

## CHAPTER-II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### APPROPRIATION ACCOUNTS 2002-2003 AT A GLANCE

**Total No. of grants: 31**

*Total provision and actual expenditure*

*Table: 2.1*

*(Rupees in crore)*

Provision	Amount	Expenditure	Amount
Original	6365.99		
Supplementary	491.28		
<b>Total gross provision</b>	<b>6857.27</b>	<b>Total gross expenditure</b>	<b>9902.83</b>
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	250.33	<i>Deduct</i> -Actual recoveries in reduction of expenditure	446.25
<b>Total net provision</b>	<b>6606.94</b>	<b>Total net expenditure</b>	<b>9456.58</b>

*Voted and Charged provision and expenditure*

*Table: 2.2*

*(Rupees in crore)*

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	4178.85	1235.16	4350.18	1182.27
Capital	924.89	518.37	940.98	3429.40
<b>Total gross:</b>	<b>5103.74</b>	<b>1753.53</b>	<b>5291.16</b>	<b>4611.67</b>
<i>Deduct</i> -Recoveries in reduction of expenditure	250.33	--	446.25	--
<b>Total net:</b>	<b>4853.41</b>	<b>1753.53</b>	<b>4844.91</b>	<b>4611.67</b>

## 2.1 Introduction

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 2002-2003 against 31 grants/appropriations was as follows:

Table: 2.3

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	3877.85	301.00	4178.85	4350.18	(+) 171.33
	II Capital	709.89	170.79	880.68	902.60	(+) 21.92
	III Loans and Advances	28.79	15.42	44.21	38.38	(-) 5.83
<b>Total Voted</b>		<b>4616.53</b>	<b>487.21</b>	<b>5103.74</b>	<b>5291.16</b>	<b>(+) 187.42</b>
<b>Charged</b>	IV Revenue	1233.19	1.97	1235.16	1182.27	(-) 52.89
	V Capital	--	2.10	2.10	2.10	--
	VI Public Debt	516.27	--	516.27	3427.30**	(+) 2911.03
<b>Total Charged</b>		<b>1749.46</b>	<b>4.07</b>	<b>1753.53</b>	<b>4611.67</b>	<b>(+) 2858.14</b>
<b>Grand Total</b>		<b>6365.99</b>	<b>491.28</b>	<b>6857.27</b>	<b>9902.83</b>	<b>(+) 3045.56</b>

\*\* Includes Rs 1774.32 crore and Rs 1065.84 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 6365.99 crore, supplementary grants and appropriations of Rs 491.28 crore were obtained during 2002-2003. There was an overall excess of Rs 3104.28 crore and saving of Rs 58.72 crore. Supplementary appropriation of Rs 1.97 crore under IV-Revenue (charged) was unnecessary because actual expenditure was less than the original appropriation.

\* These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 391.30 crore; Capital expenditure: Rs 54.95 crore.

## 2.3 Results of Appropriation Audit

### *Savings/excesses in grants/appropriations*

**2.3.1** Net excess of Rs 3045.56 crore was the result of savings in 41 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	98.76 (In 19 grants)	98.49 (In 17 grants)	270.09 (In 12 grants)	114.58 (In 7 grants)	(+) 171.33	(+) 16.09
Charged Appropriations	52.94 (In 5 appropriations)	--	0.05 (In 2 appropriations)	2911.03 (In 1 appropriation)	(-) 52.89	(+) 2911.03

### *Excess over provision relating to previous years requiring regularisation*

**2.3.2** 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 5024.90 crore for the years 2000-2001 and 2001-2002 was yet to be regularised (August 2003) by the State Legislature. Explanations for the excess expenditure incurred during 2001-2002 had not been furnished by the Government to the Public Accounts Committee (PAC) as of August 2003 as detailed below:

*Table: 2.5*

*(Rupees in crore)*

Year	No. of grants/appropriations	Grant/Appropriation No(s)	Amount of excess
2000-2001	17	1, 4, 5, 8, 9, 10, 12, 13, 14, 15, 17, 20, 23, 24, 28, 29 and 31	2059.54
2001-2002	16	1, 5, 9, 10, 11, 13, 15, 16, 17, 19, 23, 24, 28, 29, 30, 31	2965.36
	<b>Total:</b>		<b>5024.90</b>

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

### *Excess over provision during 2002-2003 requiring regularisation*

**2.3.3** During 2002-2003, there was a total excess of Rs 270.09 crore in twelve grants in the revenue section and Rs 0.05 crore in two appropriations while the excesses in the capital section amounted to Rs 114.58 crore in seven

grants and Rs 2911.03 crore\* in one appropriation. 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
<b>Grants</b>				
<b>Revenue (Voted)</b>				
1.	05-Land Revenue and District Administration	1,49,17,37,000	1,51,61,76,530	2,44,39,530
2.	06-Excise and Taxation	14,69,71,000	15,23,00,561	53,29,561
3.	07-Police and Allied Organisation	1,73,38,33,245	1,82,74,03,635	9,35,70,390
4.	09-Health and Family Welfare	2,55,13,38,000	2,56,89,31,209	1,75,93,209
5.	10-Public Works	1,27,44,82,000	1,92,65,08,020	65,20,26,020
6.	13-Irrigation and Flood Control	83,03,84,000	1,12,79,35,103	29,75,51,103
7.	17-Roads and Bridges	2,27,17,86,000	2,78,11,59,201	50,93,73,201
8.	20-Rural Development	82,54,44,000	82,54,90,887	46,887
9.	23-Water and Power Development	1,24,26,02,090	1,28,98,51,523	4,72,49,433
10.	27-Labour, Employment and Training	20,22,87,800	21,14,53,032	91,65,232
11.	28-Water Supply, Sanitation Housing and Urban Development	3,15,16,89,000	4,05,73,44,191	90,56,55,191
12.	31-Tribal Development	1,79,06,58,000	1,92,95,15,441	13,88,57,441
<b>Total:</b>				<b>2,70,08,57,198</b>
<b>Charged</b>				
13.	03-Administration of Justice and Elections	5,98,66,000	6,04,08,459	5,42,459
14.	09 – Health and Family Welfare	4,83,569	4,83,570	1
<b>Total:</b>				<b>5,42,460</b>
<b>Capital (Voted)</b>				
15.	07 – Police and Allied Organisations	97,00,000	1,47,00,000	50,00,000
16.	12 – Horticulture	7,75,19,000	8,51,03,896	75,84,896
17.	15 – Planning and Backward Area Sub-plan	20,59,59,000	26,57,38,890	5,97,79,890
18.	18 – Supplies, Industries and Minerals	1,79,35,000	1,79,40,497	5,497
19.	23 – Water and Power Development	2,56,12,01,000	3,60,53,47,000	1,04,41,46,000
20.	28 – Water Supply, Sanitation, Housing and Urban Development	1,82,27,19,000	1,82,76,71,387	49,52,387
21.	31 – Tribal Development	76,97,57,000	79,41,04,998	2,43,47,998
<b>Total:</b>				<b>1,14,58,16,668</b>
<b>Capital Charged</b>				
22.	29 – Finance	5,16,27,26,000	34,27,30,87,016	29,11,03,61,016
<b>Total:</b>				<b>29,11,03,61,016</b>

Reasons for the excesses had not been furnished by the Government as of August 2003.

\* Includes Rs 1774.32 crore and Rs 1065.84 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

## **Original Budget and Supplementary Provision**

**2.3.4** The overall supplementary grants and appropriations obtained during 2002-2003 constituted 8 *per cent* of the original grants and appropriations.

### **Unnecessary/excessive/inadequate Supplementary Provision**

**2.3.5** Supplementary provision of Rs 24.13 crore in Revenue Section in seven cases and Rs 0.98 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 Rs 50 lakh in each case, as indicated in the **Appendix-II**.

In nine cases, against additional requirement of Rs 170.51 crore, supplementary grants of Rs 201.06 crore were obtained resulting in saving in each case exceeding Rs 1.22 crore. Relevant details are given in **Appendix-III**.

Supplementary provision of Rs 180.19 crore (Revenue: Rs 93.32 crore; Capital: Rs 86.87 crore) obtained in 11 cases, as detailed in **Appendix-IV**, proved inadequate by more than Rs one crore in each case leaving an aggregate uncovered excess expenditure of Rs 3284.05 crore.

### **Persistent savings/excesses**

**2.3.6** Expenditure was persistently less than the total provisions by more than 5 *per cent* in four cases during 2000-2003 while it exceeded the provision by more than 5 *per cent* persistently in four other cases. Relevant details are indicated in **Appendix-V**.

### **Significant Savings**

**2.3.7** Of the final savings of Rs 197.25 crore under voted grants and of Rs 52.94 crore under charged appropriations, savings of not less than Rs 50 lakh in each case aggregating Rs 248.29 crore (25 cases) occurred in 20 grants, details of which along with the main reasons for savings, as furnished by the Government, are indicated in **Appendix-VI**.

### **Surrender of funds**

**2.3.8** 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 12 cases against the available savings of Rs 148.82 crore (savings of Rs 1 crore and above in each case), savings aggregating Rs 40.89 crore were either not fully surrendered or not surrendered at all. In six cases, the amount surrendered exceeded the overall savings by Rs 103.74 crore. Further, in the case of six grants and one appropriation Rs 159.24 crore was surrendered although expenditure exceeded the grant/appropriation 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.

### ***Failure to furnish explanations for savings/excesses***

**2.3.9** 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 2002-2003 were necessary in case of 437 heads/sub-heads, but were not received in case of 240 heads/sub-heads (55 *per cent*) as of August 2003.

### ***Trend of recoveries***

**2.3.10** 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 2002-2003 revealed that against the budget estimates of Rs 211.99 crore in the revenue section, actual recoveries were Rs 391.30 crore. In the capital section, against the budget estimates of Rs 38.34 crore, actual recoveries and adjustments were Rs 54.95 crore. Thus, recoveries in reduction of expenditure were underestimated by Rs 179.31 crore in the revenue section and Rs 16.61 crore in the capital section. Details of major variations of more than 6 *per cent* of the original estimates and not less than Rs one crore in each case are given in **Appendix-VIII**.

### ***Injudicious reappropriation***

**2.3.11** 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 28 cases (sub-heads) involving nine grants/appropriations, the reappropriation of Rs 16 crore proved to be injudicious as:

The original provisions under the sub-heads to which the funds were transferred by reappropriation (Rs 5.55 crore) were adequate and consequently, the amounts reappropriated remained unutilised and

The heads from which the funds (Rs 10.45 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 2.58 crore drawn in advance of actual requirements mainly to avoid lapse of budget grants, Rs 1.06 crore were lying unutilised with executing agencies and in bank accounts, etc.**

Rule 2.10 of the Himachal Pradesh Financial Rules stipulates that money should not 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 five Drawing and Disbursing Officers of Revenue, Horticulture and Technical Education departments revealed (June 2001-November 2002) that of Rs 2.58 crore drawn during 1994-95 to 2001-2002 by these departments for computerisation of land records, payment of *ex gratia* grant to small and marginal farmers, calamity relief works, construction of office and residential buildings, Rs 1.06 crore (41 per cent) were lying unutilised with executing agencies (Rs 0.82 crore) and as deposits

with the banks (Rs 0.24 crore) as of December 2002 as per details given below:

**Table: 2.7**

**(Rupees in crore)**

Sr. No.	Department/ Office (Drawing and Disbursing Officer)	Amount drawn	Month/ year of drawal	Purpose	Unutilised amount	Reasons furnished by the department
<b>Revenue Department</b>						
1.	Deputy Commissioner, Kinnaur	0.25	1994-95 and 1995-96	Computerisation of land records	0.24	The Deputy Commissioner stated (January 2003) that funds would be utilised on receipt of approval from the Government which is awaited.
2.	Deputy Commissioner, Hamirpur	0.76	1997-1998	<i>Ex gratia</i> grant to small and marginal farmers	0.20	The Deputy Commissioner stated (September 2002) that Sub-Divisional Offices have been directed to refund the balance amount if the applications are not pending.
3.	Deputy Commissioner, Una	1.11	2001-2002	Calamity relief works	0.41	The Deputy Commissioner stated (October 2002) that funds were kept in bank accounts so that these could be released on demand.
<b>Horticulture Department</b>						
4.	Deputy Director, Horticulture, Reckong Peo	0.35	2000-2001	Construction of office and residential buildings	0.10	The Deputy Director, Horticulture stated (January 2003) that the works were yet to be approved.
<b>Technical Education Department</b>						
5.	Principal ITI, Berthin, Bilaspur	0.11	2000-2001	Construction of ITI building	0.11	The Director, Technical Education stated (May 2003) that the site development has been taken up in hand.
<b>Total:</b>		<b>2.58</b>			<b>1.06</b>	

Such unauthorised deposit of Government scheme funds in banks, etc., apart from being irregular also resulted in non-execution/delay in execution of schemes/works. No, guidelines existed for depositing Government funds outside Government account. This also affected the Ways and Means position of the State Government adversely as the funds were kept outside Government account. The matter, therefore, needs to be investigated for fixing responsibility for violation of Government's orders.

The matter was referred to the Government in April 2003; their reply had not been received (August 2003).