

## 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 Accounts 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 2006-2007 against 59 grants/appropriations was as follows:

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure <sup>1</sup>	Saving(-)/ Excess(+)
( R u p e e s i n c r o r e )						
Voted	I Revenue	24248.78	1205.27	25454.05	23081.84	(-) 2372.21
	II Capital	2188.61	287.31	2475.92	2066.78	(-) 409.14
	III Loans and Advances	1870.07	2.26	1872.33	1317.26	(-) 555.07
<b>Total Voted</b>		<b>28307.46</b>	<b>1494.84</b>	<b>29802.30</b>	<b>26465.88</b>	<b>(-) 3336.42</b>
Charged	IV Revenue	11347.86	0.45	11348.31	11232.15	(-) 116.16
	V Capital	0.09	9.84	9.93	9.42	(-) 0.51
	VI Public Debt	4713.33	356.53	5069.86	3914.36	(-) 1155.50
	VII Loans and Advances	-	-	-	-	-
<b>Total Charged</b>		<b>16061.28</b>	<b>366.82</b>	<b>16428.10</b>	<b>15155.93</b>	<b>(-) 1272.17</b>
<b>Grand Total</b>		<b>44368.74</b>	<b>1861.66</b>	<b>46230.40</b>	<b>41621.81</b>	<b>(-) 4608.59</b>

The overall savings of Rs 4608.59 crore was the net result of excess of Rs 293.31 crore in 12 grants and eight appropriations, offset by savings of Rs 4901.90 crore in 58 grants and 22 appropriations. Explanations for savings/excesses were either not received or were received incomplete in 90 per cent of the cases.

<sup>1</sup> These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure: Rs 152.72 crore and capital expenditure: Rs 57.98 crore.

## 2.3 Fulfilment of allocative priorities

### 2.3.1 Appropriation by Allocative Priorities

Out of the total savings of Rs 4901.90 crore, major savings of Rs 3117.81 crore (64 per cent) occurred in nine grants and one appropriation as mentioned below:

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
	( R u p e e s i n c r o r e )				
15-Revenue (Voted)	5597.89	-	5597.89	5217.79	380.10
18-Revenue (Voted)	3984.01	-	3984.01	3863.20	120.81
18-Revenue (Charged)	11149.82	-	11149.82	11049.23	100.59
18-Capital (Charged)	4630.74	354.51	4985.25	3857.12	1128.13
21-Revenue (Voted)	338.23	-	338.23	164.81	173.42
24-Revenue (Voted)	1694.12	-	1694.12	1531.90	162.22
25-Revenue (Voted)	1055.80	120.63	1176.43	995.83	180.60
25-Capital (Voted)	722.96	-	722.96	412.65	310.31
32-Capital (Voted)	347.73	-	347.73	167.15	180.58
39-Revenue (Voted)	1404.03	54.26	1458.29	1272.32	185.97
45-Capital (Voted)	375.52	-	375.52	241.96	133.56
55-Capital (Voted)	93.69	-	93.69	32.17	61.52
<b>Total</b>	<b>31394.54</b>	<b>529.40</b>	<b>31923.94</b>	<b>28806.13</b>	<b>3117.81</b>

The departments did not intimate any reasons for savings. Areas in which major savings occurred in these nine grants are given in *Appendix 2.1*.

In 66 cases, savings exceeding rupees one crore in each case and also by more than 10 per cent of total provision amounting to Rs 3669.73 crore occurred as indicated in *Appendix 2.2*. In four<sup>2</sup> of these cases, the entire provision totalling Rs 39.32 crore was not utilised.

There was excess of Rs 293.31 crore under 12 grants and eight appropriations requiring regularisation by the Legislature. The excess under Grant Nos.28-Housing, 31-Information Technology and 54-Urban Development amounted to Rs 185.78 crore.

### 2.3.2 Persistent savings

In 12 cases, involving nine grants and two appropriations, there were persistent savings of more than Rupees one crore in each case and 20 per cent or more of provisions. Details are given in *Appendix 2.3*.

### 2.3.3 Excess 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 50333.70 crore for the years 1999-2000 to 2005-2006<sup>3</sup> as detailed in the table had not been regularised so far (September 2007). This was a breach of legislative control over appropriations.

<sup>2</sup> 20 (Capital Charged), 21 (Capital Voted), 35 (Capital Voted) and 47 (Capital Charged)

<sup>3</sup> Act of regularisation on excess expenditure for the years 1999-2006 is awaited. Consolidated replies from Government for the years 2003-2007 were yet to be received.

Year	Number of grants/ appropriations	Grant/ Appropriation number(s)	Amount of excess (Rs in crore)	Reasons for excess
1999-2000	18	16, 21, 25, 28, 30, 32, 34, 35, 42, 44, 46, 52, 66, 73, 80, 82, 87, 98	5216.78	Not received
2000-2001	13	1, 14, 21, 25, 28, 30, 34, 38, 40, 51, 66, 79, 98	8545.52	Not received
2001-2002	7	21, 28, 34, 38, 63, 67, 98	9649.61	Not received
2002-2003	9	1, 6, 28, 42, 63, 74, 79, 96, 98	11159.99	Not received
2003-2004	18	5, 7, 9, 16, 18, 27, 28, 29, 31, 36, 37, 43, 45, 47, 51, 54, 55, 56	10734.02	Not received
2004-2005	13	1, 6, 8, 18, 20, 21, 24, 25, 29, 36, 48, 53, 56	4767.14	Not received
2005-2006	16	6,7,9,11,12,18,20,30,38,43,44,45,50,52,53, 54	260.64	Not received
<b>Total</b>			<b>50333.70</b>	

Further, the excess of Rs 293.31 crore under 12 grants and eight appropriations during 2006-2007 requires regularisation under Article 205 of the Constitution. Details are given below:

Grant No.	Description of the grant/appropriation	Section	Total grant/ appropriation	Actual expenditure	Amount of excess
A	Voted		Rupees	Rupees	Rupees
8	Co-Operation	Capital	65079000	119686828	54607828
9	Commerce and Industries	Revenue	2856808000	2904647200	47839200
11	Cottage and Small Scale Industries	Capital	360896000	381058825	20162825
13	Education (Higher)	Capital	500000	894355	394355
20	Fisheries	Revenue	544179000	603356853	59177853
26	Hill Affairs	Revenue	1693921000	1782231770	88310770
28	Housing	Revenue	629983000	1514931350	884948350
30	Information and Cultural Affairs	Capital	37490000	38804714	1314714
31	Information Technology	Capital	81000000	558566889	477566889
43	Power and Non-Conventional Energy Sources	Capital	18835250000	18877937000	42687000
45	Public Health Engineering	Revenue	2740945000	2934747961	193802961
54	Urban Development	Revenue	3746244000	4241490911	495246911
<b>Total : A - Voted</b>			<b>31592295000</b>	<b>33958354656</b>	<b>2366059656</b>
B	Charged				
5	Agriculture	Revenue	27151000	31773557	4622557
		Capital	12013000	13377826	1364826
6	Animal Resources Development	Capital	1000000	326728330	325728330
20	Fisheries	Revenue	90000000	97522848	7522848
23	Forest	Revenue	2858000	3777594	919594
		Capital	3000000	3834040	834040
27	Home	Revenue	68369000	68732956	363956
42	Personnel and Administrative Reforms	Capital	2448000	2448430	430
47	Relief	Revenue	510085000	733954502	223869502
53	Transport	Revenue	119116000	120286636	1170636
		Capital	113891000	114542192	651192
<b>Total : B - Charged</b>			<b>949931000</b>	<b>1516978911</b>	<b>567047911</b>
<b>Total : A and B</b>			<b>3254226000</b>	<b>3547533567</b>	<b>2933107567</b>

Reasons for the excesses had not been furnished by the Government as of September 2007.

### 2.3.4 Original budget and supplementary provisions

Supplementary provisions (Rs 1861.66 crore) made during this year constituted four per cent of the original provision (Rs 44368.74 crore) against six per cent of previous year.

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

Supplementary provisions of Rs 1000.87 crore made in 29 cases during the year proved unnecessary in view of aggregate saving of Rs 2483.35 crore as detailed in **Appendix 2.4**.

In 13 cases, against additional requirement of only Rs 212.83 crore, supplementary grants and appropriations of Rs 364.99 crore were obtained, resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 152.16 crore. Details of these cases are given in **Appendix 2.5**.

In eight cases, supplementary provision of Rs 359.08 crore proved insufficient leaving an uncovered excess expenditure of Rs 94.76 crore. Details of these cases are given in **Appendix 2.6**.

In 14 cases, though expenditure exceeded budget provision by Rs 198.55 crore, no supplementary grant was provided. Details of these cases are given in **Appendix 2.7**.

### **2.3.6 Excessive/unnecessary re-appropriation of funds**

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Cases where the re-appropriation of funds proved injudicious in view of final excess/savings over grant by over rupees one crore are detailed in **Appendices 2.8 and 2.9** respectively.

### **2.3.7 Defective re-appropriation**

During 2006-2007, 90 re-appropriation orders of Rs 1273.03 crore were issued. Of these, 22 orders aggregating Rs 300.05 crore were not considered in accounts due to delayed receipt.

Of the remaining 68 orders, 11 orders involving Rs 95.11 crore were issued on 31 March 2007, the last day of the fiscal year and two orders involving Rs 28.35 lakh were issued after the close of the financial year.

### **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 savings are anticipated. However, at the close of the year 2006-2007, there were 58 cases in which savings above rupees one crore in each case amounting to Rs 3309.82 crore had not been surrendered. In 22 cases, even after partial surrender, savings of rupees one crore and above in each case aggregating Rs 1051.46 crore (72 per cent of total savings) remained un-surrendered. This included un-surrendered savings of Rs 120.21 crore (99 per cent of total savings under Grant No. 18-Finance-Revenue-Voted), Rs 300.14 crore (97 per cent of total savings under Grant No. 25 – Public Works-Capital-Voted), Rs 185.64 crore (99 per cent of total savings under Grant No. 39-Municipal Affairs-Revenue-Voted) and Rs 8.93 crore

(99 per cent of total savings under Grant No. 47-Relief-Capital-Charged). Details are given in *Appendices 2.10 and 2.11* respectively.

### **2.3.9 Expenditure without provision**

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. Some instances (9 cases involving Rs 813.80 crore) are shown in *Appendix 2.12* where no provisions in the original estimates/supplementary demands were made or re-appropriation orders issued.

#### **2.3.10 Surrender in excess of actual savings**

In five cases, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total savings of Rs 72.69 crore, the amount surrendered was Rs 83.73 crore resulting in excess surrender of Rs 11.04 crore.

In six cases Rs 16.35 crore were surrendered in spite of the fact that the expenditure exceeded the approved provision by Rs 123.73 crore. Details are given in *Appendix 2.13*.

#### **2.3.11 Advances from Contingency Fund**

The Contingency Fund of the State was established under the Contingency Fund Act 1956, in terms of provisions of Articles 267(2) and 283(2) of the Constitution of India. Advances from the Fund were to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable. The Fund was in the nature of an imprest and its corpus was Rs 20 crore.

As on 1 April 2006, the balance in the fund was Rs 18.05 crore. During the year advances drawn but unrecouped totalled Rs 6.98 crore. Also Rs 1.74 crore was recouped out of the advances drawn during previous years. Thus, the closing balance of the fund as on 31 March 2007 was Rs 12.81 crore. During the year 2006-2007, 51 sanctions were issued for withdrawal of total amount of Rs 14.86 crore.

#### **2.3.12 New Service/New Instrument of Service**

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature.

In two cases, expenditure totalling Rs 76.80 lakh which should have been treated as 'New Service'/'New Instrument of Service' was met by re-appropriation without obtaining the requisite approval of the Legislature. Details of these cases are given in *Appendix 2.14*.

## 2.4 Unreconciled Expenditure

Financial rules require that the departmental Controlling Officers should reconcile every month the departmental figures of expenditure with those booked by the Accountant General (Accounts and Entitlements) before the close of the accounts of the year. The reconciliation had, however, remained in arrears in several departments.

During the year, out of 185 Controlling Officers, 58 Controlling Officers have reconciled their accounts upto March 2007, 79 Controlling Officers have reconciled upto the month varying from March 2006 to February 2007 and 15 Controlling Officers have reconciled upto the month varying from March 2005 to February 2006 while 33 Controlling Officers have not done reconciliation even upto March 2005.

The total amount remaining unreconciled during 2006-2007 was Rs 25045.79 crore (69 per cent of the total expenditure).

## 2.5 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing months of a financial year is to be regarded as breach of financial regularity and should be avoided. The position in respect of expenditure upto third quarter, for the fourth quarter and also for the month of March 2007 as depicted below shows that the expenditure incurred in March 2007 in 13 cases ranged between 64 and 100 per cent of the total expenditure during the year.

Description of Major Head	Expenditure up to 3rd quarter	Expenditure in 4th quarter	Total expenditure	Expenditure in March 2007	Percentage of expenditure in March 2007
	( R u p e e s i n c r o r e )				
2810-Non-Conventional Sources of Energy	1.06	7.44	8.50	5.62	66
4055-Capital Outlay on Police	0.36	3.28	3.64	2.94	81
4059-Capital Outlay on Public Works	14.38	53.71	68.09	51.14	75
4070-Capital Outlay on Other Administrative Services	0.88	7.63	8.51	7.32	86
4202-Capital Outlay on Education, Sports, Art and Culture	2.04	8.28	10.32	7.09	69
4210- Capital Outlay on Medical and Public Health	16.42	50.65	67.07	46.18	69
4216-Capital Outlay on Housing	2.18	8.28	10.46	7.23	69
4217-Capital Outlay on Urban Development	3.16	14.19	17.35	12.57	72
4401-Capital Outlay on Crop Husbandry	2.11	6.25	8.36	5.31	64
4435-Capital Outlay on Other Agricultural Programmes	-	2.56	2.56	2.56	100
4701-Capital Outlay on Major and Medium Irrigation	0.22	1.25	1.47	1.23	84
4857-Capital Outlay on Chemicals and Pharmaceutical Industries	0.41	10.62	11.03	10.44	95
5452-Capital Outlay on Tourism	0.54	8.83	9.37	8.44	90

## 2.6 Operation of Personal Ledger Accounts

In terms of Rule 6.09 of West Bengal Treasury Rules (WBTR) 2005, the Personal Deposit Account created by debit to the Consolidated Fund of the State other than those created under any law or rule having the force of law by transferring fund from the Consolidated Fund of the State for discharging liability of the Government arising out of special enactments, shall be closed at the end of the financial year by minus debit of the balance to the relevant

service Heads in the Consolidated Fund of the State. It is also stated in Rule 6.08 of West Bengal Treasury Rules that any Personal Deposit Account, if not operated for consecutive two years, shall be closed and if there is reason to believe that the need for such Deposit Account has ceased, the same shall be closed.

The provisions of rules as narrated above were not followed as would be evident from the succeeding paragraphs.

The balance under Personal Ledger Accounts of the State at the end of March 2007 was Rs 1398.91 crore. Test-check of 32 Personal Ledger Accounts (PLAs) of 25 Drawing and Disbursing Officers (DDOs) of seven Departments viz (i) Land and Land Reforms, (ii) Home (Police), (iii) Health and Family Welfare, (iv) Labour (v) Animal Resources Development (vi) Jails and (vii) Agriculture showed that the PLAs were opened during the period from 1965-1966 to 2001-2002. Seventeen DDOs unauthorisedly opened 18 PL Accounts without consulting the Accountant General (Accounts and Entitlement). None of the DDOs except Superintendent of Police, Bardhaman closed the PLAs at the end of the financial years, as required under rules, resulting in accumulation of Rs 396.24 crore at the end of 31 March 2007. Details are given in the **Appendix 2.15**.

Six DDOs ( Four DMs, Director of Agriculture and DG & IG of Police, West Bengal) retained for various periods since 1990-1991 unspent balances of Rs 506.50 crore pertaining to different Scheme Funds in their PLAs till March 2007 (**Appendix 2.16**).

Nine PLAs remained inoperative for a period ranging between five and thirty years, having a total balance of deposit of Rs 2 crore as on 31 March 2007 (**Appendix 2.17**).

Departmental receipts of Rs 1.53 crore collected during January 1997 to December 2005, were deposited and retained in PLAs unauthorisedly as of 31 March 2007 by the Superintendents of two Medical College and Hospitals (Medical College and Hospital Kolkata, and National Medical College and Hospital) and Principal of Dr R Ahmed Dental College and Hospital without consultation with the Accountant General (Accounts and Entitlement), West Bengal.

There were discrepancies between PLA Cash Book and Treasury Pass Book in respect of nine PLAs due to non-reconciliation as required under Rule 6.08 (5) of WBTR 2005 (**Appendix 2.18**).

Thus, funds meant for various developmental works were locked in PLAs without undertaking works for which these were sanctioned and released flouting the rules of WBTR regarding Personal Deposit Account.

## **2.7 Huge amounts drawn on Abstract Contingent (AC) Bills remaining outstanding**

Administrative Departments issue sanction orders with the concurrence of Finance Department, authorizing different Drawing and Disbursing Officers (DDOs) to draw advances on Abstract Contingent (AC) bills which are required to be adjusted by submission of Detailed Contingent (DC) bills with the countersignature of the Controlling Officer within a period not exceeding 60 days from the dates of its drawal from the Treasury or within one month from the date of its actual expenditure.

Mention was made in paragraph 2.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil) – Government of West Bengal, regarding huge sum of money (Rs 70.04 crore) remaining pending for adjustment for years together. The departments obviously had not taken any action to arrest such practice as is evident from the succeeding paragraphs.

Out of 2798 DDOs, records of 59 offices test checked during 2006-2007 disclosed that Rs 70.12 crore (1541 bills) was drawn during 1987-2007 through AC bills including Rs 5.09 crore (34 bills) drawn during 2006-2007. As against the total drawal of Rs 70.12 crore in AC bills Rs 65.09 crore remained unadjusted as of March 2007 (*Appendix 2.19*).

Scrutiny of AC/DC bills showed the following irregularities:

- (i) In course of submission of AC bills to Treasury, the DDO was required to furnish a certificate to the effect that DC bills for the previous AC bills had been submitted within a period of 60 days and the expenditure had been incurred for the purpose for which it was drawn. Neither any DDO had furnished such certificate on AC bills nor did the Treasury Officers insist on furnishing such certificate by the DDOs. Nine DDOs drew advances for Rs 5.09 crore on AC bills during 2006-2007 despite non-submission of DC bills against previous AC bills for Rs 48.33 crore drawn during 1987-2006.
- (ii) No separate register for recording AC and DC bills had been maintained by five<sup>4</sup> out of nine further test-checked offices.
- (iii) Out of total outstanding amount of Rs 65.03 crore pertaining to 1987-2006, adjustment of Rs 47.58 crore (73 per cent) mainly pertained to DM, Howrah (Rs 4.38 crore), DM, Murshidabad (Rs 8.56 crore), DM, South 24 Parganas (Rs 4.40 crore), DM North 24 Parganas (Rs 19.37 crore), SP Darjeeling (Rs 2.09 crore), SDO, Kharagpur (Rs 1.10 crore) and DHS, Kolkata (Rs 7.68 crore). Out of Rs 5.09 crore drawn between April 2006 and March 2007, Rs 1.47 crore remained unadjusted as of March 2007.

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<sup>4</sup> DM Howrah, DM Darjeeling, DM North and South 24 Parganas, DM Purba Medinipur



- (iv) AC bills amounting to Rs 1.44 crore were drawn by six DDOs (DM, Darjeeling: Rs 0.02 crore, DM, Howrah: Rs 0.42 crore, DM, Murshidabad: Rs 0.21 crore, DM, North 24 Parganas: Rs 0.29 crore, DM, South 24 Parganas: Rs 0.38 crore, and SP, Darjeeling: Rs 0.12 crore) for various purposes on the last day of the financial year (2006-2007) to avoid lapse of budget grants.

Prolonged retention of huge public funds by the DDOs without submitting DC bills is fraught with the risk of serious financial indiscipline and misappropriation.

The matter requires immediate attention of the Government for necessary investigation to ascertain the position of actual utilisation of those funds lying unadjusted for a long time.

## **2.8 Other topics of interest**

### ***2.8.1 Irregularities in the functioning of treasuries***

#### ***Non-maintenance of records relating to sanction orders***

During inspection of treasuries for the year 2006-2007, it was noticed that in 25 treasuries there was no system of noting the sanction orders relating to drawal on AC Bills/Grants-in-aid/withdrawal from GPF, CVP/Gratuity and other bills in absence of which the authenticity of the claims could not be checked leaving scope for fraudulent drawal/double drawal of Government money from the treasuries by presenting fake bills.

#### ***Irregularities in payment of pension***

Scrutiny of the records of treasuries disclosed that Rs 96.67 lakh in respect of pension, family pension and relief thereon was paid in excess to the pensioners due to wrong calculation of pension, relief paid on re-employment/re-marriage, non-reduction of basic pension, payments of pension even after death of the pensioners and non-reduction of enhanced rate of family pension even after the stipulated period. Details are as under:

- (i) In 48 treasuries an amount of Rs 50.53 lakh was paid in excess to 251 pensioners on account of relief paid to re-employed pensioners, non-reduction of enhanced rate of family pension after the stipulated period, wrong calculation of pension paid on remarriage, etc.
- (ii) The Treasury Officers of 53 treasuries failed to recover Rs 43.71 lakh deposited to 882 deceased pensioners' bank accounts even after the death of the pensioners.
- (iii) Due to non-reduction of commuted value of pension from the basic pension in time Rs 2.43 lakh were overpaid in five treasuries in 26 cases, requiring recovery from the pensioners.