

Chapter-II

Allocative Priorities and Appropriation

2.1 Introduction

In accordance with the provisions of Section 81 of the Constitution of Jammu and Kashmir, soon after the grants under Sections 79 and 80 are made by the State Legislature, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate sums of money from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 82 of the Constitution of Jammu and Kashmir.

The Appropriation Act indicates the expenditure which has been voted by the Legislature on various grants and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Acts.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts 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 original and supplementary grants and expenditure thereagainst in respect of 29 grants and appropriations is as follows.

Summary of Appropriation Accounts 2003-04

Appropriation Accounts 2003-04

Total number of grants 29

Total provision and actual expenditure:

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original:	10257.11		19748.86
Supplementary:	778.06		
Total gross provision:	11035.17	Total gross expenditure:	19748.86
Deduct-Estimated recoveries in reduction of expenditure	531.03		533.13
Total net provision	10504.14	Total net expenditure	19215.73

Voted and Charged provision and expenditure (Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	6950.19	1160.72	6578.45	1255.99
Capital	2601.12	323.14	2401.63	9512.79
Total Gross:	9551.31	1483.86	8980.08	10768.78
Deduct-recoveries in reduction of expenditure	531.03		533.13	
Total: net	9020.28	1483.86	8446.95	10768.78

The summarised position of the actual expenditure during 2003-04 against 29 grants/appropriations was as follows:

Table 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure [#]	Saving (-)/ Excess (+)
Voted	Revenue	6459.55	490.64	6950.19	6578.45	(-) 371.74
	Capital	2258.05	286.48	2544.53	2333.33	(-) 211.20
	Loans and Advances	56.59	-	56.59	68.30	(+) 11.71
Total voted:		8774.19	777.12	9551.31	8980.08	(-) 571.23
Charged	Revenue	1159.78	0.94	1160.72	1255.99	(+) 95.27
	Capital			-		
	Public Debt	323.14	-	323.14	9512.79	(+) 9189.65
Total Charged		1482.92	0.94	1483.86	10768.78	(+) 9284.92
Grand Total:		10257.11	778.06	11035.17	19748.86*	8713.69

The overall excess of Rs. 8,713.69 crore was due to net effect of excess of Rs. 9,770.53 crore (Revenue: Rs. 292.48 crore; Capital: Rs. 9,478.05 crore) and saving of Rs. 1,056.84 crore (Revenue: Rs. 568.95 crore; Capital: Rs. 487.89 crore) in respect of 18 grants and two appropriations, and 24 grants and six appropriations, respectively.

Results of Appropriation Audit

2.3 Excess expenditure requiring regularisation

In the Revenue section there was an excess expenditure of Rs. 292.48 crore in 12 grants and two appropriations while in the Capital section, excess expenditure amounted to Rs. 9,478.05 crore in 11 grants and one appropriation as detailed below:

[#] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs. 80.28 crore) and Capital (Rs. 452.85 crore).

^{*} Expenditure was inflated at least by Rs. 11.48 crore as Rs. 9.66 crore was drawn by 13 DDOs by debit to service heads and credited to deposits and Rs. 1.82 crore was drawn by 18 DDOs on Abstract Contingent Bills.

Table 2.2

(Rupees in crore)

S.No	Name of grant/appropriation	Total grant/appropriation	Expenditure	Excess (Percentage of excess)
I. Revenue (Voted)				
1.	3- Planning and Development Department	13.67	30.29	16.62 (122)
2.	5- Ladakh Affairs Department	135.71	188.68	52.97 (39)
3.	8- Finance Department	683.84	747.51	63.67 (9)
4.	12-Agriculture Department	201.56	210.28	8.72 (4)
5.	13-Animal Husbandry Department	108.72	109.85	1.13 (1)
6.	14-Revenue Department	199.51	200.95	1.44 (1)
7.	15-Food Supplies and Transport Department	0.70	1.05	0.35 (50)
8.	16-Public Works Department	209.08	222.36*	13.28 (6)
9.	18-Social Welfare Department	117.71	141.13	23.42 (20)
10.	21-Forest Department	159.42	162.27	2.85 (2)
11.	25-Labour , Stationery and Printing Department	24.88	31.28	6.40 (26)
12.	28-Rural Development Department	65.84	71.35	5.51 (8)
	Total Revenue Section	1920.64	2117.00	196.36
II. Revenue (Charged)				
13.	8- Finance Department	1150.01	1246.03	96.02 (8)
14.	28-Rural Development Department	-	0.10	0.10 (100)
	Total (Revenue Charged)	1150.01	1246.13	96.12 (8)
	Total Revenue Section	3070.65	3363.13	292.48
III- Capital (Voted)				
15.	7-Education Department	29.69	52.51	22.82 (77)
16.	8-Finance Department	-	0.31	0.31(100)
17.	16-Public Works Department	237.76	269.50	31.74(13)
18.	17-Health and Medical Education Department	35.71	44.32	8.61(24)
19.	18-Social Welfare Department	35.68	82.42	46.74(131)
20.	20-Tourism Department	30.59	33.07	2.48(8)
21.	21-Forest Department	46.99	47.36	0.37(1)
22.	23-Public Health Engineering Department	127.00	282.05	155.05(122)
23.	24-Hospitality and Protocol Department	-	0.57	0.57(100)
24.	26-Fisheries Department	5.56	6.72*	1.16(21)
25.	28-Rural Development Department	37.54	56.09	18.55(49)
	Total Capital (Voted)	586.52	874.92	288.40 (49)
IV- Capital (Charged)				
26.	8- Finance Department	323.14	9512.79	9189.65 (2844)
	Total (IV)	323.14	9512.79	9189.65
	Total (III+IV)	909.66	10387.71	9478.05
	Grand Total	3980.31	13750.84	9770.53

* Rs. 222.36 for Rs. 222.37 adopted for the purpose of rounding

▼ Rs. 6.72 adopted for Rs. 6.73 for the purpose of rounding

The excess expenditure of Rs. 9,770.53 crore over the provision was mainly due to part clearance of overdraft of Rs. 8,345.85 crore obtained by the State Government from Jammu & Kashmir Bank Limited during the current year.

In case of eight grants (*Appendix-10*) there was excess expenditure of Rs. 99.74 crore despite obtaining supplementary grants of Rs. 60.53 crore. This was because of the failure of the departments in assessing the requirement of additional funds even at the end of the year and also because of inadequacy of the system to monitor the trend of expenditure under various heads of account.

2.4 Excess over grants in previous years not regularised

As per Section 82 of the Constitution of the Jammu and Kashmir it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs. 41,827.71 crore for the years 1980-81 to 2002-03 as per details given below was pending with the Finance Department for regularisation.

Table 2.3

Year	No. of Grants/ Appropriations	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21
1998-99	6	4,5,6,8,23,27	4,185.25
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08
2000-01	11	1,6,8,9,12,16,18,23,25, 26 and 27	6,310.25
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28 and 29	6,393.41
2002-03	15	3,5,6,7,8,12,14,16,17,18,21,23,25,26,28	505.61
Total:			41,827.71

Savings under various grants/appropriations

2.5 Unnecessary/excessive supplementary provisions

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances under which and the purpose for which the original grant or appropriation was provided.

In 13 cases, relating to 10 grants and two appropriations (*Appendix-11*), supplementary provision of Rs. 29.85 crore was obtained in anticipation of higher expenditure. However, the final expenditure of Rs. 468.61 crore was even less than the original grant of Rs. 547.79 crore. The savings of Rs. 109.03 crore thus, exceeded the entire supplementary provision amounting to Rs. 29.85 crore indicating unnecessary allotment of additional funds in these cases.

In 13 other cases, relating to 9 grants and three appropriations, supplementary grants aggregating Rs. 688.01 crore were obtained against the requirement of Rs. 296.12 crore resulting in saving of Rs. 391.89 crore (*Appendix-12*).

Apart from these cases, savings in 10 cases exceeded 10 *per cent* of the budget provision and were more than rupees one crore in each case as detailed in *Appendix-13*. Large-scale savings indicated over-estimation of requirement of funds.

2.6 Flow of expenditure

Financial rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is to be regarded as breach of financial rules. Quarter-wise expenditure (net) during 2003-04 as also expenditure in the month of March 2004 under revenue and capital sections incurred by the State Government is detailed below:

Table 2.4

(Rupees in crore)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	1257.21	13.05
Second quarter	1971.26	20.46
Third quarter	1907.54	19.80
Fourth quarter	4498.63 (2992.75)	46.69 (31.06)
Total	9634.64	

(Figures in brackets represent expenditure in the month of March)

As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Senior Deputy Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2004 constituted 31.06 *per cent* of the total expenditure.

Persistent excesses/savings

2.7 Persistent excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2001-02, 2002-03 and 2003-04 in six grants as detailed below:

Table 2.5

S.No.	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		2001-02	2002-03	2003-04
I. Revenue-Voted				
1.	3- Planning and Development	27.34	35.24	16.62
2.	5- Ladakh Affairs	95.47	12.83	52.97
3.	25-Labour, Stationery and Printing	4.51	3.99	6.40
II. Capital-Voted				
4.	17-Health and Medical Education	20.95	6.71	8.61
5.	23-Public Health Engineering	67.95	29.89	155.05
6.	26-Fisheries	3.52	2.25	1.16

2.8 Persistent savings

Persistent savings of 10 *per cent* and above were noticed during the years 2001-2002, 2002-03 and 2003-04 in 13 grants and one appropriation as detailed in *Appendix-14*.

Budgetary control

2.9 Expenditure without budget provision

No expenditure is to be incurred, unless it has been provided in the budget estimates. However, during the year 2003-04, expenditure of Rs. 9,586.03 crore was incurred under 62 major heads of account (21 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (September 2004). Expenditure in the absence of budget provision reflects financial indiscipline and lax monitoring system of the concerned departments/controllers/officers. Details of cases covered under this category are given in *Appendix-15*.

2.10 Lump sum provision

Lump sum provision of Rs. 746.70 crore was made under 38 heads of account without providing sub/minor/detailed head-wise break up of the expenditure. This deprived Audit in making minor and sub head-wise comparison of savings/excesses.

2.11 Unutilised provisions and surrender thereof

Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen, given the trend of expenditure. Savings should also not be held in reserve for possible future excess. It was, however, noticed that in 30 cases against the available savings of Rs. 1,053.53 crore (involving savings of Rs. one crore and above in each case), no amount was surrendered at all. Relevant details are indicated in *Appendix-16*. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.12 Recoveries as reduction of expenditure

The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of expenditure to other concerning departments. These anticipated recoveries and credits are separately shown in budget estimates and actuals adjusted in the accounts as reduction of expenditure. Appropriation Audit, however, is done by comparing gross expenditure with gross amount of grant.

In the Revenue Section against the estimated recoveries of Rs. 81.41 crore, actual recoveries were Rs. 80.28 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs. 449.62 crore, actual recoveries were Rs. 452.85 crore. The shortfall occurred mainly under Grants No. 5-Ladakh Affairs Department (Rs. 7.15 crore), 16-Public Works Department (Rs. 1.51 crore) and 19-Housing and Urban Development Department (Rs. 1.10 crore) under Revenue Section and under Grant No. 5-Ladakh Affairs Department (Rs. 1.20 crore) and 12-Agriculture Department (Rs. 1.26 crore) under Capital Section. Reasons for the shortfall though called for, were awaited. Grant-wise details of deviations from the original estimates are given in the *Appendix-II* to the Appropriation Accounts.

2.13 Non-reconciliation of departmental figures of expenditure

Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Senior Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 2004, 105 controlling officers, out of 226 had not completed the reconciliation in respect of expenditure of Rs. 3,790.35 crore, which constituted 39 *per cent* of the total net revenue and capital expenditure.