

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

APPROPRIATION ACCOUNTS 2006-07 AT A GLANCE

Total number of Grants/ Appropriations: 31

Total provision and expenditure

Table-2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	10925.46	Actual Expenditure	9880.74
Supplementary	1043.40		
Total gross provision	11968.86	Total gross expenditure	9880.74
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	833.00	<i>Deduct</i> -Actual recoveries in reduction of expenditure	688.75
Total net provision	11135.86	Total net expenditure	9191.99

Voted and Charged provision and expenditure

Table -2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	7163.04	1170.65	5375.76	1114.37
Capital	3165.47	469.70	2475.55	915.06
Total gross	10328.51	1640.35	7851.31	2029.43
<i>Deduct</i> - recoveries in reduction of expenditure	833.00	-	688.73	0.02
Total net:	9495.51	1640.35	7162.58	2029.41

2.1 Introduction

Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services *vis-à-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 2006-07 against 31 Grants/Appropriations was as follows:

Table -2.3

(Rupees in crore)

		Original Grant/ Appropriation	Supplementary ¹ Grant/appropriation	Total	Actual expenditure ²	Saving(-) Excess(+)
Voted	I-Revenue	6430.25	732.79	7163.04	5375.76	(-)1787.28
	II-Capital	2845.47	305.95	3151.42	2373.17	(-)778.25
	III-Loans and Advances	14.05	-	14.05	102.38	(+)88.33
Total Voted		9289.77	1038.74	10328.51	7851.31	(-)2477.20
Charged	IV-Revenue	1165.99	4.66	1170.65	1114.37	(-)56.28
	V-Capital	2.00	-	2.00	0.02	(-)1.98
	VI-Public Debt	467.70	-	467.70	915.04*	(+)447.34
Total Charged		1635.68	4.66	1640.35	2029.43	(+)389.08
Grand Total		10925.46	1043.40	11968.86	9880.74	(-)2088.12

* Includes Rs. 676.14 crore on account of repayment of Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs.10925.46 crore, supplementary grants and appropriations of Rs. 1043.40 crore were obtained during 2006-07. The total of the supplementary grants and appropriations obtained during 2006-07 constituted 9.55 *per cent* of the original grants and appropriations. There was net saving of Rs. 2088.12 crore which was the result of overall savings of Rs.3024.04 crore, partly offset by excess of Rs. 935.92 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.

Rupees 25.45 crore drawn under three Major Heads covered under three Grants³ from the State Contingency Fund between 1 April 2006 and 31 March 2007 remained unrecouped at the end of the year.

2.3 Fulfilment of Allocative Priorities

Savings/excesses in grants/appropriations

2.3.1 Net savings of Rs. 2088.12 crore was the result of savings in 57 cases (*Appendix- 2.1*) and excesses in six 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	1787.28 (In 29 grants)	1180.01 (In 19 grants)	-	490.09 (In five grants)	(-)1787.28	(-)689.92
Charged Appropriations	56.28 (In eight appropriations)	0.47 (In one appropriation)	-	445.83 (In one appropriation)	(-)56.28	(+)445.36

¹ When Budgetary allocation appear short of requirement the Government obtain, from the legislature, supplementary grants.

² These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz Revenue expenditure Rs. 13.31 crore, Capital expenditure Rs. 675.44 crore.

³ Grant Nos 3, 5 and 25.

Appropriation by Allocative Priorities

2.3.2 Out of the overall savings of Rs. 3024.04 crore, a major portion of Rs. 2133.44 crore (71 per cent) related to eight grants/appropriations (in 13 cases) which accounted for 18 per cent of the total budget provision of Rs. 11969 crore (original plus supplementary) as mentioned below:

Table-2.5*(Rupees in crore)*

Sl. No.	Grant / Appropriation No.	Original	Supplementary	Total	Actual expenditure	Savings
A-Revenue-Voted						
1.	6.Revenue and General Administration	224.52	63.91	288.43	198.06	90.37
2.	7.Finance, Tax, Planning, Secretariat & Miscellaneous Services	976.04	109.02	1085.06	970.65	114.41
3.	11. Education, Sports, Youth Welfare & Culture	1462.25	97.15	1559.40	1388.27	171.13
4.	12. Medical, Health & Family Welfare	384.61	45.64	430.25	258.19	172.06
5.	13. Water Supply, Housing & Urban Development	629.12	94.54	723.66	300.31	423.35
6.	30.Welfare of Scheduled Castes	425.14	43.61	468.75	220.93	247.82
Total		4101.68	453.87	4555.55	3336.41	1219.14
B-Revenue-Charged						
7.	7.Finance, Tax, Planning, Secretariat & Miscellaneous Services	1143.25	3.50	1146.75	1099.94	46.81
Total		1143.25	3.50	1146.75	1099.94	46.81
C-Capital-Voted						
8.	6. Revenue & General Administration	121.00	1.92	122.92	52.58	70.34
9.	7.Finance, Tax, Planning, Secretariat & Miscellaneous Services	185.90	13.55	199.45	72.49	126.96
10.	11. Education, Sports, Youth Welfare & Culture	131.78	49.97	181.75	110.57	71.18
11.	21.Energy	477.91	4.96	482.87	208.97	273.90
12.	23.Industries	145.25	1.00	146.25	23.56	122.69
13.	30.Welfare of Scheduled Castes	370.19	15.73	385.92	183.50	202.42
Total		1432.03	87.13	1519.16	651.67	867.49
Grand Total		6676.96	544.50	7221.46	5088.02	2133.44

Areas in which major savings occurred in the above eight grants/appropriation are indicated in **Appendix-2.3**. The above table indicates poor management of grants, especially in grants no. 23, 7, 13, 6, 21 and 30 in which savings (in Revenue-Voted and Capital-Voted) accounted for Rs. 122.69 crore (83.89 per cent), Rs. 126.96 crore (63.66 per cent), Rs. 423.35 crore (58.50 per cent), Rs. 70.34 crore (57.22 per cent), Rs. 273.90 crore (56.72 per cent) and Rs. 247.82 crore (52.87 per cent) respectively of the total budget provision.

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

Non-utilization of Entire Provision

2.3.3 During the 2006-07, in the case of 79 provisions under 14 grants, the entire amount of Rs. 815.08 crore remained unutilised. Details are given in ***Appendix 2.4***.

It indicates that budget was being prepared without ascertaining the actual requirement of funds under different heads of grants. Reasons for complete non-utilisation of entire provision under various grants were not intimated by most of the Departments.

2.3.4 In 25 out of 31 grants/appropriations, the expenditure fell short by more than Rs. one crore and the saving was more than 10 *per cent* of the provision. Details are given in ***Appendix-2.5***. This indicated that the requirement of funds had not been assessed correctly and that inflated demands for funds were placed by the Controlling Officers for inclusion in the budget estimates.

Unnecessary Supplementary Provision

2.3.5 Supplementary provision of Rs. 875.35 crore obtained in 39 cases during 2006-07 proved unnecessary since the savings in these grants/appropriations amounting to Rs.2857.60 crore were more than the supplementary provision in each case as detailed in ***Appendix-2.6***.

Persistent savings

2.3.6 Expenditure fell short of the total provision by 5 *per cent* or more every year during the period 2002-07 in 20 cases. Relevant details are given in ***Appendix-2.7***.

Surrender of funds

2.3.7 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 32 cases against the available savings of Rs. 2446.32 crore (savings of Rs. one crore and above in each case), savings aggregating Rs. 1598.07 crore were either not fully surrendered or not surrendered at all. In nine cases, the amount surrendered exceeded the overall savings by Rs.12.58 crore. In respect of three grants, Rs. 98.64 crore was surrendered although the expenditure exceeded the grant/appropriation and no savings were available for surrender. Relevant details are given in ***Appendix-2.8***.

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

2.3.8 As per Article 205 of the Constitution of India, it is mandatory for a State Government, to obtain the authorization of the State Legislature for amounts spent in excess of a grant/appropriation. Excess expenditure amounting to Rs. 5258.98 crore for the years 2001-02 to 2005-06 as detailed below was yet to be regularized (October 2007) 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
2005-2006	7	7,8,17,20,22,25& 29	663.50
Total			5258.98

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 2006-2007 requiring authorization of the State Legislature

2.3.9 During 2006-07 there was a total excess of Rs. 445.83 crore in Capital-Charged section in one appropriation while the excesses in the Capital-Voted section amounted to Rs. 490.09 crore in four grants. These excesses (details given below) require authorization 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
Capital-Charged					
1.	7	Finance, Tax, Planning, Secretariat & Miscellaneous Services	4,69,20,15,000	9,15,02,91,427	4,45,82,76,427
		Total	4,69,20,15,000	9,15,02,91,427	4,45,82,76,427
Capital-Voted					
2.	17	Agricultural Work & Research	4,56,80,000	8,71,73,964	4,14,93,964
3.	20	Irrigation & Flood	3,70,21,00,000	3,93,73,16,032	23,52,16,032
4.	22	Public Works	4,87,48,43,000	5,45,73,99,957	58,25,56,957
5.	25	Food	5,00,00,000	4,09,16,30,364	4,04,16,30,364
6.	29	Horticulture Development	4,00,00,000	4,00,14,822	14,822
		Total	8,71,26,23,000	13,61,35,35,139	4,90,09,12,139
		Grand Total	13,36,46,38,000	22,76,38,26,566	9,35,91,88,566

Reasons for excess expenditure had not been furnished by most of the Departments concerned (October 2007).

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.612.27 crore was incurred in 12 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 4408

(Grant No. 25 Food) an amount of Rs. 405.85 crore was spent without any provision in gross violation of financial rules (*Appendix-2.9*).

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

Trend of recoveries

2.3.11 Scrutiny of the accounts for 2006-07 revealed that while no recoveries were included in the budget estimates in the Revenue section, actual recoveries were Rs. 13.31 crore. In the Capital section, against the budget estimates of Rs. 833 crore, actual recoveries and adjustments were Rs.675.44 crore. Thus recoveries in reduction of expenditure were underestimated by Rs. 13.31 crore in the Revenue section and overestimated by Rs. 157.56 crore in the Capital section (*Appendix-2.10*).

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

Table-2.8

(Rupees in crore)

Sl. No.	Grant number and name	Estimate of recoveries	Actual recoveries	Shortfalls (-) Excess (+)
1.	17-Agricultural Work & Research	5.00	9.38	(+)4.38
2.	20-Irrigation & Flood	-	123.99	(+)123.99
3.	22-Public Works	-	61.17	(+)61.17
4.	23-Industries	-	100.01	(+)100.01
5.	25-Food	824.00	393.47	(-)430.53
6.	29- Horticulture Development	4.00	-	(-)4.00

Reconciliation of Departmental figures

2.3.12 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 59 expenditure controlling officers, 33 controlling officers had not reconciled the expenditure and 18 controlling officers had only partially reconciled the expenditure during the year 2006-07.