

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

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 expenditure.

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 whether 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 2003-04 against grants and appropriations was as follows:

(Rupees in crore)						
	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving (-) Excess(+)
Voted	I. Revenue	28565.98	12761.43	41327.41	38259.42	(-)3067.99
	II. Capital	15213.94	146.78	15360.72	14317.28	(-)1043.44
	III. Loans & Advances	1382.69	138.62	1521.31	1242.37	(-)278.94
Total Voted		45162.61	13046.83	58209.44	53819.07	(-)4390.37
Charged	IV. Revenue	13268.09	0.47	13268.56	12005.38	(-)1263.18
	V. Capital	10.48	5.99	16.47	9.66	(-)6.81
	VI. Public Debt	17510.86	6451.34	23962.20	25418.48	(+)1456.28
Total Charged		30789.43	6457.80	37247.23	37433.52	(+)186.29
Grand Total		75952.04	19504.63	95456.67	91252.59	(-)4204.08

Note: - The figures of actual expenditure are gross figures and include the recoveries adjusted as reduction of expenditure under voted revenue expenditure Rs. 43.68 crore and capital expenditure Rs. 5006.58 crore and charged capital expenditure Rs. 0.01 crore.

The overall savings of Rs. 4204.08 crore as mentioned above were the net result of savings of Rs. 7849.07 crore in 178 cases of grants and appropriations (*Appendix-2.1*) offset by excess of Rs. 3644.99 crore in 16 cases of grants and appropriations (*Appendix-2.2*). The details of savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations, which were however not received (February 2005).

2.3 Appropriation by Allocative Priorities

2.3.1 Grants where savings were of the order of Rs. 400 crore and above

Grant No. 13 – Agriculture And Other Allied Departments (Rural Development)

(Rupees in crore)				
Capital (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	1478.93	1541.42	531.02	1010.40
Supplementary	62.49			

Savings occurred mainly under the Head 4515-Capital Outlay on other Rural Development Programmes-Prime Minister Gramodaya Schemes (Rs. 1000 crore). Reasons for surrender of Rs. 1000 crore were not intimated.

Grant No. 62 –Finance Department (Superannuation Allowances And Pensions)

(Rupees in crore)

Revenue (Voted)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	2716.82	2716.82	2139.93	576.89
Supplementary	Nil			

Savings occurred mainly under the Head 2071- Pensions and Other Retirement Benefits- Superannuation and Retirement Allowances (Rs. 296.06 crore) and on account of Pension to Teachers/Non Teaching Employees of State Universities (Rs. 112.51 crore).

Grant No. 21 – Food And Civil Supplies Department

(Rupees in crore)

Capital (Charged)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	900.00	900.00	330.00	570.00
Supplementary	Nil			

Savings occurred under the Head 6003-Internal Debt of the State Government- Repayment of Loans received for purchase of food grains. Reasons for the savings under the above head were not intimated (August 2004).

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

(Rupees in crore)

Revenue (Charged)		Total (Original+Supplementary)	Actual Expenditure	Saving
Original	12266.86	12266.86	11786.79	480.07
Supplementary	Nil			

Savings occurred mainly under the Head 2049-Interest payments –Interest on Market Loans (Rs. 192.16 crore). It highlighted that funds available for debt servicing were not used thereby enhancing the interest liabilities for which no reasons were furnished.

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Savings exceeded Rs. 1 crore in each case and also were more than 10 per cent of total provision in 42 grants in revenue (voted) section, in 27 grants in capital (voted) section, in 6 grants in revenue (charged) section and in 3 grants in capital (charged) section. The total amount of such savings was Rs. 6192.88 crore (*Appendix-2.3*) which is almost 79 per cent of the total savings (*Appendix-2.1*). This indicated that the budget estimates were unrealistic and had no correlation with the actual requirement.

2.3.2 Persistent savings

In seven cases involving six grants/appropriation, there were persistent savings for the last four years, of more than Rupees one crore in each case as under:

(Rupees in crore)

Sl.No	Grant Number	Description of the Grants/Appropriation	Amount of savings with percentage in the brackets			
			2000-01	2001-02	2002-03	2003-04
Revenue-Voted						
1.	40	Planning Department	223.96 (94)	14.39 (32)	4.55 (12)	5.02 (12)
2.	49	Women and Child Welfare Department	119.30 (29)	218.80 (42)	30.75 (07)	41.76 (10)
3.	61	Finance Department (Debt Services and other expenditure)	815.60 (43)	1012.15 (52)	993.68 (46)	511.59 (27)
Capital-Voted						
4.	7	Industries Department (Heavy and Medium Industries)	186.93 (56)	113.35 (42)	3.00 (03)	87.39 (73)
5.	26	Home Department (Police)	77.31 (82)	90.89 (58)	43.81 (18)	77.79 (52)
6.	61	Finance Department (Debt Services and other Expenditure)	88.47 (16)	45.61 (80)	47.58 (82)	39.42 (68)
Revenue-Charged						
7.	51	Revenue Department (Relief on account of natural calamities)	226.74 (72)	153.59 (99)	162.87 (100)	169.33 (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. 29448.60 crore for the years 1984-85 to 2002-03 had not been regularised so far (February 2005). This was a breach of Legislative control over appropriations. The details are given in *Appendix-2.4*

Excess over provisions during 2003-04 requiring regularisation

The excess of Rs. 3644.99 crore under 14 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. 19504.63 crore) made during this year constituted 26 per cent of the original provisions (Rs. 75952.04 crore) as against 5 per cent in the previous year.

2.3.5 Unnecessary supplementary provisions

Supplementary provisions amounting to Rs. 496.93 crore in 46 cases during the year proved unnecessary as the expenditure in these cases fell short of even the original grant and the savings had to be either surrendered or re-appropriated. Such savings formed almost 38 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 8 cases, there was excess expenditure of Rs. 2725.42 crore as the supplementary grants of Rs. 6474.39 crore proved inadequate. In 8 other cases, no demand for supplementary grants was anticipated despite the excess

expenditure of Rs. 919.57 crore. This indicated failure of the departments to assess the requirements of additional funds and also the 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. 55 – Capital – Voted. These ranged from 540 to 1449 *per cent* during the last six years. Persistent excesses indicated lack of budgetary control and require an investigation by the Government.

(Rupees in crore)

Year	Allotment	Expenditure	Excess (<i>Per cent</i>)
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
2003-04	26.19	170.57	551

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 2003-04, there were 39 cases in which savings above rupees one crore in each case aggregating Rs. 2978.42 crore were not surrendered. In 33 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs. 935.67 crore which were not surrendered. Details are given in *Appendix -2.7*.

Besides, in 45 cases, Rs. 2973.30 crore were surrendered in March 2004 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
1999-2000	67	14672.38
2000-01	51	11294.80
2002-03	104	41275.93
2003-04	71	40152.99
Total	644	153903.37

During 2003-04, out of 156 Controlling Officers, 71 Controlling Officers did not reconcile their figures aggregating Rs. 40152.99 crore.

2.5 Rush of expenditure

Financial rules provide 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 2004 under 26 heads of accounts ranged between 51 *per cent* and 100 *per cent* of the total expenditure. Details are given in **Appendix-2.9**.