditure over provision during 2005-2006 requiring authorisation of the State Legislature***

2.3.5 During 2005-06 there was a total excess of Rs. 37.74 crore in Capital-Charged section in one appropriation while the excesses in the Capital-Voted section amounted to Rs. 625.75 crore in six grants. These excesses (details given below) require authorisation by the Legislature in terms of Article 205 of the Constitution of India.

**Table-2.7**

*(in Rupees)*

Sl. No.	Grant/ Appropriation No.	Name of Grant/ Appropriation	Total Grant/ Appropriation	Actual Expenditure	Amount of excess
		<b>Revenue-Charged</b>			
1.	7	Finance, Taxes, Planning Secretariat & Miscellaneous Services	4,29,59,69,000	4,67,34,03,477	37,74,34,477
		<b>Total</b>	<b>4,29,59,69,000</b>	<b>4,67,34,03,477</b>	<b>37,74,34,477</b>
		<b>Capital-Voted</b>			
2.	8	Excise	50,00,000	53,03,000	3,03,000
3.	17	Agricultural Work & Research	1,05,00,000	4,19,93,536	3,14,93,536
4.	20	Irrigation and Flood Control	2,18,51,50,000	2,99,06,45,631	80,54,95,631
5.	22	Public Works	4,49,63,00,000	5,02,15,35,405	52,52,35,405
6.	25	Food	71,01,000	4,86,67,51,967	4,85,96,50,967
7.	29	Horticulture Development	1,20,00,000	4,73,61,591	3,53,61,591
		<b>Total</b>	<b>6,71,60,51,000</b>	<b>12,97,35,91,130</b>	<b>6,25,75,40,130</b>
		<b>Grand Total</b>	<b>11,01,20,20,000</b>	<b>17,64,69,94,607</b>	<b>6,63,49,74,607</b>

Reasons for excess expenditure had not been furnished by most of the Departments concerned (November 2006).

***Original Budget and Supplementary Provision***

2.3.6 The total of the supplementary grants and appropriations obtained during 2005-06 constituted 9.85 per cent of the original grants and appropriations.

***Unnecessary Supplementary Provision***

2.3.7 Supplementary provision of Rs. 518.39 crore obtained in 31 cases during 2005-06 proved unnecessary since the savings in these grants/appropriations amounting to Rs.1355.41 crore were more than the supplementary provision in each case as detailed in *Appendix-2.5*.

***Persistent savings***

2.3.8 Expenditure fell short of the total provisions by 10 per cent or more every year during the period 2002-06 in 20 cases. Relevant details are given in *Appendix-2.6*.

***Surrender of funds***

**2.3.9** Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excess expenditure under some other units. No savings should be held in reserve for possible future excess expenditure.

It was, however, noticed that in 36 cases against the available savings of Rs. 1501.11 crore (savings of Rs. one crore and above in each case), savings aggregating Rs.868.98 crore were either not fully surrendered or not surrendered at all. In nine cases, the amount surrendered exceeded the overall savings by Rs.17.40 crore. In respect of three grants Rs.16.52 crore was surrendered although expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are given in **Appendix-2.7**.

***Expenditure without provision***

**2.3.10** For control over expenditure, the Budget Manual provides that, a Disbursing Officer, before incurring any expenditure must ensure that sanction of the competent authority exists and that the funds to cover the charge fully have been placed at his disposal. It was noticed that expenditure of Rs.671.95 crore was incurred in eight cases without provision having been made in the original estimates/supplementary demands and without any re-appropriation having been made. In case of Major Head of Account 4408 (Grant No. 25 Food) an amount of Rs. 485.98 crore were spent without any provision in gross violation of financial rules. (**Appendix-2.8**).

These instances were indicative of lack of monitoring and control over expenditure.

***Trend of recoveries***

**2.3.11** Scrutiny of the accounts for 2005-06 revealed that while no recoveries were included in the budget estimates in the Revenue section, actual recoveries were Rs. 14.34 crore. In the Capital section, against the budget estimates of Rs. 777.53 crore, actual recoveries and adjustments were Rs.646.39 crore. Thus recoveries in reduction of expenditure were underestimated by Rs. 14.34 crore in the Revenue section and overestimated by Rs. 131.14 crore in the Capital section (**Appendix-2.9**).

Some cases where there were wide variations from the estimates are detailed below:

**Table-2.8**

<i>(Rupees in crore)</i>				
Sl. No.	Grant number and name	Estimate of recoveries	Actual recoveries	Shortfalls (-) Excess (+)
1.	17-Agricultural Work and Research	4.00	7.57	(+3.57)
2.	20-Irrigation and Flood Control	-	94.62	(+94.62)
3.	22-Public Works	-	61.30	(+61.30)
4.	25-Food	770.00	496.66	(-)273.34
5.	29- Horticulture Development	3.53	-	(-)3.53

***Unwarranted drawal of Rs. 15.63 crore from State Contingency Fund***

**2.3.12** The Contingency Fund of the State of Uttaranchal was created with a corpus of Rs. 30 crore in the year 2001-02. A sum of Rs. 55 crore was further appropriated to the fund during 2003-04. The amount available in the Contingency Fund stood at Rs. 85 crore during 2005-06. Advances from the fund were to be made only for meeting expenditure of an unforeseen and emergent character, pending authorisation by the Legislature.

A sum of Rs. 15.63 crore had been drawn from the fund in eight cases under six major heads without any emergent necessity or requirement as there were substantial savings of Rs.196.03 crore were available under these major heads as detailed below:

**Table-2.9**

**(Rupees in crore)**

<b>Major Head</b>	<b>Savings</b>	<b>Drawal from SCF</b>
2202-General Education, (Grant No.11)	16.69	0.81
2245-Relief on Account of Natural Calamities (Grant No.6)	44.09	1.00
4202-Capital Outlay on Education, Sports, Art and Culture (Grant No.11)	4.43	2.40
2235- Social Security and Welfare (Grant No.15)	4.50	3.18
4700- Capital Outlay in Major Irrigation (Grant No.20)	50.92	2.00
5054- Capital Outlay in Roads and Bridges (Grant No.22)	62.09	6.05
2235- Social Security and Welfare (Grant No.30)	12.80	0.13
2235- Social Security and Welfare (Grant No.31)	0.51	0.06
<b>Total</b>	<b>196.03</b>	<b>15.63</b>

***Reconciliation of Departmental figures***

**2.3.13** The reconciliation of amounts booked in the office of Accountant General should be carried out every month by the Heads of the departments to ensure that the departmental accounts are sufficiently accurate to secure the accuracy of the accounts maintained in the Accountant General's office from which the final published accounts are compiled and to detect any fraud or defalcation.

Despite reporting the delay in reconciliation to the Government periodically, out of 58 expenditure controlling officers, 26 controlling officers had not reconciled the expenditure and 20 controlling officers had only partially reconciled the expenditure during the year 2005-06.