

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

APPROPRIATION ACCOUNTS 2001-2002 AT A GLANCE

Total No. of grants: 31

Total provision and actual expenditure

Table: 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	5977.35		
Supplementary	219.50		
Total gross provision	6196.85	Total gross expenditure	8693.04
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	317.02	<i>Deduct</i> -Actual recoveries in reduction of expenditure	457.94
Total net provision	5879.83	Total net expenditure	8235.10

Voted and Charged provision and expenditure

Table: 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	3926.49	1170.88	3948.08	1050.77
Capital	771.07	328.41	713.28	2980.91
Total gross:	4697.56	1499.29	4661.36	4031.68
<i>Deduct</i> -Recoveries in reduction of expenditure	317.02	--	457.94	--
Total net:	4380.54	1499.29	4203.42	4031.68

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 31 grants/appropriations was as follows:

Table: 2.3

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	3805.19	121.31	3926.50	3948.08	(+) 21.58
	II Capital	665.37	91.22	756.59	682.93	(-) 73.66
	III Loans and Advances	11.79	2.68	14.47	30.35	(+) 15.88
Total Voted		4482.35	215.21	4697.56	4661.36	(-) 36.20
Charged	IV Revenue	1168.80	2.08	1170.88	1050.77	(-) 120.11
	V Capital	--	2.21	2.21	2.21	--
	VI Public Debt	326.20	--	326.20	2978.70**	(+) 2652.50
Total Charged		1495.00	4.29	1499.29	4031.68	(+) 2532.39
Grand Total		5977.35	219.50	6196.85	8693.04	(+) 2496.19

** Includes Rs 1979.04 crore and Rs 586.57 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

Against the original grants and appropriations of Rs 5977.35 crore, supplementary grants and appropriations of Rs 219.50 crore were obtained during 2001-2002. There was an overall excess of Rs 2689.96 crore and

* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 422.60 crore; Capital expenditure: Rs 35.34 crore.

saving of Rs 193.77 crore. Supplementary grants and appropriations of Rs 93.30 crore under II-Capital (voted) and IV-Revenue (charged) was excessive.

2.3 Results of Appropriation Audit

2.3.1 Savings/excesses in grants/appropriations

Net excess of Rs 2496.19 crore was the result of savings in 45 cases and excesses in 22 cases as shown below:

Table: 2.4

(Rupees in crore)

	Savings		Excesses		Net Saving (-)/excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	206.00 (In 24 grants)	143.02 (In 17 grants)	227.59 (In 7 grants)	85.23 (In 9 grants)	(+) 21.59	(-) 57.79
Charged Appropriations	120.15 (In 4 appropriations)	--	0.04 (In 4 appropriations)	2652.50 (In 2 appropriations)	(-) 120.11	(+) 2652.50

2.3.2 (a) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to Rs 5376.36 crore for the years 1999-2000 and 2000-2001 was yet to be regularised (July 2002) by the State Legislature. Explanations for the excess expenditure incurred during 2000-01 had not been furnished by the Government to the Public Accounts Committee (PAC) as of July 2002 as detailed below:

Table: 2.5

(Rupees in crore)

Year	No. of grants/appropriations	Grant/Appropriation No(s)	Amount of excess
1999-2000	14	4, 7, 8, 9, 10, 12, 17, 18, 20, 23, 27, 28, 29 and 31	3316.82
2000-2001	17	1, 4, 5, 8, 9, 10, 12, 13, 14, 15, 17, 20, 23, 24, 28, 29 and 31	2059.54
	Total:		5376.36

Possibilities of financial irregularities remaining unexamined due to failure and long delays in furnishing explanations of unregularised excess expenditure cannot be ruled out.

(b) Excess over provision during 2001-2002 requiring regularisation

During 2001-02, there was a total excess of Rs 227.59 crore in seven grants in the revenue section and Rs 0.04 crore in four appropriations while the excesses in the capital section amounted to Rs 85.23 crore in nine grants and Rs 2652.50 crore* in two appropriations. These excesses (details given below) require regularisation under Article 205 of the Constitution of India.

Table: 2.6**(In Rupees)**

S. No.	Grant	Total grant/ appropriation	Actual expenditure	Amount of excess
Grants				
Revenue (Voted)				
1.	5 – Land Revenue and District Administration	1,42,11,99,000	1,66,45,84,750	24,33,85,750
2.	10 – Public Works	1,55,30,58,000	2,03,23,56,155	47,92,98,155
3.	13 – Irrigation and Flood Control	82,44,11,000	99,20,68,611	16,76,57,611
4.	17 – Roads and Bridges	2,44,26,98,000	2,52,81,76,899	8,54,78,899
5.	24 – Printing and Stationery	9,23,04,000	9,79,94,206	56,90,206
6.	28 – Water Supply Sanitation, Housing and Urban Development	2,90,75,00,000	3,93,93,21,406	1,03,18,21,406
7.	31 – Tribal Development	1,71,82,35,200	1,98,08,80,682	26,26,45,482
Total:		10,95,94,05,200	13,23,53,92,709	2,27,59,77,509
Charged				
8.	01 – Vidhan Sabha	14,12,000	17,37,830	3,25,830
9.	05 – Land Revenue and District Administration	--	70,228	70,228
10.	09 – Health and Family Welfare	9,69,899	9,99,899	30,000
11.	16 – Forest and Wild Life	19,323	19,324	1
Total:		24,01,222	28,27,281	4,26,059
Capital (Voted)				
12.	05 – Land Revenue and District Administration	6,76,000	7,85,000	1,09,000
13.	11 – Agriculture	32,22,67,000	47,67,44,527	15,44,77,527
14.	15 – Planning and Backward Area Sub-plan	24,50,07,000	28,31,15,138	3,81,08,138
15.	19 – Social Security and Welfare (including nutrition)	1,87,02,000	2,06,00,000	18,98,000
16.	23 – Water and Power Development	1,15,55,01,000	1,64,18,00,000	48,62,99,000
17.	24 – Printing and Stationary	--	7,99,702	7,99,702
18.	28 – Water Supply Sanitation, Housing and Urban Development	1,73,61,74,000	1,89,65,51,724	16,03,77,724
19.	29 – Finance	13,10,01,000	14,02,74,978	92,73,978
20.	30 – Miscellaneous General Services	1,38,01,000	1,47,85,787	9,84,787
Total:		3,62,31,29,000	4,47,54,56,856	85,23,27,856
Charged				
21.	28 – Water Supply Sanitation, Housing and Urban Development	11,09,152	11,09,202	50
22.	29 – Finance	3,26,19,43,000	29,78,69,59,888	26,52,50,16,888
Total:		3,26,30,52,152	29,78,80,69,090	26,52,50,16,938

Reasons for the excesses had not been furnished by the Government as of July 2002.

* Includes Rs 1979.04 crore and Rs 586.57 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

2.3.3 Original Budget and Supplementary Provision

The overall supplementary grants and appropriations obtained during 2001-2002 constituted 4 *per cent* of the original grants and appropriations.

2.3.4 Unnecessary/excessive/inadequate Supplementary Provision

(a) Supplementary provision of Rs 28.20 crore in Revenue Section in 12 cases and Rs 6.69 crore in three cases in Capital Section was wholly unnecessary as the expenditure in each case was even less than the original provision, the saving being more than 50 lakh in each case, as indicated in the Appendix-II.

(b) In seven cases, against additional requirement of Rs 26.76 crore, supplementary grants of Rs 46.80 crore were obtained resulting in saving in each case exceeding Rs 59 lakh, aggregating Rs 20.04 crore. Relevant details are given in Appendix-III.

(c) Supplementary provision of Rs 96.24 crore (Revenue: Rs 20.61 crore; Capital: Rs 75.63 crore) obtained in eight cases, as detailed in Appendix-IV, proved inadequate by more than Rs 8 crore in each case leaving an aggregate uncovered excess expenditure of Rs 258.53 crore.

2.3.5 Persistent savings/excesses

Expenditure was persistently less than the total provisions by more than 5 *per cent* in five cases during 1999-2002 while it exceeded the provision by more than 5 *per cent* persistently in four other cases. Relevant details are indicated in Appendix-V.

2.3.6 Significant Savings

Of the final savings of Rs 349.02 crore under voted grants and of Rs 120.15 crore under charged appropriations, savings of not less than Rs 50 lakh in each case aggregating Rs 467.13 crore (32 cases) occurred in 24 grants, details of which along with the main reasons for savings, as furnished by the Government, are indicated in Appendix-VI.

2.3.7 Surrender of funds

Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year,

unless such savings are required to meet excesses under some other units. No savings should be held in reserve for possible future excesses.

It was, however, noticed that in 10 cases against the available savings of Rs 330.25 crore (savings of Rs 1 crore and above in each case), savings aggregating Rs 161.69 crore were either not fully surrendered or not surrendered at all. In 15 cases, the amount surrendered exceeded the overall savings by Rs 19.41 crore. Further, in the case of four grants, Rs 49.02 crore was surrendered although expenditure exceeded the grant and no savings were available for surrender. Relevant details are indicated in Appendix-VII.

The amounts in all these cases were surrendered only in the last month of the year. These instances were indicative of ineffective monitoring and control over expenditure.

2.3.8 Failure to furnish explanations for savings/excesses

After the close of the 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.

Such explanations for variations in respect of the Appropriation Accounts for 2001-2002 were necessary in case of 645 heads/sub-heads, but were not received in case of 431 heads/sub-heads (67 *per cent*) as of August 2002.

2.3.9 Trend of recoveries

The demands for grants are for the gross amounts of expenditure to be incurred in a particular year and show recoveries to be taken in reduction of expenditure separately by way of footnotes thereunder. Similarly, the recoveries are also shown separately in the Appropriation Accounts in an Appendix thereto.

Scrutiny of the Accounts for 2001-2002 revealed that against the budget estimates of Rs 255.35 crore in the revenue section, actual recoveries were Rs 422.60 crore. In the capital section, against the budget estimates of Rs 61.67 crore, actual recoveries and adjustments were Rs 35.34 crore. Thus, recoveries in reduction of expenditure were underestimated by Rs 167.25 crore in the revenue section and over-estimated to the extent of Rs 26.33 crore in the capital section. Details of major variations of more than 34 *per cent* of the original estimates and not less than Rs one crore in each case are given in Appendix-VIII.

2.3.10 Injudicious reappropriation

A grant or appropriation is distributed by sub-heads or standard objects (called primary units) under which it is to be accounted for. Reappropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of the financial year. Reappropriation of funds should be made only when it is known or anticipated that the appropriation in respect of the unit from which the funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation of the said unit.

In 43 cases (sub-heads) involving 13 grants/appropriations, the reappropriation of Rs 43.10 crore proved to be injudicious as

(a) The original provisions under the sub-heads to which the funds were transferred by reappropriation (Rs 10.45 crore) were adequate and consequently, the amounts reappropriated remained unutilised and

(b) The heads from which the funds (Rs 32.65 crore) were transferred did not have any savings available under them for reappropriation.

Relevant details are contained in Appendix-IX.

2.4 Drawal of funds in advance of requirements

Of Rs 8.71 crore drawn in advance of actual requirements mainly to avoid lapse of budget grants Rs 5.51 crore was lying unutilised in bank accounts, etc.

Rule 2.10 of the Himachal Pradesh Financial rules stipulates that no money should be drawn from the treasury unless it is required for immediate disbursement or for the recoupment of funds disbursed out of permanent advance. It is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take considerable time. Any unspent balance is required to be refunded promptly into the treasury. Drawing and Disbursing Officers have not been authorised by any general or special rules/orders to deposit unutilised funds in banks/post offices.

Test-check of accounts of three Drawing and Disbursing Officers of Fisheries, Rural Development and Revenue departments revealed (May 2001-January 2002) that Rs 8.71 crore was drawn by them between 1999-2000 and 2001-2002 for setting up of awareness centre, etc., construction of office building, school buildings, Town Hall and for establishing Mahasheer fish farm at Sidhpur out of which Rs 5.51 crore (63 per cent) was lying unutilised either with the executing agencies

(Rs 65.45 lakh) or deposits with the bank (Rs 486.01 lakh) as of December 2001 as per details given below:

Table: 2.7

(Rupees in lakh)

Sr. No.	Department/ Office (Drawing and Disbursing Officer)	Amount drawn	Month/ year of drawal	Purpose	Unutilised amount	Reasons furnished by the department
Fisheries Department						
1.	Director Fisheries, Bilaspur	17.50	1999-2000	Setting up of awareness centre, etc.	15.45	The Director stated (June 2002) that Rs 14.35 lakh was released (March 2001) to the DC Bilaspur for establishment of aquarium-cum-awareness centre at suitable site at Bilaspur.
Rural Development Department						
2.	Block Development Officer, Keylong	20.00	Rs 10 lakh each in 1999 and 2000	Construction of Office building.	18.25	The BDO stated (November 2000) that the funds could not be unutilised due to change of earlier site approved for construction of building. The amount was lying in Bank as of June 2002.
Revenue Department						
3.	Deputy Commissioner, Mandi	633.60	April and May 2001	Construction of primary school buildings.	327.00	District Planning Officer stated (January 2002) that the amount was drawn to avoid lapse of budget grant. He further stated (June 2002) that funds had been released to the executing agencies.
		100.00	March 2001	For establishing Mahasheer fish farm at Sidhpur.	100.00	District Planning Officer stated (December 2001) that the amount was drawn to avoid lapse of budget grant. The amount was kept in bank. Rs. 30.25 lakh was released (March 2002) for construction of work.
		50.00	March 2001	For construction of Town Hall at Mandi.	40.76	District Planning Officer stated (December 2001) that the amount was drawn to avoid lapse of budget grant. The work was stated (June 2002) to be in progress.
		50.00	March 2001	Construction of Sr. Secondary School (Boys) Mandi	50.00	The amount was drawn to avoid lapse of budget grant and is lying unutilised with the Public Works Department. The work was stated (June 2002) to be in progress.
Total:		871.10			551.46	

Such unauthorised deposit of Government scheme funds in banks apart from being highly irregular also resulted in non-execution/delay in execution of schemes. The matter, therefore, needs to be investigated for fixing responsibility for the irregular action in violation of Government's orders.

The matter was referred to the Government in May 2002; reply had not been received (August 2002).

2.5 Expenditure and budgetary control in Education Department

2.5.1 Introduction

Funds for Secondary Education are provided in the budget of the department through Grant No. 8-Education, Sports, Arts and Culture and Grant No. 31-Tribal Development under various major heads¹. Director of Secondary Education (DE) is head of the department and is responsible for the preparation and submission of budget estimates to Finance Department (FD) through the Administrative Department. The budget estimates are dealt with by 1,706 Drawing and Disbursing Officers (DDOs) and 12 Controlling Officers under the control of the DE.

Preparation of budget estimates and control over expenditure for the period 1998-2001 reviewed in audit during June-July 2002 at Directorate level revealed the following points:

2.5.2 Budget and expenditure

The overall position of funds allotted and expenditure incurred thereagainst during 1998-2001 under the aforesaid two Grants was as under:

Table: 2.8

(Rupees in crore)

Year	Total provision	Actual expenditure	Excess (+)/Savings (-)
Grant No. 8			
Plan			
1998-99	92.98	121.13	(+) 28.15 (30)
1999-2000	137.12	187.07	(+) 49.95 (36)
2000-2001	144.31	203.94	(+) 59.63 (41)
Non-Plan			
1998-99	242.32	241.02	(-) 1.30
1999-2000	223.49	228.36	(+) 4.87
2000-2001	265.56	263.22	(-) 2.34
Grant No. 31			
Plan			
1998-99	8.33	7.91	(-) 0.42
1999-2000	10.71	14.61	(+) 3.90 (36)
2000-2001	14.40	16.79	(+) 2.39 (17)
Non-Plan			
1998-99	7.25	7.28	(+) 0.03
1999-2000	5.99	5.55	(-) 0.44
2000-2001	7.44	7.33	(-) 0.11
Total:	1159.90	1304.21	(+) 144.31

Note: (Figures in parenthesis represents the percentage)

Source: Departmental figures.

It would be seen that persistent excesses ranging between 17 and 41 per cent occurred in plan section of both the Grants during 1998-2001 except in

1 2075-Miscellaneous General Services, 2202-General Education, 2205-Arts and Culture and 2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward classes.

1998-99 when there was a saving of Rs 0.42 crore in Grant No. 31. The budget estimates were thus not framed on realistic basis.

2.5.3 Non-submission of budget estimates by the DDOs

Scrutiny of records in audit revealed that a number of DDOs did not submit budget estimates during 1998-2001 as detailed below:

Table: 2.9

Year	Total number of DDOs		Number of DDOs who submitted budget proposals	
	Plan	Non-Plan	Plan	Non-Plan
1998-99	1243	1676	408 (835)	542 (1134)
1999-2000	1323	1692	655 (668)	610 (1082)
2000-01	1426	1706	715 (711)	638 (1068)

Figures in parenthesis indicate the number of DDOs who did not submit budget proposals

The DE stated (June 2002) that in the absence of the receipt of budget estimates from different DDOs, budget proposals were made on the basis of previous years budget proposals of the Directorate. No action against the defaulting DDOs had been taken and budget proposals were not prepared on realistic basis.

2.5.4 Delay in submission of budgetary returns

It was noticed in audit that various budgetary returns such as budget estimates statements of excesses and surrenders and final statements of excesses and surrenders were not submitted by DE to FD during 1998-2001 on the dates prescribed in the Budget Manual. Delay in individual cases ranged between 20 and 120 days. DE thus failed to comply with the provisions of the manual *ibid.*

2.5.5 Control records not maintained

Important control records such as register of sanctions, ledger account of appropriations and liability register were not maintained by the DE as required under the Budget Manual. In the absence of aforesaid records the DE could not prepare reliable estimates and exercise effective control over the expenditure. The DE while admitting the facts did not furnish reasons for not maintaining these records.

2.5.6 Unrealistic estimation

Expenditure under the head “2202-General Education, 02-Secondary Education, 109-Government Secondary Schools, 01-Secondary Schools (Plan)” far exceeded the funds allotted during 1998-2001 as shown below:

Table: 2.10

(Rupees in crore)

Year	Budget provided	Expenditure	Excess expenditure over the budget	Percentage of excess expenditure
1998-99	49.77	64.50	14.73	30
1999-2000	65.15	96.06	30.91	47
2000-01	67.42	107.04	39.62	59

DE stated (June 2002) that the excess was due to opening/upgrading of schools, increase in dearness allowance and revision of pay scales for which no funds were provided by the Government. The contention is not tenable as these factors could have been foreseen and budget demanded accordingly.

2.5.7 Non-inclusion of agreed provision for additional funds in supplementary demands for grants

The Planning Department provided additional funds of Rs 3.58 crore during 1998-99 and 2000-2001 (1998-99: Rs 1.39 crore and 2000-2001: Rs 2.19 crore) under various heads of account for payment of assistance to private colleges and payment of scholarship to college students. The provision was to be incorporated in the supplementary demands for grants of the

department. It was, however, noticed in audit that the department incurred expenditure out of additional funds without including them in the supplementary demands for grants. This resulted in excess expenditure of Rs 3.58 crore.

The DE stated (June 2002) that the additional funds released could not be incorporated in supplementary demands due to oversight. Thus the DE failed to monitor/exercise control over expenditure.

2.5.8 Over drawal from General Provident Fund account

According to the provisions of General Provident Fund (GPF) Rules the competent authority may sanction withdrawal within the prescribed limit subject to the condition that a subscriber was in a position to satisfy the competent authority about the amount standing to his credit in GPF account.

Test-check of records revealed that in 11 cases the disbursing officers allowed over drawal of Rs 2.99 lakh from GPF accounts to the subscribers during 2000-2002 without sufficient balances in their GPF accounts. The DE stated (June 2002) that DDOs were responsible for overdrawals as they were required to scrutinise the cases before submitting/according sanction for which warnings had been issued from time to time.