

## Chapter 6

### APPROPRIATION ACCOUNTS 2009-10: INTRODUCTION

#### Constitutional provisions

**6.1** Soon after the Lok Sabha passes the demands for grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament can also sanction supplementary or additional grants by the subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112 (3) as well as Article 293 (2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent by the government vis-à-vis those authorised by the Appropriation Acts.

**6.2** The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 98 grants and appropriations of Civil Ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four Appropriation Accounts pertaining to different sectors of activities of the government, viz. Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various Ministries during 2009-10 are as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
<b>Total</b>	<b>121</b>

**6.3** This Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some Ministries,

unrealistic budgeting and detailed observations in respect of the Ministries selected for in-depth examination. For facility of better appreciation of the sectoral features, all grants relating to civil Ministries/departments, Posts and Defence appropriations have been dealt with comprehensively. References to Railways appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in the related separate Audit Report for the year ended 2009-10.

### A summary

**6.4** Table 6.1 gives the total provisions (both Charged and Voted) and disbursements during 2009-10. Appendix-VI-A presents the details of the summary of Appropriation Accounts of civil Ministries/departments, Posts, Railways and Defence Services.

**Table 6.1: Provision and disbursements during 2009-10**

Departments	Total Provision	Disbursements	Savings Excess (+)
Civil	4356312	4117712	238600
Posts	12916	13609	(+ 693)
Railways	173368	165202	8166
Defence Services	148499	145781	2718
<b>Grand Total</b>	<b>4691095</b>	<b>4442304</b>	<b>248791</b>

**6.5** Under the civil Ministries/departments, the net saving of ₹ 2,38,600 crore was due to excess expenditure of ₹ 9,219 crore under four grants and saving of ₹ 2,47,819 crore in the grants pertaining to the civil Ministries/departments. Out of the overall excess expenditure of ₹ 9,219 crore, ₹ 9,000 crore was on account of payment of higher pensions than anticipated under grant no. 21-Defence Pensions. Of the overall saving of ₹ 2,47,819 crore, saving of ₹ 1,62,413 crore was in grant no. 37-Repayment of Debt under Capital (Charged) Section, ₹ 12,589 crore in grant no. 32-Department of Economic Affairs under Revenue/Capital (Voted) Section, ₹ 11,509 crore in grant no. 35-Transfers to State and U.T. Governments under Revenue (Voted/Charged) and Capital (Charged) Sections, ₹ 11,143 crore in grant no. 80-Department of Rural Development under Revenue (Voted) Section, ₹ 6,997 crore in grant no. 34-Interest Payments under Revenue (Charged) Section, ₹ 5,380 crore in grant no. 44-Department of Disinvestment under Capital (Voted) Section, ₹ 5,268 crore in grant no. 57-Department of School Education and Literacy under Revenue/Capital (Voted) Sections,

₹ 5,087 crore in grant no. 87–Ministry of Road Transport and Highways under Revenue/Capital (Voted) Sections, ₹ 3,948 crore in grant no. 33–Department of Financial Services under Revenue/Capital (Voted) Sections, ₹ 2,662 crore in grant no. 74–Ministry of Power under Revenue/Capital (Voted) Sections and ₹ 2,538 crore in grant no. 53–Police under Revenue/Capital (Voted) Sections. The gross saving in remaining grants/appropriations was ₹ 18,285 crore.

**6.6** There were savings in 205 sections and excess in four sections under the grants/appropriations relating to civil Ministries/departments; savings in three sections and excess in one section of Posts; savings in 22 sections and excess in 12 sections of Railways and savings in nine sections and excess in three sections of Defence Services. **Appendix-VI-B** presents an abstract of the details.

### **Charged and voted disbursements**

**6.7** **Appendix-VI-C** contains the details of the disbursements actually made against the approved demands (grants and appropriations) of the civil Ministries/departments for the years 1998-2010. During these years, 70 to 81 *per cent* of the total disbursements for the civil Ministries/departments were charged on the Consolidated Fund of India.

**6.8** During 2009-10, the total disbursements of ₹ 41,17,712 crore under civil Ministries/departments were higher by ₹ 9,68,639 crore to the total disbursements of ₹ 31,49,073 crore during 2008-09. It had increased by 577 *per cent* from ₹ 6,08,167 crore in 1998-99. The charged disbursements increased by 615 *per cent* from ₹ 4,68,679 crore in 1998-99 to ₹ 33,49,254 crore in 2009-10 and voted disbursements increased by 451 *per cent* from ₹ 1,39,488 crore to ₹ 7,68,458 crore over the same period. The charged disbursements of the civil Ministries/departments during 2009-10 were mainly on account of Interest Payments of ₹ 2,23,701 crore, which was 11 *per cent* higher than ₹ 2,01,143 crore for 2008-09, Repayment of Debt ₹ 30,85,792 crore and Transfers to State and Union Territory Governments ₹ 37,418 crore on account of grants under the proviso to Article 275 (1) of the Constitution, block grants, loans for State Plan Schemes etc. and constituted 81 *per cent* of the total disbursements. Since charged disbursements are not subject to vote by the Parliament, effectively the scope of financial control by Parliament is limited to about 19 *per cent* of the total disbursement in the civil Ministries.

However, viewed against the background of the total disbursements amounting to ₹ 44,42,304 crore from the CFI including Civil, Posts, Defence Services and Railways, the percentage of charged disbursements was 75 per cent (₹ 33,49,565 crore).

### Rush of expenditure during March and the last quarter of the financial year

**6.9** In terms of Rule 56 (3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided. The Ministry of Finance issued instructions to Ministries/departments in September 2007 to restrict expenditure during the month of March and the last quarter of the financial year to 15 per cent and 33 per cent, respectively, of the budgeted estimates. In the cases detailed in **Table 6.2**, major part of disbursements by some Ministries/departments were made in the month of March 2010 and/or during last quarter of the financial year.

**Table 6.2: Rush of expenditure during the month of March 2010 and/or last quarter of 2009-10**

(₹ in crore)

Sl. No.	Descriptions of the Grants	Budget Estimates	Expenditure in March	Percentage of Expenditure in March	Expenditure incurred during last quarter	Percentage of expenditure during last quarter of financial year
<b>Civil</b>						
1.	06 – Department of Chemicals and Petro-chemicals	275.61	-	-	219.89	80
2.	09 – Ministry of Civil Aviation	887.04	879.89	99	1170.90	132
3.	10 – Ministry of Coal	379.00	159.35	42	193.56	51
4.	19 – Ministry of Culture	1276.04	267.56	21	445.76	35
5.	28 – Ministry of Development of North Eastern Region	1622.27	507.27	31	749.34	46
6.	49- Department of Heavy Industry	812.00	620.33	76	681.43	84
7.	54 – Other Expenditure of Ministry of Home Affairs	1417.33	306.26	22	1362.65	96

**Report of the CAG on  
Union Government Accounts 2009-10**

(₹ in crore)

Sl. No.	Descriptions of the Grants	Budget Estimates	Expenditure in March	Percentage of Expenditure in March	Expenditure incurred during last quarter	Percentage of expenditure during last quarter of financial year
8.	55- Transfers to Union Territory Governments	3595.56	1465.85	41	1852.76	52
9.	68 – Ministry of Overseas Indian Affairs	80.00	26.49	33	33.73	42
10.	72-Ministry of Petroleum and Natural Gas	13475.33	13480.39	100	14126.25	105
11.	86 – Ministry of Shipping	1950.53	369.72	19	747.05	38
12.	100- Department of Urban Development	3665.79	-	-	3011.79	82
<b>Defence Services</b>						
13.	22 – Defence Services – Army	60270.83	10825.54	18	-	-
14.	27-Capital Outlay on Defence Services	54824.00	17796.46	32	24034.37	44

A few cases where the huge expenditure was incurred are discussed below:

In grant no. 6–Department of Chemicals and Petro-chemicals, large expenditure incurred during last quarter of financial year 2009-10 was due to sanction of supplementary grant of ₹ 166.07 crore by the Parliament in December 2009 on account of capital subsidy for Assam Gas Project.

In grant No. 9-Ministry of Civil Aviation, large expenditure incurred during March 2010/last quarter of the financial year was due to sanction of first supplementary grant of ₹ 1,081.00 crore in December 2009 and second supplementary grant of ₹ 30.00 crore by the Parliament in March 2010 mainly to cover the expenditure on account of (a) Payment to Air India towards arrears of Haj Operations/Service Tax (₹ 40.00 crore); (b) For equity infusion in National Aviation Company of India Limited (₹ 800.00 crore); (c) Investment in Pawan Hans Helicopter Ltd. (₹ 19.00 crore) and; (d) Investment in Airport Authority of India (₹ 49.58 crore).

In grant No. 49-Department of Heavy Industry, large expenditure during March 2010/last quarter of the financial year was incurred due to sanction of

second supplementary grant of ₹ 515.50 crore in March 2010 mainly to cover the expenditure on account of (a) Payment towards write-off of outstanding Government of India loans as part of restructuring plan in respect of Instrumentation Ltd. (₹ 249.78 crore); (b) Waiver of interest in respect of Instrumentation Ltd. Kota (₹ 258.26 crore); (c) Loan to Hindustan Photo films Manufacturing Company Ltd. (₹ 30.00 crore) and; (d) Write down of equity (₹ 3.33 crore) in respect of Bharat Wagon and Engineering Company Ltd.

In grant No. 72-Ministry of Petroleum and Natural Gas, the large expenditure during March 2010/last quarter of the financial year was incurred due to sanction of second supplementary grant of ₹ 12,801.08 crore in March 2010 mainly to cover the expenditure on account of (a) Payment to Oil Marketing Companies as compensation for under recoveries on account of sale of petroleum products to IOCL/BPCL/HPCL (₹ 11,843.00 crore); and (b) Equity investment in bonus shares issued by IOC (₹ 958.08 crore).

In grant No. 100-Department of Urban Development, the large expenditure during last quarter of the financial year 2009-10 was incurred due to sanction of first supplementary grant of ₹ 2,439.86 crore in December 2009 and second supplementary grant of ₹ 7.47 crore by the Parliament in March 2010 mainly to cover the expenditure for (a) projects undertaken by DDA in connection with CWG (₹ 404.55 crore); (b) additional expenditure of Delhi Metro (₹ 10.20 crore); (c) equity to DMRC in connection with the work of phase-II network (₹ 350.00 crore) and (d) providing loan as Pass Through Assistance to DMRC (₹ 1500.00 crore), Bangalore Metro (₹ 135.00 crore) and Chennai Metro (₹ 40.00 crore).

Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.