

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

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APPROPRIATION ACCOUNTS-2001-2002 AT A GLANCE

Total number of grants/appropriation : 26

Total provision and actual expenditure

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original Supplementary	14,302.95 960.31		
Total gross provision	15,263.26	Total gross expenditure	15,623.79
Deduct-Estimated recoveries in reduction of expenditure	951.65	Deduct-Actual recoveries in reduction of expenditure	1,192.20
Total net provision	14,311.61	Total net expenditure	14,431.59

Voted and Charged provisions and expenditure

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	7,534.38	1,817.14	7,188.85	1,640.94
Capital	3,112.24	2,799.50	2,784.25	4,009.75
Total Gross	10,646.62	4,616.64	9,973.10	5,650.69
Deduct-recoveries in reduction of expenditure	951.65	-	1,192.20	-
Total: Net	9,694.97	4,616.64	8,780.90	5,650.69

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 is within the authorisation given under the Appropriation Act 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 actual expenditure during 2001-2002 against 26 grants/appropriations was as follows:

Nature of expenditure		Original grants/ appropriations	Supplementary grants/ appropriations	Total	Actual expenditure	Saving(-) / Excess(+)
(Rupees in crore)						
Voted	I. Revenue	7,237.74	296.64	7,534.38	7,188.85	(-) 345.53
	11. Capital	2,222.13	578.42	2,800.55	2,482.57	(-) 317.98
	III. Loans and Advances	226.45	85.24	311.69	301.68	(-) 10.01
Total Voted		9,686.32	960.30	10,646.62	9,973.10	(-) 673.52
Charged	IV. Revenue	1,817.13	0.01	1,817.14	1,640.94	(-) 176.20
	V Capital	3.60		3.60	2.95	(-) 0.65
	VI Public Debt	2,795.90		2,795.90	4,006.80	(+)1,210.90
Total Charged		4,616.63	0.01	4,616.64	5,650.69	(+)1,034.05
Grand Total		14,302.95	960.31	15,263.26	15,623.79	(+)360.53

2.3 Results of Appropriation Audit

2.3.1(a) 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 2,757.26 crore for the years 1998-2001 was yet to be regularised (July 2002).

Year	Number of Grants/ Appropriations	Grant/ Appropriation No.(s)	Amount of excess (Rupees in crore)	Amount for which explanations not furnished to PAC
1998-99	3	6,2 and Public Debt	449.96	449.96
1999-2000	9	3,4,6,8,9,14,18,23 and Public Debt	1,153.82	1,153.82
2000-2001	4	1,3,10 and Public Debt	1,153.48	1,153.48
		Total	2,757.26	2,757.26

Due to failure and long delay in furnishing explanations of un-regularised excess expenditure, there was possibility of financial irregularities remaining un-examined.

(b) Excess expenditure over provisions of 2001-2002 requiring regularisation

In Revenue Section, there was an excess of Rs 14,31,93,417 in three grants and one appropriation. In Capital Section, there was an excess of Rs 12,10,90,22,607 in one grant. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Sr. No	Number and name of grants/ appropriations	Total grants/ appropriations	Actual expenditure	Excess
	Revenue (Voted)	(In Rupees)		
1	5-Excise and Taxation	49,01,30,000	50,57,02,565	1,55,72,565
2.	8-Buildings and Roads	1,97,02,81,000	2,01,55,70,368	4,52,89,368
3.	17-Agriculture	2,47,00,94,000	2,55,24,24,386	8,23,30,386
	Revenue (Charged)			
4.	4-Revenue	2,000	3,098	1,098
	Total	4,93,05,07,000	5,07,37,00,417	14,31,93,417
	Capital (Voted)			
5.	Public Debt	27,95,89,67,000	40,06,79,89,607	12,10,90,22,607
	Total	32,88,94,74,000	45,14,16,90,024	12,25,22,16,024

Government did not furnish reasons for excess expenditure (August 2002).

2.3.2 Original budget and supplementary provisions

The overall excess of Rs 361 crore was the net result of excess of Rs 1,225 crore in 5 cases involving 5 grants/appropriations offset by saving of Rs 864 crore in 51 cases of 24 grants/appropriations.

Supplementary provisions made during the year constituted 7 per cent of the original provision as against 6 per cent in the previous year.

2.3.3 *Unnecessary/excessive/inadequate supplementary provisions*

(a) Supplementary provisions of Rs 37.31 crore in 2 cases proved unnecessary as the expenditure in each case was less than the original provision as detailed in **Appendix - II**.

(b) In 12 cases, against additional requirement of Rs 752.24 crore supplementary grants and appropriations of Rs 887.57 crore were obtained resulting in savings, in each case exceeding Rs 50 lakh, aggregating Rs 135.33 crore. Details of these cases are given in **Appendix - III**.

2.3.4 *Substantial savings/excesses*

(a) In 18 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-IV**. In 3 cases¹, the entire provision totalling Rs 85.35 crore was not utilised.

(b) In 14 cases, expenditure exceeded the original provisions by Rs 5 crore or more and also by more than 10 *per cent* of the original provision. Details of these are given in **Appendix-V**.

2.3.5 *Persistent savings*

In 6 cases, there were persistent savings of Rs 10 lakh and more and 10 *per cent* or more of the provisions in the last three years. Details are given in **Appendix-VI**.

2.3.6 *Entire savings surrendered only on the last day of the year*

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof as and when the savings are anticipated.

However, against the final savings of Rs 864.68 crore in 51 cases, Rs 876.81 crore were surrendered on the last day of financial year viz., 31 March 2002. In 4 cases, against the available savings of Rs 289.36 crore, savings aggregating Rs 124.61 crore (savings of more than Rs 1 crore in each case) were not surrendered as detailed in **Appendix-VII**. Though such failures had been pointed out in earlier Audit Reports, the deficiencies/shortcomings, etc. continue to persist year after year. This indicated that expenditure control mechanism and State level budgetary control process are ineffective.

2.3.7 *Surrender in excess of actual savings*

As against the actual savings of Rs 293.84 crore, the amount surrendered was Rs 414.41 crore resulting in excess surrender of Rs 120.57 crore in 8 cases. This indicated poor financial and budgetary control practices in the departments. Details are given in **Appendix-VIII**.

1 S.No. 10, 14 and 15 of **Appendix-IV**.

2.3.8 Injudicious re-appropriation of funds

Re-appropriation 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 re-appropriation of funds resulted in excess/savings by over Rs 50 lakh in each case, are as given in **Appendix-IX**.

2.3.9 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 49.29 crore was incurred in 8 cases as detailed in **Appendix-X**, without provision in the original estimates/supplementary demands and no re-appropriation orders were issued.

2.3.10 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 excludes all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In 3 grants², the actual recoveries adjusted in reduction of expenditure (Rs 1,013.23 crore) exceeded the estimated recoveries (Rs 891.86 crore) by Rs 121.37 crore. Though no recoveries were provided in the budget estimates in 4 grants³ for the year 2001-2002, recoveries of Rs 119.40 crore were made. Despite having been pointed out in earlier Audit Reports, such recoveries without budget estimates persist year after year. However, in 2 grants⁴, the actual recoveries (Rs 18.51 crore) were less than the estimated recoveries (Rs 18.75 crore) by Rs 0.24 crore. Details of recoveries are given in Appendix of Appropriation Accounts.

2.3.11 New Service/New Instrument of service

Article 205 of the Constitution of India provides that expenditure on a 'New Service' not contemplated in Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. In one case, under the major head '4059-Capital Outlay on Public Works, 80 General; 051-Construction; 97-Haryana Public Service Commission' expenditure of Rs 1.19 crore which should have been treated as 'New Service/New Instrument of Service' was met by re-appropriation without approval of Legislature.

2 4-Revenue (Revenue), 10-Medical and Public Health (Revenue) and 14-Food and Supplies (Capital).

3 8-Buildings and Roads, 15-Irrigation, 17-Agriculture and 22-Co-operation.

4 14-Food and Supplies (Revenue) and 25-Loans and Advances by State Government (Capital).

2.3.12 Savings/excesses without explanation

After the close of the accounts of the 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 savings (57 *per cent*)/excesses (43 *per cent*) in respect of the Appropriation Accounts for the year 2001-2002 were not received in respect of 178 heads/sub heads (34 *per cent*) against the total 525 heads/sub-heads of accounts.