2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appr charged for different purposes as specified in the schedules a o the Appropriation Acts. These accounts list al budget estimates, supplementary urrenders and re-appropriations distinctly and indicate act and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both cha voted item riation Ac u e ma of finances and monitoring of budgetary provisions and are, therefore, supplementary to Finance Accounts. The Karnataka Budget Manual contains the procedures for preparation of the estimates and budget, nt action in respect of the bu unication, distribution watching the progress of revenue and actuals and control over expenditure.

2.1.2 Audit ation by the Comptroller and Auditor General (CAG) of India seeks to ascertain whether expenditure ncurred under various grants is within the autho ven under the Appropriation Act and that the expenditure required to b under the provisions of the Constitution is so cha so ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summari cn of actual expenditure during 2010-11 against 29 grants/appropriations is given in **Table 2.1.**

Table 2.1: Summarised position of actual expenditure *vis-à-vis* original/supplementary provision

(₹ in crore)

						Unspent provision
oted	I Revenue	47,654.52	7,602.86	55,257.38	48,073.68	7,183.70
	II Capital	12,752.27	3,893.00	16,645.27	13,973.38	2,671.89
	III Loans and advances	1,334.44	1,213.29	2,547.73	1,762.77	784.96
Total oted		**61,741.23**	**12,709.15**	**74,450.38**	**63,809.83**	**10,640.55**
Charged	IV Revenue	6,505.09	425.54	6,930.63	6,298.23	632.40
	V Public debt-repayment	3,812.89	0.00	3,812.89	2,807.13	1,005.76
Total Charged		**10,317.98**	**425.54**	**10,743.52**	**9,105.36**	1,638.16
					9	**12,278.71**

Source: Appropriation Accounts.

The overall u vision of ₹ 12,278.71 crore was the result of unspent provision of ₹ 12,364.10 crore in 27 grants t appropriations under revenue sectio ants under ion offset by excess expenditure of ₹ 85.39 crore over provision in two grants/appropriation under revenue section.

Article 266 (3) of the Constitution of India provides that No moneys out of the Consolidated Fund of the State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution. This provision, read with Articles 202 and 205 culminate in the Appropriation Act after the demands for grants of the financial year are voted by the Legislative Assembly and the connected Appropriation Bill is passed by the Legislature and assented to by the Governor of the State. However, it was noticed that additional funds were released (more than ₹ 600 crore covering about 17 grants under revenue/capital section) through several executive orders for incurring expenditure not initially covered by the budget. According to Article 205(b) of the Constitution, if any money has been spent on any service during a financial year in excess of the amount granted for that service for that year, a demand of such excess showing the estimated amount of that expenditure is presented. However, in the above cases no such statements were placed before the Legislature. These expenditures were met through provisions as if it was a case of obtaining budget before incurring the expenditure.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

There were 24 cases of unspent provision, each exceeding ₹ 100 crore and above under 19 grants/appropriation, which aggregated to ₹ 11,478.28 crore during 2010-11. Large unspent provision were in areas like urban development, water resources, debt servicing, public works, finance, agriculture and horticulture, energy, etc., as indicated in **Table 2.2**.

Table 2.2: Grants/appropriations with unspent provision of ₹ 100 crore and above

(₹ in crore)

Sl. No.	Grant	Provision			Expenditure	Unspent provision
		Original	Supple-mentary	Total		
1	01 – Agriculture and Horticulture					
	Revenue-Voted	2,065.60	118.34	2,183.94	1,442.12	741.82
2	02 – Animal Husbandry and Fisheries					
	Revenue-Voted	799.19	144.83	944.02	775.77	168.25
3	03 – Finance					
	Revenue-Voted	6,128.07	2,017.94	8,146.01	5,220.22	2,925.79
4	05-Home and Transport					
	Revenue-Voted	2,415.67	222.95	2,638.62	2,460.13	178.49
	Capital-Voted	406.31	5.00	411.31	305.64	105.67
5	06 – Infrastructure Development					
	Capital-Voted	680.33	70.00	750.33	584.04	166.29
6	07 – Rural Development and Panchayat Raj					
	Revenue-Voted	2,093.25	280.76	2,374.01	1,844.07	529.94
	Capital-Voted	1,466.74	552.33	2,019.07	1,756.81	262.26
7	10-Social Welfare					
	Revenue-Voted	2,391.73	229.67	2,621.40	2,504.40	117.00
8	11-Women and Child Development					
	Revenue-Voted	1,715.00	235.41	1,950.41	1,688.50	261.91
9	14 – Revenue					
	Revenue-Voted	2,717.90	706.67	3,424.57	3,028.26	396.31
10	16-Housing					
	Capital-Voted	124.72	0.00	124.72	24.72	100.00
11	17 - Education					
	Revenue-Voted	10,329.89	722.56	11,052.45	10,612.57	439.88

12	18 – Commerce and Industries					
	Capital-Voted	105.32	293.04	398.36	248.73	149.63
13	19 – Urban Development					
	Revenue-Voted	4,551.39	42.07	4,593.46	4,070.60	522.86
	Capital-Voted	1,510.50	986.04	2,496.54	1,979.71	516.83
14	20 – Public Works					
	Revenue-Voted	1,311.51	337.21	1,648.72	1,454.12	194.60
	Capital-Voted	2,050.53	995.37	3,045.90	2,542.64	503.26
15	21 – Water Resources					
	Capital-Voted	5,060.30	545.16	5,605.46	4,742.41	863.05
16	22 – Health and Family Welfare Services					
	Revenue-Voted	2,274.42	120.39	2,394.81	2,281.65	113.16
17	23 – Labour					
	Revenue-Voted	461.10	6.83	467.93	318.51	149.42
18	24 – Energy					
	Capital-Voted	679.67	1,165.15	1,844.82	1,453.71	391.11
19	29 – Debt Servicing					
	Revenue-Charged	6,316.00	---	6,316.00	5,641.01	674.99
	Capital-Charged	3,812.89	---	3,812.89	2,807.13	1,005.76
	Total	**61,468.03**	**9,797.72**	**71,265.75**	**59,787.47**	**11,478.28**

Source: *Appropriation Accounts.*

Major heads of account under which the unspent provision was more than ₹ 25 crore in 20 grants / appropriations are detailed in **Appendix 2.1.** The PAC in its 13th report submitted to the Legislature (December 2011), has observed that in order to have control over provision/expenditure, unutilized provision should be surrendered as and when it comes to the notice of the grant controlling authority and that specific instructions is required to be issued in this direction.

The reasons furnished by 13 departments for unspent provision under a few major heads of account as reported in Appropriation Accounts are given below:

Agriculture and orticulture

- Unspent provision of ₹ 10.68 crore under major head '2401' – Crop Husbandry, was due to non-identification of beneficiaries under Supply of seeds and other inputs – Special Component Plan.
- Unspent provision of ₹ 18.20 crore under the major head '2401' - Crop Husbandry – Micro Irrigation – Other expenses, was due to release of grants at the end of the financial year and delay in identification of beneficiaries.
- Unspent provision of ₹ 200.00 crore under the major head '2401' - Crop Husbandry – Subsidies, was due to non-claiming of subsidy on interest by farmers.

Animal usbandry and Fisheries

- Unspent provision of ₹ 45.73 crore under major head '2403' – Animal Husbandry was due to non-release of funds by the Government under Rashtriya Krishi Vikasa Yojane – Grants-in-aid.

Finance

- Unspent provision of ₹ 850 crore was under major head '2070' – Other Administrative Services – Other expenditure – Filling of vacant posts. The State Government replied (November 2011) that lump sum provision was provided as the expenditure on filling of new/vacant post cannot be estimated at the commencement of the financial year. Need arises to provide additionalities in other demands when posts are filled up. A token demand would result in over estimation of budgetary balances. The reply is not acceptable for the reason that there had been persistence savings over the six years under this head. Also the PAC in its Report (December 2011), had recommended that provision of funds should be scientific and need based and cases of unutilized provision should be reduced.

- Unspent provision under major head '2071' –Pensions and Other Retirement Benefits –Civil–Commuted value of Pensions–Other payments (₹ 276.34 crore), Gratuities –Other Gratuities –Karnataka (₹ 202.24 crore), Family pension –Other family pension –Karnataka (₹ 86.24 crore), Pension of Employees of Local Bodies – Payments to Municipal Employees (₹ 35.84 crore), Leave Encashment Benefits – General Services (₹ 43.66 crore), Leave Encashment Benefits – Social Services (₹ 52.10 crore), Government contribution for Defined Contribution Pension Scheme (₹ 174.52 crore) was due to less number of pension, DCRG and leave encashment claims. The unspent provision under major head '3475' –Other General Economic Services –Other expenditure – Augmenting of Infrastructure Initiative Fund (IIF) – Infrastructure Initiative Fund (₹ 1,350.00 crore) was surrendered. The department stated that the unspent provision was due to the position of revenue receipts at the end of the year. However, it was noticed that the year 2009-10 ended with revenue surplus of ₹ 1,619.00 crore and the transfer to the fund was ₹ 2,100.00 crore. During the current year the revenue surplus was ₹ 4,172.00 crore and the transfer to the fund was only ₹ 650.00 crore. Considering the growth rate in revenue surplus (158 *per cent*), the transfer to the fund should have been at least to the extent of the budget provided.

ome and Transport

- Unspent provision of ₹ 62.43 crore under major head '2055' – Police was due to non-finalization of tenders under – Modernisation of Police Force – Modernization.

- Unspent provision of ₹ 18.75 crore under major head '4055' – Capital outlay on Police was due to non-receipt of administrative sanction from the Government for construction of Police stations.

Rural Development and Panchayat Raj

- Unspent provision of ₹ 38.42 crore under major head '2515' –Other Development Programmes –Assistance to Taluk Panchayats –Taluk Panchayats –CSS/CPS was due to non-incurring of expenditure under Twelfth Finance Commission Grants during 2010-11.

- Unspent provision of ₹ 134.46 crore under major head '2515' –Other Development Programmes –Assistance to Grama Panchayats –Grama Panchayats –CSS/CPS was due to non-incurring of expenditure under Twelfth Finance Commission Grants during 2010-11.

Revenue

- Unspent provision of ₹ 120.72 crore and ₹ 40.24 crore under major head '2245' –Relief on Account of Natural Calamities –State Disaster Reserve Funds and Deposit Account –State Disaster Response Fund -Central share to Calamity Relief Fund and State Share to Calamity Relief Fund was due to supplementary provision for a similar amount obtained under -Central share to State Disaster Response Fund and State Share to State Disaster Response Fund against which the expenditure representing the transfer by book adjustment was accounted. Provision was also made in the original estimate for similar amount. The State Government stated that the original provision should have been surrendered by the department. The reply is not acceptable for the reason that the provision was already made in the original estimate for book transfer. Further, it was sufficient if a correction through errata to carry out the book adjustment under the correct head of account was made. However, the Finance Department erred in getting the proposal approved through the supplementary estimates.

Education

- Unspent provision of ₹ 55.17 crore under the major head '2202'- General Education was due to non-finalisation of tender process for distribution of bicycles for 2010-11.

Urban Development

- Unspent provision of ₹ 245.00 crore was under the major head '2217' – Urban Development – Other Urban Development Schemes – Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Board, Bangalore Metropolitan Regional Development Authority, pertaining to various Externally Assisted Projects (EAP) etc.,
- Unspent provision of ₹ 100.00 crore under the major head '2217'- Urban Development, was due to shortfall in release of Central share under – Basic Urban Service Programme – Urban Infrastructure and Governance – Other expenses.
- Unspent provision of ₹ 110.00 crore under the major head '2217'- Urban Development was due to shortfall in release of Central share under – Sub-Mission for Basic Services for Urban Poor.
- Unspent provision of ₹ 30.00 crore under major head '2217'- Urban Development, was due to shortfall in release of Central share under Urban Infrastructure Development Scheme for Small and Medium Town (UIDSSMT) – Special Component Plan.

Public Works

- Unspent provision of ₹ 50.00 crore under major head '5054' – Capital outlay on Roads and Bridges was due to shortfall in progress of works under – Renewal of State Highways.
- Unspent provision of ₹ 55.00 crore under major head '5054' – Capital outlay on Roads and Bridges was due to shortfall in progress of works under District Roads – Suvarna Rasthe Vikasa Yojane - Roads.

Water Resources

- Unspent provision of ₹ 136.00 crore under major head '4701' – Capital outlay on Medium Irrigation was due to non-implementation of Upper Krishna Project as per – Krishna Water Dispute Tribunal (KWDT).

ealth and Family Welfare Services

- Unspent provision of ₹ 16.48 crore under major head '2210' –Medical and Public Health –Urban Health Services –Allopathy –Medical Stores Depots -Government Medical Stores, Bangalore was due to non-finalisation of tenders for purchase of drugs and chemicals.

Energy

- Unspent provision of ₹ 126.44 crore under major head '6801' –Loans for Power Projects –Other Loans to Electricity Boards –Loans to Karnataka Power Transmission Corporation Limited (KPTCL) was due to the provision of supplementary grants under this head, whereas the release was made under major head 4801–Capital Outlay on Power Projects – Hydel Generation –Investments in Public Sector and other Undertakings – Investments in Power utility –Investments. The State Government replied that it was mentioned at the time of obtaining supplementary estimates (July 2010) that the capital expenditure would be converted into loan at a later date and orders in this regard were issued in September 2010 for necessary adjustments. The reply of the State Government is not acceptable as there was no mention in the supplementary estimates and in the orders issued for conversion of capital expenditure (equity) into loan. Further, the order was silent with regard to such an adjustment in the order portion giving necessary instructions to the Principal Accountant General (A&E) to carry out such an adjustment in the books of accounts of the State Government.

Debt Servicing

- Unspent provision of ₹ 1000.00 crore and ₹ 350.00 crore under major head '6003' – Internal Debt of the State Government was due to non-availing of Ways and Means Advances and Overdraft from the Reserve Bank of India (RBI) during the year. It was stated by the Finance Department (November 2011) that Ways and Means Advance and Over Draft facility were available for overcoming the temporary mismatch if any in managing finances in the course of the year. The provisions under these heads were made taking into consideration the cash balance position. Government could not anticipate the number of days on which Government needed

Ways and Means Advance or Over Draft. Considering the overall size of the budget, Government needs to provide for any eventuality that may arise during the course of the year. There is no need to make a token provision as the repayment of Ways and Means or Over Draft does not attract New Service Criteria as per Order FD 10 BUD 84, dated 16th October 1987. It may also be stated that a matching amount is provided under receipt side also thus making it a budget neutral provision. The reply of State Government is not acceptable for the reason that the provision of fund should be made as accurately as possible and that in the present case the State Government had not availed any Ways and Means Advances/Over Draft facility from RBI for the past six years. The contention that it does not attract the criteria of new service is not relevant. The position of cash balance at the end of each day is made known to the Government by the RBI. If there were cases of availment of Ways and Means Advance/Over Draft on any particular day/days, the same should be brought before the Legislature through supplementary grant for their approval and clearance of the same by bringing the transactions to the proper heads of account.

2.3.2 Unspent provision due to non / late receipt of funds/sanctions

There was unspent provision aggregating ₹ 799.53 crore in 63 cases relating to ten grants due to non / short / late release of funds and non / late receipt of sanctions from the Government **(Appendix 2.2).**

2.3.3 Persistent unspent provision

In three grants, there was persistent unspent provision of more than ₹ 100 crore in each case during the last five years, as detailed in **Table 2.3.**

Table 2.3: Persistent unspent provision

(₹ in crore)

Sl. No	Major head	Year				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	***03 Finance (Revenue- oted)***	***2,297.35***	***228.53***	***854.49***	***1,731.17***	***2,925.79***
	2070-800-11 Filling up of vacant posts (District Sector)	111.99	110.73	450.00	400.00	850.00
2	***19 Urban development (Revenue- oted)***	***1,092.32***	***1,194.95***	***1,608.50***	***1,248.07***	***522.86***
	2217-05-191-1 Bangalore Metropolitan Regional Development Authority	195.00	319.24	503.45	577.40	245.00
3	***29 Debt servicing (Capital-Charged)***	***555.02***	***1,320.70***	***1,379.28***	***1,374.74***	***1,005.76***
	6003-110-1 Clean and Secured Ways and Means Advances	1,000.00	921.87	1,000.00	1,000.00	1,000.00
	6003-110-2 Overdraft with Reserve Bank of India	350.00	350.00	350.00	350.00	350.00

Source: *Appropriation Accounts.*

The Government replied (November 2011) that the reasons for saving of ₹ 237.60 crore under demand number 19 was on account of the fact that the expenditure on these projects was not on targeted lines.

2.3.4 Excess expenditure

In three cases, expenditure in excess of ₹ 25 crore of the budget provision was incurred under two major heads of account pertaining to two grants. (**Appendix 2.3**).

2.3.5 Persistent excess expenditure

Persistent excess expenditure over provision was incurred under three major heads of account pertaining to two grants during the last five years (**Appendix 2.4).**

2.3.6 Expenditure without provision

An expenditure of ₹ 44.17 crore was incurred in 8 cases under 6 grants without provision. The reasons for the same are detailed in **Appendix 2.5**. Of the eight cases listed in the Appendix, in two cases (Sl. No. 5 and 7) it was replied that provision of ₹ 20 crore made under loan section was subsequently obtained under the revenue section through supplementary demand as re-appropriation was not permissible between capital and revenue heads. The reply is not acceptable for the reason that no supplementary provision was obtained under revenue section to account the expenditure and it is commented in appropriation accounts that it was a case of expenditure without provision. In respect of ₹ 22.54 crore under Externally Assisted Project loan, it was stated that the outstanding loan from GOI had to match with the books of Pay and Accounts Office and that the adjustment could not be postponed for want of funds as the time limit for obtaining the supplementary grant was also over. The reply is not acceptable for the reason that it deals with the clearance of the amount as reflected in the books of RBI on the receipt side. For clearing the transaction under the expenditure side, provision could have been made based on the daily transactions details brought out by the RBI and intimated to the State Government.

Excess expenditure re uiring 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 regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

2.3.7 Excess over provision relating to previous years

Mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year ended 31 March 2010 (paragraph no. 2.3.7 and 2.3.8) regarding the excess expenditure requiring regularisation aggregating ₹ 9,489.61 crore for the years 1989-90 to 2009-10.

On the basis of the reply furnished by the Finance Department in respect of appropriations coming in its control, the Public Accounts Committee on consideration of the explanation recommended regularization of the expenditure of ₹ 4,781.72 crore in its Report No. 10/XIII submitted to the State Legislative Assembly/Legislative Council on13 January 2011 as detailed in **Table 2.4**.

Table: 2.4: Excess over provision relating to previous years

(₹ in crore)

Sl. No.	Grant/Appropriation	Year	Amount
1	Internal Debt, Loans and Advances from Central Government and Inter State Settlements	1993-94	49.53
2	55	2002-03	1,078.50
3	29	2003-04	1,998.94
4	29	2004-05	1,654.75
Total			**4,781.72**

In accordance with the constitutional requirement, an Act has been since passed (Act No. 4 of 2012) where the expenditure of ₹ 4,781.72 crore has been regularized. The balance amount required to be regularised aggregated ₹ 4,707.89 crore **(Appendix 2.6)**.

In respect of the balances of excess expenditure to be regularized under various grants/appropriation for the period 1989-90 to 2009-10, the same has been discussed by the Public Account Committee and recommendations are awaited.

2.3.8 Excess over provision during 2010-11

Details of excess expenditure of ₹ 85.39 crore incurred against two grants/ appropriation during 2010-11, required to be regularised are given in **Table 2.5.**

Table 2.5: Excess expenditure over provision re uiring regularization during 2010-11

(Amount in ₹)

Sl. No.	Grant		Provision	Expenditure	Excess
1.	08	Forest, Ecology and Environment (Revenue-Charged) (Capital –Voted)	5,00,14,04,000 3,99,40,000	5,57,31,77,044 4,03,99,834	57,17,73,044 4,59,834
2.	27	Law			
		(Revenue –Voted)	3,96,16,93,000	4,24,33,99,076	28,17,06,076
Total			**9,00,30,37,000**	**9,85,69,75,954**	**85,39,38,954**

Source: *Appropriation Accounts.*

- The excess under Grant No. 8 – Forest, Ecology and Environment was on account of the realisation of more revenue than anticipated under Forest Development Tax and receipts from Compensatory Plantations to the Karnataka Forest Development Fund and receipts from Sanctuaries to the Protected Area Management Fund to the fund heads in Public Account which was more than the amount provided for such transfers. Supplementary provision of ₹ 410.00 crore was provided during the year under Transfer of Forest Development Tax to Karnataka Forest Development Fund – Inter Account Transfers. Further, there was excess under 'Transfer of Receipts' from Compensatory Plantation to Karnataka Forest Development Fund – Inter Account Transfer, as there was no provision under the head. The excess could have been avoided if sufficient funds were made available through supplementary provisions.

- Excess under Grant No. 27-Law was due to the excess expenditure under salaries for payment of salary and arrears of dearness allowance as per the recommendations of the First National Judicial Pay Commission Report.

2.3.9 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. The Government has issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'. These, *inter alia*, stipulate that the expenditure over the grant / appropriation exceeding twice the provision or Rupees one crore, whichever is more, should be treated as an item of 'New Service'.

In 21 cases involving 10 grants, expenditure totaling ₹ 282.64 crore which should have been treated as 'New Service/New Instrument of Service' was incurred without the approval of the Legislature **(Appendix 2.7)**. It was replied that excess occurring under various components of salaries does not constitute new service for the reason that salary itself is an object head and include components like pay and allowances in all forms of personnel. The reply is not acceptable for the reason that all the components of salary have been assigned a three digit object head code where budget is provided. The comparison of the expenditure which invokes the criteria to fix for new service is made at this level. With regard to excess under major head 2202 – General Education, it was replied that new service was on account of creation of new posts in the new educational institutes not covered in Appendix - B[1]. In respect of major head 2851 – Village and Small Industries, reply stated that it was on account of transfer of actual license fee and market fee collected during the year to the fund head.

Supplementary Provision

Supplementary provision (₹ 13,134.69 crore) made during the year constituted 18 *per cent* of the original provision (₹ 72,059.21 crore) which was less than the previous year.

2.3.10 Unnecessary supplementary provision

Supplementary provision of ₹ 333.28 crore made under 31 detailed / object heads relating to eight out of 14 test checked grants proved unnecessary **(Appendix 2.8).**

2.3.11 Excessive supplementary provision

Supplementary grant of ₹ 4,072.50 crore obtained under 40 detailed heads relating to 12 out of 14 test checked grants proved excessive resulting in unutilised provision of ₹ 1,964.33 crore **(Appendix 2.9).**

2.3.12 Inadequate supplementary provision

Supplementary provision of ₹ 158.21 crore obtained under three detailed heads relating to two out of 14 test checked grants proved inadequate leaving uncovered excess expenditure of ₹ 76.00 crore **(Appendix 2.10).** The State Government in its reply stated that it was well within the provision provided with respect to head of account 2235-60-001-0-02. However, the comment on inadequate supplementary provision is at the object head – 2235-60-001-0-02-059, where the

[1] Details the salary expenditure *vis-a-vis* number of post.

supplementary provision of ₹ 150 crore obtained proved inadequate leaving an expenditure of ₹ 72.85 crore uncovered.

Re-appropriation of funds

A grant or appropriation for disbursements is distributed by sub-head / detailed head / object head under which it is accounted for. The competent executive authority may approve re-appropriation of funds between the primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or will result in unspent provision in the unit of appropriation.

2.3.13 Injudicious re-appropriation of funds

In 60 cases, re-appropriation of funds was made injudiciously resulting either in un-utilised provision or excess over provision of more than ₹ 25 lakh in each case (**Appendix 2.11**).

- In 22 cases, additional funds of ₹ 99.32 crore provided through re-appropriation proved insufficient as the final expenditure exceeded the provision by ₹ 49.77 crore.
- In 18 cases, the un-utilised provision was not properly assessed as even after the withdrawal of ₹ 139.54 crore through re-appropriation, ₹ 181.67 crore remained un-utilised.
- In 17 cases, additional funds of ₹ 130.55 crore provided by re-appropriation resulted in overall un-utilised provision of ₹ 51.93 crore and the re-appropriation made was unnecessary.
- In three cases, withdrawal of ₹ 277.71 crore through re-appropriation resulted in final expenditure exceeding the net provision by ₹ 2.75 crore.

2.3.14 Defective re-appropriation

During 2010-11, 366 re-appropriation orders for an amount of ₹ 2,635.11 crore were issued of which 30 re-appropriation orders for ₹ 342.58 crore were not considered in accounts as they violated the provisions of Article 309,312 and 315(a) of the Karnataka Financial Code which stipulates the conditions under which, the re-appropriation cannot be done (**Appendix 2.12).**

Surrender of unspent provision

Spending departments are required to surrender the grants/appropriations or a portion thereof to the Finance Department as and when the unspent provision is anticipated.

2.3.15 Unspent provision not surrendered

In the case of nine grants/appropriations, the entire unspent provision aggregating ₹ 1,224.09 crore was not surrendered **(Appendix 2.13).**

Further, in the case of 28 grants/appropriations, there was only partial surrender and around 57 *per cent* (₹ 6,037.42 crore) of the total unspent provision (₹ 10,506.07 crore) was not surrendered. Details are given in **Appendix 2.14.**

Besides, in 24 grants where surrender of funds was in excess of ₹ five crore, ₹ 6,188.83 crore were surrendered on the last two working days of the financial year indicating inadequate financial control (**Appendix 2.15).**

2.3.16 Substantial surrenders

Out of the total provision of ₹ 3,981.82 crore in 33 cases, ₹ 3,266.97 crore (82 *per cent*) were surrendered, which included cent *per cent* surrenders in 17 cases (₹ 1,572.51 crore). Illustrative cases are given in **Appendix 2.16.** These surrenders were stated to be due to non-receipt or late receipt of sanctions from Government, non-receipt of claims/bills, non-finalization of contracts, economy measures etc.

2.4 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act, 1957 in terms of provisions of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorization by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 80 crore. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provisions.

During 2010-11, 15 sanctions aggregating ₹ 60.55 crore were issued. A review of the operations of the Contingency Fund disclosed the following;

- Two sanctions, one for ₹ 0.16 crore under '2408' and one for ₹ 2.50 crore under '3456', were not acted upon.
- In respect of one sanction for ₹ 1.00 crore under '2235' only ₹ 0.39 crore was utilised (39 *per cent*).
- Out of ₹ 2.47 crore sanctioned under '2515', the amount withdrawn was ₹ 2.66 crore. Hence, there was an excess utilisation of ₹ 0.19 crore (eight *per cent*).
- In four other cases, sanction was issued for ₹ 12.53 crore and the amount drawn was also ₹ 12.53 crore. No part of the amount drawn was recouped during the year 2010-11. However, in the supplementary estimates, first installment for the year 2011-12, these cases have been brought before the Legislature for recoupment / regularisation.

2.5 Errors in budgeting

Errors in budgeting of ₹ 20.32 crore due to provision made under voted section instead of charged under revenue / capital heads were noticed. Further, errors in budgeting of ₹ 381.43 crore due to supplementary provision made under a different grant instead of providing grants where original budget was made, classification of expenditure under subsidies while the expenditure represented Information Technology for Public Distribution System/Modernisation, provision for interest payments being made on loans matured during 2009-10, unnecessary provision (₹ 160.96 crore) made to account for the transfer of grants received from Government of India under State Disaster Response Fund together with the States' contributions, refund of tax being treated as an expenditure of the Government

were noticed (**Appendix 2.17).** Out of nine cases pointed out in audit, State Government replied that in respect of one case (Grant No. 18 - ₹ 60.31 crore) reimbursement of tax to M/s BEML was not based on any provision of the Karnataka Value Added Tax Act. Therefore, this payment through reduction in revenue itself, as suggested by the Audit, would have exceeded the mandate given to the Government under the Act. This reimbursement was done as an industrial promotion measure. Specific approval of the Legislature was obtained for this expenditure in order to ensure transparency in the accounts.

2.6 Outcome of review of selected grants

A review of budgetary procedures followed and expenditure controls exercised in respect of three selected grants revealed the following;

2.6.1 Grant 20 Public Works

The Public Works, Ports and Inland Water Transport Department (PWP&IWTD) is entrusted with construction and maintenance of roads, bridges and buildings which are critical components for infrastructural development of the State.

2.6.1.1 Budget and Expenditure

Table: 2.7 - Budget and Expenditure

(₹ in crore)

Year	Budget provision		Actual disbursement		Savings (%)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	1,657.28	3,385.64	1,343.25	2,326.74	314.03 (19)	1,058.90(31)
2009-10	1,343.12	3,173.25	1,098.22	2,655.92	244.90 (18)	517.33(16)
2010-11	1,648.72	3,045.90	1,454.12	2,542.64	194.60 (12)	503.26(17)

It is seen from the table that the deviation from the budget has come down from 19 *per cent* in 2008-09 to 12 *per cent* during the year under revenue section while it has come down from 31 *per cent* to 17 *per cent* under capital section.

According to the provisions contained in paragraph 86 of the Karnataka Budget Manual, 1975, the estimates of expenditure is required to be prepared on gross basis. The provision under the grant includes expenditure which are initially debited to the Consolidated Fund and later transferred to fund heads in the Public Account. It was seen in audit that out of gross estimates (2010-11) the recoveries required to be adjusted in accounts in reduction of expenditure were indicated as ₹ 417.11 crore under revenue section and ₹ 236.20 crore under capital section against which the actual adjustments made in accounts were ₹ 83.03 crore under revenue section and ₹ 80.46 crore under capital section. The short adjustments related to certain fund heads, adjustments under suspense etc.

2.6.1.2 Surrender of savings

Paragraph 264 of Karnataka Budget Manual (KBM) and Article 314 of Karnataka Financial Code (KFC) provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the Finance Department (FD) immediately after these are foreseen. Savings should also not be held in reserve for any possible future excess. Test check revealed that contrary to this provision the department surrendered the savings on the last day of the financial years in all the three years under review from 2008-11 as detailed in the **Table 2.8.**

Table 2.8: Surrender of Savings

(₹ in crore)

Year	Savings		Amount surrendered		Amount not surrendered (%)		Date of surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2008-09	314.03	1058.90	0.12	Nil	313.91(99.96)	1,058.90(100)	31.3.2009
2009-10	244.90	517.33	7.35	33.21	237.55(97.00)	484.12(93.58)	31.3.2010
2010-11	194.60	503.26	5.77	1.73	188.83(97.03)	501.53(99.66)	31.3.2011

2.6.1.3 Unnecessary supplementary grants

Departments are required to ensure that the Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or development which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that, in one case, supplementary provision of ₹ 0.10 crore proved unnecessary as detailed in **Table 2.9**.

Table 2.9: Unnecessary Supplementary Grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2070-00-114-0-01-200 – Maintenance	17.94	0.10	15.22	2.82	Supplementary provision was obtained due to inadequacy of original provision.

2.6.1.4 Excessive supplementary provision

Supplementary grant of ₹ 313.73 crore obtained proved excessive resulting in unutilized provision of ₹ 22.31 crore which is detailed in **Table 2.10**.

Table 2.10: Excessive supplementary provision

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2059-80-001-0-05-011 Dearness Allowance	21.82	4.93	23.60	3.15	A sum of ₹ 2.95 crore was re-appropriated to other heads.
3054-04-337-1-09-172 Roads	200.00	250.00	447.42	2.58	Supplementary grant was obtained due to inadequate provision
4059-80-051-0-29-386 Construction	65.00	28.80	93.68	0.12	------
4059-80-051-0-32-386 Construction	10.00	30.00	23.54	16.46	Supplementary grant was obtained due to inadequate provision
Total	**296.82**	**313.73**	**588.24**	**22.31**	

2.6.1.5 Formulation of Budget

Paragraphs 88 and 134 of KBM provide that the Chief Engineer (CE) should consolidate estimate of works received from estimating officers of the department/other heads of departments and forward the list of works after arranging them as per major heads to FD within the prescribed due date (26 November) for inclusion in the budget estimates of the forthcoming year. The

FD, after scrutinizing the estimates, should get Appendix E[2] printed before the due date (10 February) and circulate it among the implementing officers not later than end of April after the passing of the budget by the Legislature.

Scrutiny of records made available to audit revealed that both CEs belatedly submitted (May/June 2010) the list of works to the FD. The delay in submission of proposals ranged up to 188 days during 2010-11, leading to a delay in approval of Appendix-E (December 2010).

On this being pointed out, the Secretary, PWP&IWTD confirmed (September 2011) the above fact of delay and further stated that the same was unavoidable under the present people friendly budget. Submitting the list of works before budget approval may be technically not possible and Appendix works would be prepared based on budget allocation. The reply is not in conformity with rules for preparation and approval of budget.

2.6.1.6 Inclusion of new works without obtaining administrative/technical sanction

Paragraphs 132 and 134 of KBM provides that the CEs should ensure that new major works which are administratively approved and technically sanctioned are only included in the budget estimates. However, during 2010-11, out of the 4,729 works (budget estimate of ₹ 4,863.98 crore) 2,282 works constituting 48 *per cent* (budget estimate of ₹ 1,719 crore), which were not administratively approved and technically sanctioned, were proposed and included in the budget estimates for which no reasons were on record. On this being pointed out, it was replied that only after budget provision and scrutiny of Appendix-E by the FD, administrative approval and technical sanction would be given to fresh works included in Appendix-E. The reply is not acceptable in view of the rule provisions stated above.

2.6.1.7 Replacement/alteration of the works included in Appendix-E

As per Paras 134, 191 to 194 of KBM, the requirement of funds for executing major works are compiled in Appendix-E which, after approval, are taken for execution. Test check of records made available to audit, it was noticed that 17 number of works amounting to ₹ 18.88 crore included in Appendix E, were replaced by other works, split up into two works, etc., without the approval of FD.

The Secretary, PWP&IWTD also stated that the works were changed as per the proposals submitted to Government by Members of Legislative Assembly to take up urgent works. It is also stated that the modified works are taken up without altering the original budget provision sanctioned which was within the power of the department for controlling expenditure against the annual grants. The reply is not tenable since financial rules do not confer any power to the administrative department to change/alter/modify the list of works approved by Legislature.

[2] Details of Works Expenditure

On this being pointed out, the FD replied (September 2011), that the above cases of deviations from the approved list of works made by PWP&IWTD have not been brought to the notice of FD for ratification during the period .

2.6.1.8 Persistent savings

Scrutiny of Appropriation Accounts revealed persistent savings during 2008-11 under the heads of accounts detailed in **Table 2.11.**

Table 2.11: Persistent Savings

(₹ in crore)

Head of account	2008-09	2009-10	2010-11
2059-80-053-1-08-147 – Land and Buildings	0.49	2.00	0.96
2059-80-799-1-01-292 – Stock Debits	89.04	93.49	97.21
2059-80-799-1-02-293 – MPWA Debits	22.22	23.26	24.28
2216-01-700-1-01-261 – Inter Account Transfers	0.61	0.67	0.74
2216-01-700-5-01-261 – Inter Account Transfers	0.36	0.40	0.44
3054-03-102-0-01-200 – Maintenance	5.68	5.92	3.32
3054-03-337-0-01-059 – Other Expenses	0.10	0.11	0.11
3054-03-337-0-01-132 – Capital Expenses	0.11	0.11	0.12
4216-01-700-2-01-386 – Construction	18.63	20.97	18.22
4216-01-700-2-25-386 – Construction	15.00	3.81	15.00

The Department stated that the savings under the heads mentioned above were on account of paucity of funds, works executed by certain Companies/Corporations etc. The reply should be viewed in the light of the fact that care should have been exercised once the department came to know that the expenditure under these heads was not progressing as per the estimates.

2.6.2 Grant 3 Finance

The Finance Department is responsible for overall management of the finances of the State which inter alia include mobilization of resources, budgeting, allocation of resources on specified objectives to various departments, control of flow of funds, maintenance of cash with the Reserve Bank etc. The provision of funds, expenditure and provision remaining unutilized during the years 2008-11 under revenue / capital are as shown in **Table 2.12**.

2.6.2.1 Budget and Expenditure

Table: 2.12 - Budget and Expenditure

(₹ in crore)

Year	Budget provision			Actual disbursement			Savings (%)		
	Capital	Revenue		Capital	Revenue		Capital	Revenue	
		oted	Charged		oted	Charged		oted	Charged
2008-09	235.47	7,110.36	0.26	226.80	6,255.87	0.03	8.67(4)	854.49(12)	0.23(88)
2009-10	142.32	7,687.16	0.38	125.49	5,955.99	0.01	16.83(12)	1,731.17(23)	0.37(97)
2010-11	75.66	8,146.01	0.15	58.45	5,220.22	0.02	17.21(23)	2,925.80(36)	0.13(87)

It could be seen from the table that the deviation from the budget had gone up from four percent to 23 *per cent* under capital section, 12 *per cent* to 36 *per cent* under revenue voted grant and it ranged between 87 *per cent* and 97 *per cent* under revenue charged section during 2008-11.

According to the provisions contained in para 86 of the KBM, 1975, the estimates of expenditure was required to be prepared on gross basis. It was seen that out of the gross estimates (2010-11), the recoveries required to be adjusted in accounts as reduction of expenditure were indicated as ₹ 193.93 crore under revenue section against which the actual adjustment made in accounts was only ₹ 18.33 crore.

2.6.2.2 Surrender of savings

Paragraph 264 of KBM and Article 314 of KFC provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the FD immediately after these are foreseen. Savings, should also, not to be held in reserve for any possible future excess. Test check revealed that contrary to this provision, the FD surrendered the savings on the last day of the financial years in all the three years under review from 2008-11 as detailed in **Table 2.13**.

Table 2.13: Surrender of savings

(₹ in crore)

Year	Savings			Amount surrendered			Amount not surrender			Date of surrender
	Capital	Revenue		Capital	Revenue		Capital	Revenue		
		oted	Charged		oted	Charged		oted	Charged	
2008-09	8.67	854.49	0.23	8.51	38.34	Nil	0.16	816.15	0.23	31-03-2009
2009-10	16.83	1,731.17	0.37	Nil	32.81	Nil	16.83	1,698.36	0.37	31-03-2010
2010-11	17.21	2,925.80	0.13	17.17	2,437.67	nil	0.04	488.13	0.13	31-03-2011

2.6.2.3 Unnecessary supplementary grants

Departments were required to ensure that Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or developments which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that in four cases supplementary provision of ₹ 7.79 crore obtained proved unnecessary as detailed in **Table 2.14.**

Table 2.14: Unnecessary Supplementary Grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2040-00-101-0-00-011 Dearness Allowance	26.43	6.53	26.30	6.66	Supplementary provision was made to meet expenditure on hike in the rate of dearness allowances
2040-00-101-0-00-014 Other Allowances	15.31	0.52	8.22	7.61	No explanation was given while obtaining supplementary demand.
2071-01-104-2-05-251 Pension and Retirement Benefits	0.40	0.64	0.28	0.76	Due to retrospective revision of honorarium to ex-shanbhogs, additionality was obtained.
2071-01-200-0-02-251 Pension and Retirement Benefits	---	0.10	---	0.10	Supplementary provision was made to meet expenditure on pension of retired Chief Commissioner of State Information Commission.
Total	**42.14**	**7.79**	**34.80**	**15.13**	

2.6.2.4 Excessive supplementary grants

Supplementary grant of ₹ 2,050.54 crore obtained proved excessive resulting in unutilized provision of ₹ 1,361.42 crore which is detailed in **Table 2.15**.

Table 2.15: Excessive supplementary provision

(₹ in crore)

Head of account	Provision			Expenditure	Unspent provision	Remarks
	Original	Supplementary	Total			
2020-105-0-01-051 General Expenses	0.04	0.04	0.08	0.05	0.03	---
2040-00-001-0-01-003 Pay Staff	8.50	8.00	16.50	13.42	3.08	A sum of ₹2.30 crore was re-appropriated to other heads.
2040-00-001-0-01-071 Building Expenses	3.50	1.50	5.00	4.69	0.31	The unspent provision was surrendered
2071-01-104-0-07-251 Pension and Retirement Benefits	---	0.50	0.50	0.00	0.50	A sum of ₹ 10,000/- was accounted under this head.
3475-00-800-0-07-104 Contributions	---	2,000.00	2,000.00	650.00	1,350.00	The unspent provision was surrendered.
7465-00-800-0-01-394 Loans	---	40.50	40.50	33.00	7.50	The unspent provision was surrendered.
Total	**12.04**	**2,050.54**	**2,062.58**	**701.16**	**1,361.42**	

2.6.2.5 Formulation of Budget

Paragraph 83 of KBM prescribes that the budget estimates should be framed after a careful and thorough consideration of all items of expenditure so that they are neither inflated nor under-pitched and are as accurate as possible. Scrutiny of the estimates during 2008-11 revealed that the department had made provision under the following heads which resulted in their non-utilization. Necessary steps are required to be taken by the department to make the exercise more robust to eliminate inflated budgeting. Significant cases are as indicated in **Table 2.16**.

Table 2.16: Formulation of Budget

(₹ in crore)

Head of account	Budget Provision			Expenditure			Unutilised provision		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
2052-00-090-0-21-059 General Expenses (Plan)	2.00	1.70	2.00	---	---	---	2.00	1.70	2.00
2052-00-800-0-02-102 Special Grants	---	---	2.50	---	---	---	---	---	2.50
2070-00-800-0-11-014 Other Allowances	---	400.00	850.00	---	---	---	---	400.00	850.00
2070-00-800-0-11-011 Dearness Allowance	200.00	---	---	---	---	---	200.00	---	---
2070-00-800-13-014 Other Allowances	615.00	---	---	---	---	---	615.00	---	---
2070-00-800-0-12-059 General Expenses	---	69.80	---	---	---	---	---	69.80	---
2070-00-800-0-13-014 Other Allowances	---	600.00	---	---	---	---	---	600.00	---
3475-00-800-0-07-104 Contributions	---	---	2,000.00	---	---	650.00	---	---	1,350.00
3475-00-797-0-08-104 Contributions	150.00	---	---	---	---	---	150.00	---	---

2.6.3 Grant 24 Energy

The department of energy is responsible for watching the expenditure related to release of subsidy to electricity supply Companies and the investment of the Government in these Companies/Corporations.

2.6.3.1 Budget and Expenditure

Table 2.17: Budget and Expenditure

(₹ in crore)

Year	Budget provision		Actual disbursement		Savings (%)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2008-09	2,438.59	1,496.00	1,952.84	1,436.63	485.75 (20)	59.37 (4)
2009-10	2,439.61	1,937.00	2,350.95	1,755.71	88.66 (4)	181.29 (9)
2010-11	4,484.46	1,844.82	4,455.61	1,453.71	28.85 (1)	391.11 (21)

It could be seen from the table that the deviation from the budget has come down from 20 *per cent* in 2008-09 to one percent during the year under revenue section while it has increased from four percent to 21 *per cent* under capital section.

According to the provisions contained in paragraph 86 of the KBM 1975, the estimates of expenditure are required to be prepared on gross basis. It was seen in audit that out of the gross estimates (2010-11) the recoveries required to be adjusted in accounts in reduction of expenditure were indicated as ₹ 1,000 crore under capital section against which the actual adjustment made in accounts was ₹ 38.71 crore resulting in short adjustment of ₹ 961.29 crore. The short adjustments related to certain fund adjustment heads.

2.6.3.2 Surrender of savings

Paragraph 264 of KBM and Article 314 of KFC provide that all savings anticipated by the controlling officers should be reported by them with full details and reasons to the FD immediately after these are foreseen. Savings, should also, not to be held in reserve for any possible future excess. Test check revealed that contrary to this provision, the department surrendered the savings on the last day of the financial years during 2009-11 as detailed in the **Table 2.18**.

Table 2.18: Surrender of savings

(₹ in crore)

Year	Savings		Amount surrendered		Amount not surrendered (%)		Date of surrender
	Revenue	Capital	Revenue	Capital	Revenue	Capital	
2008-09	485.75	59.37	nil	Nil	485.75 (100)	59.37 (100)	31.3.2009
2009-10	88.66	181.29	nil	175.00	88.66 (100)	6.29 (3)	31.3.2010
2010-11	28.85	391.11	5.09	173.56	23.75 (82)	217.55 (56)	31.3.2011

2.6.3.3 Unnecessary supplementary grants

Departments were required to ensure that the Supplementary Grants were obtained in emergent cases only. The supplementary demands should be restricted and confined to genuine unforeseen expenditure which could not be envisaged at the time of preparation of Annual Budget or to meet requirements of decisions or development which have taken place after the approval of the budget i.e. post budget decisions and not for continuing schemes and programmes.

Audit scrutiny of the Appropriation Accounts for the year 2010-11 revealed that in the following cases supplementary provision proved unnecessary as detailed in **Table 2.19.**

Table 2.19: Unnecessary supplementary grants

(₹ in crore)

Head of account	Provision		Expenditure	Unspent provision	Remarks
	Original	Supplementary			
2801-80-800-1-03 – Bio-fuel Scheme	0.50	0.02	Nil	0.52	Saving was noticed under all the object heads. Supplementary provision was obtained to meet expenditure on hike in the rates of DA an HRA. However, there was saving of the entire provision.
2810-02-101-0-01-059 – Other Expenses	nil	2.00	nil	2.00	Amount was provided towards State energy conservation fund as per the guidelines issued by MNRE in order to implement sector specific energy conservation/saving plan.
6801-00-800-1-02-394-Loans	nil	126.44	nil	126.44	Supplementary provision was obtained towards loan for acquisition of land to PCKL for the Gulbarga Power Project, Jeevargi. Provision remained unutilized due to release of the said amount under capital outlay on power projects – hydel generation- investments in PSU and other undertakings – investments in power utility – investments.

2.6.3.4 Inadequate supplementary grants

Supplementary grant of ₹ 0.20 crore obtained proved inadequate resulting in excess expenditure of ₹ 1.28 crore under the following heads as detailed in **Table 2.20.**

Table 2.20: Inade uate supplementary provision

(₹ in crore)

Head of account	Provision			Expenditure	Excess uncovered
	Original	Supplementary	Total		
2045-00-103-0-01-002 Pay – Officers	0.70	0.10	0.80	1.52	0.72
2045-00-103-0-01-011 Dearness Allowance	1.34	0.08	1.42	1.88	0.46
2045-00-103-0-01-014 Other Allowance	0.48	0.02	0.50	0.60	0.10
Total	**2.52**	**0.20**	**2.72**	**4.00**	**1.28**

2.6.3.5 Formulation of Budget

Para 83 of KBM prescribes that the budget estimates should be framed after a careful and thorough consideration of all items of expenditure so that they may neither be inflated nor under-pitched and are as accurate as possible. Scrutiny of the estimates during 2008-11 revealed that the department had made excessive provision under the following heads resulting in their non-utilization as detailed in **Table 2.21.**

Table 2.21: Formulation of Budget

(₹ in crore)

Head of account	Budget Provision			Expenditure			Unutilized provision		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
2045-00-103-0-02-106 – Subsidies	---	4.16	4.33	---	1.08	---	---	3.08	4.33
2801-80-101-1-04-106 – Subsidies	2,050.00	---	---	1,742.73	---	---	307.27	---	---
2801-80-101-1-13-106 – Subsidies	350.00	300.00	---	200.00	250.00	---	150.00	50.00	---
2801-80-800-1-02-106 – Subsidies	1.30	1.30	---	0.03	0.02	---	1.27	1.28	---
2801-80-800-2-01-101 – Grants-in-Aid	---	---	25.68	---	---	4.47	---	---	21.21
4801-01-800-2-00-240 – Debt Servicing	88.00	---	---	86.62	---	---	1.38	---	---
4801-01-800-3-00-132 – Capital Expenses	150.00	---	---	100.00	---	---	50.00	---	---
6801-00-205-1-80-394 – Loans	8.00	---	110.00	0.01	---	18.90	7.99	---	91.10

Necessary steps are required to be taken by the department to make the exercise more robust which should eliminate excessive budgeting.

2.7 Conclusion

Against total provision of ₹ 85,193.90 crore during 2010-11, an expenditure of ₹ 72,915.19 crore was incurred. This resulted in an unspent provision of ₹ 12,278.71 crore (14 *per cent*). An excess expenditure of ₹ 85.39 crore incurred during 2010-11 and ₹ 4,707.89 crore relating to the period 1989-90 to 2009-10 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 282.64 crore in 21 cases which should have been treated as 'New Service/New instrument of service' was incurred without the approval of the Legislature. While, supplementary provision of ₹ 333.28 crore in 31 cases was unnecessary, re-appropriation of funds in 60 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 24 grants, ₹ 6,188.83 crore was surrendered in the last two working days of the financial year. Contingency Fund drawals sanctioned in two cases aggregating to ₹ 2.66 crore was not drawn during the year 2010-11.

2.8 Recommendations

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilized. Excessive /unnecessary supplementary provision and re-appropriation of funds injudiciously should be avoided. Budget should be prepared keeping in view the actual requirement of funds and it should neither be under/over pitched as observed by the PAC of the Legislature. The re-appropriation of funds at the close of the financial year also requires to be avoided. Contingency Fund should be sanctioned only to the extent required, so as to avoid non-drawal of the amount sanctioned. The departmental budgets should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided.