

## CHAPTER – II

### APPROPRIATION AND CONTROL OVER EXPENDITURE

#### APPROPRIATION ACCOUNTS 2005-06 AT A GLANCE

##### 2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by the Government vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, regulations and instructions.

##### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2005-06 against 26 grants/appropriations was as follows:

Nature of expenditure		Original grants/ appropriations	Supplementary grants/ appropriations	Total	Actual expenditure	Saving(-) / Excess(+)
(Rupees in crore)						
<b>Voted</b>	I. Revenue	10,701.44	556.29	11,257.73	10,615.63	(-) 642.10
	II. Capital	2,719.31	42.93	2,762.24	2,983.04	(+) 220.80
	III. Loans and Advances	175.50	43.11	218.61	177.45	(-) 41.16
<b>Total Voted</b>		<b>13,596.25</b>	<b>642.33</b>	<b>14,238.58</b>	<b>13,776.12</b>	<b>(-) 462.46</b>
<b>Charged</b>	IV. Revenue	2,436.06	2.18	2,438.24	2,184.82	(-) 253.42
	V Capital	10.50	-	10.50	3.05	(-) 7.45
	VI Public Debt	1,582.93	-	1,582.93	1,107.51	(-) 475.42
<b>Total Charged</b>		<b>4,029.49</b>	<b>2.18</b>	<b>4,031.67</b>	<b>3,295.38</b>	<b>(-) 736.29</b>
<b>Grand Total</b>		<b>17,625.74</b>	<b>644.51</b>	<b>18,270.25</b>	<b>17,071.50</b>	<b>(-) 1,198.75</b>

The following further points emerge:

- Genuineness of expenditure of Rs 2.61 crore drawn on 124 Abstract Contingent (AC) bills during 2004-05 (50 AC bills for Rs 1.21 crore) and 2005-06 (74 AC bills for Rs 1.40 crore) could not be verified as Detailed Contingent bills were not submitted (July 2006).

- Similarly, Rs 2.73 crore drawn on 140 vouchers could not be verified as the vouchers in support of amounts drawn were not submitted.

## 2.3 Excesses and savings

### 2.3.1 *Excess expenditure over provisions of previous years requiring regularisation*

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 226.80 crore in respect of five grants for the year 2004-05 was yet to be regularised (July 2006).

### 2.3.2 *Excess expenditure over provisions of 2005-06 requiring regularisation*

The excess of Rs 26.99 crore involving two grants under revenue account and Rs 241.88 crore under capital account in respect of three grants/appropriations required regularisation under Article 205 of the Constitution. Details are given below:

Sr. No	Number and name of grants/appropriations	Total grants/ appropriations	Actual expenditure	Excess
(In Rupees)				
<b>Revenue (Voted)</b>				
1.	8-Buildings and Roads	3,31,34,20,000	3,57,20,18,000	25,85,98,000
<b>Revenue (Charged)</b>				
1.	3-Home	10,82,88,000	11,95,64,000	1,12,76,000
<b>Total</b>		<b>3,42,17,08,000</b>	<b>3,69,15,82,000</b>	<b>26,98,74,000</b>
<b>Capital (Voted)</b>				
4.	8-Buildings and Roads	3,64,88,50,000	4,38,77,59,000	73,89,09,000
5.	10-Medical and Public Health	3,25,00,00,000	3,74,38,26,000	49,38,26,000
6.	15-Irrigation	6,22,95,01,000	7,41,55,42,000	1,18,60,41,000
<b>Total</b>		<b>13,12,83,51,000</b>	<b>15,54,71,27,000</b>	<b>2,41,87,76,000</b>

Government did not furnish reasons for excess expenditure (July 2006).

### 2.3.3 *Original budget and supplementary provisions*

The overall saving of Rs 1,198.75 crore was the net result of saving of Rs 1,467.62 crore (45 cases) of 26 grants/appropriations offset by excess of Rs 268.87 crore in five cases of four grants/appropriations. Savings were mainly under Finance Rs 257.27 crore, Education Rs 152.87 crore and Irrigation Rs 105.43 crore.

Supplementary provisions of Rs 644.51 crore obtained during the year which constituted four *per cent* of the original provision proved unnecessary in view of final saving of Rs 1,198.75 crore.

### 2.3.4 *Excessive/unnecessary/inadequate supplementary provisions*

Supplementary provisions of Rs 46.24 crore in three cases proved unnecessary as the expenditure in each case was less than the

original provision as detailed below:

Sr. No.	Number and name of grant	Original grant	Supplementary provision	Total	Expenditure	Saving
<b>Revenue (Voted)</b>						
1	9-Education	2,078.28	44.36	2,122.64	1,969.77	152.87
2	14-Food and Supplies	30.58	0.18	30.76	29.43	1.33
<b>Capital (Voted)</b>						
3	23-Transport	77.71	1.70	79.41	77.43	1.98
<b>Total</b>		<b>2,186.57</b>	<b>46.24</b>	<b>2,232.81</b>	<b>2,076.63</b>	<b>156.18</b>

### 2.3.5 Unnecessary augmentation of funds

In 11 cases, against additional requirement of Rs 361.54 crore, supplementary provisions of Rs 590.90 crore were obtained resulting in savings (in each case exceeding Rs 50 lakh) aggregating Rs 229.36 crore. Details of these cases are given below:

Sr. No.	Number and name of grants/ appropriations	Original grants/ appropriations	Supplementary provision	Total	Expenditure	Saving
<b>Revenue (Voted)</b>						
1.	1-Vidhan Sabha	12.04	2.26	14.30	13.18	1.12
2.	2-General Administration	184.63	3.36	187.99	186.60	1.39
3.	7-Other Administrative Services	208.40	22.36	230.76	227.76	3.00
4.	13-Social Welfare and Rehabilitation	723.51	123.95	847.46	812.62	34.84
5.	15-Irrigation	1,863.97	136.04	2,000.01	1,894.58	105.43
6.	16-Industries	72.66	65.19	137.85	133.09	4.76
7.	21-Community Development	397.20	130.95	528.15	521.56	6.59
8	23-Transport	662.23	27.47	689.70	677.72	11.98
<b>Capital (Voted)</b>						
9	14-Food and Supplies	1,279.11	25.67	1,304.78	1,286.37	18.41
10	22-Co-operation	9.38	10.54	19.92	19.24	0.68
11	25-Loans and Advances by State Government	175.50	43.11	218.61	177.45	41.16
<b>Total</b>		<b>5,588.63</b>	<b>590.90</b>	<b>6,179.53</b>	<b>5,950.17</b>	<b>229.36</b>

### 2.3.6 Substantial savings/excesses

In 32 cases, expenditure fell short by more than Rs 10 crore in each case and also by more than 10 per cent of the original provision as indicated in **Appendix IX**. In seven cases<sup>1</sup>, the entire provision totalling Rs 1,125.46 crore remained unutilised.

**2.3.7** In 16 cases, the final modified grants exceeded the original provision by Rupees five crore or 10 per cent. Huge variation between the original

1 Sr. No. 12, 14, 20,25,26,30 and 32 of **Appendix IX**.

budget provision and final allotment indicate poor budget projection. Details of these are given in *Appendix X*.

### 2.3.8 *Persistent savings*

In one case (Grant No. 18. Animal Husbandry), there was persistent savings of Rs 10 lakh and more and 10 *per cent* and more of the provisions in the last three years. Details are given below:

Sr. No.	Number and name of grants/appropriations	Percentage of saving to total provision (amount of savings - Rupees in crore)		
		2003-04	2004-05	2005-06
<b>Revenue (Voted)</b>				
1.	18-Animal Husbandry	24 (33.21)	13 (18.28)	13 (19.85)

Persistent savings indicated inappropriate budget assumptions.

### 2.3.9 *Unsurrendered Savings*

According to rules, the spending departments are required to surrender the grants/appropriations or portions thereof as and when the savings are anticipated every year to the Finance Department.

However, in 11 cases, against the available savings of Rs 1,236.70 crore, only Rs 818.63 crore were surrendered leaving savings of Rs 418.07 crore unsurrendered as given below:

Sr. No.	Name of the grants/ appropriations	Saving	Surrender	Saving remained un-surrendered
		(Rupees in crore)		
<b>Revenue (Voted)</b>				
1.	3-Home	69.99	66.96	3.03
2.	6-Finance	45.32	22.62	22.70
3.	9-Education	152.87	74.98	77.89
4.	12-Labour and Employment	96.01	94.80	1.21
5	15-Irrigation	105.43	17.48	87.95
6.	17-Agriculture	9.98	4.05	5.93
7	18-Animal Husbandry	19.85	16.20	3.65
8	20-Forest	8.71	5.99	2.72
<b>Capital (Voted)</b>				
9	25-Loans and Advances by State Government	41.16	38.75	2.41
<b>Revenue (Charged)</b>				
10	6-Finance	211.95	118.96	92.99
<b>Capital (Charged)</b>				
11.	Public Debt	475.43	357.84	117.59
<b>Total</b>		<b>1,236.70</b>	<b>818.63</b>	<b>418.07</b>

Though such failures had been pointed out in earlier Audit Reports, the deficiencies/shortcomings continue to persist year after year. This indicated that expenditure control mechanism and State level budgetary control process were ineffective.

### **2.3.10 Injudicious surrender of funds**

In 14 cases, the funds were surrendered injudiciously in excess of the available savings as detailed in **Appendix XI**. In such three cases, Rs 103.47crore<sup>2</sup> were surrendered despite excess expenditure of Rs 193.84 crore. The injudicious surrender of funds indicate inadequacy in the financial and budgetary control practices in the departments.

### **2.3.11 Injudicious reappropriation of funds**

Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Cases where injudicious reappropriation of funds resulted in excesses/savings by over Rupees one crore in each case, are as given in **Appendix XII**.

### **2.3.12 Expenditure without provision**

As envisaged in the Budget Manual, expenditure should not be incurred on any scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 149.99 crore was incurred in 19 cases, as detailed in **Appendix XIII**, without provision in the original estimates/supplementary demands and no reappropriation orders were issued.

## **2.4 Trend of recoveries**

Under the system of gross budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries; these are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In three grants<sup>3</sup>, the actual recoveries adjusted in reduction of expenditure (Rs 1,337.72 crore) exceeded the estimated recoveries (Rs 1,295.69 crore) by Rs 42.03 crore. Though no recovery was provided in the budget estimates in respect of grant number '15-Irrigation' for the year 2005-06, recovery of Rs 82.50 crore was made. Further, in respect of five grants<sup>4</sup>, the actual recoveries (Rs 75.21 crore) were less than the estimated recoveries (Rs 152.94 crore) by Rs 77.73 crore. Details of recoveries are given in **Appendix** of the Appropriation Accounts. Huge variation between the estimated recoveries and actual realisation, indicated faulty budgeting.

<sup>2</sup> Item no. 5, 10 and 11 of **Appendix XI**.

<sup>3</sup> 10-Medical and Public Health (Revenue), 14-Food and Supplies (Capital) and 25-Loans and Advances by State Government (Capital).

<sup>4</sup> 4-Revenue, 8-Buildings and Roads, 14-Food and supplies, 17-Agriculture and 22-Co-operation.

**2.5 Excesses/savings without explanation**

After the close of accounts of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those under important heads/sub-heads in particular.

Explanations for excesses and savings in respect of the Appropriation Accounts for the year 2005-06 were not received in respect of 241 heads/sub-heads against the total of 601 heads/sub-heads of account.