

Chapter-II

Appropriation Audit and Control over Expenditure

Introduction

2.1 In accordance with the provisions of Section 81 of the Constitution of Jammu and Kashmir, soon after the grants under Sections 79 and 80 are made by the State Legislature, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate sums of money from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 82 of the Constitution of the Jammu and Kashmir.

2.2 The Appropriation Act indicates the expenditure which has been voted by the Legislature on various grants and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Acts.

2.3 The objective of Appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts 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.

2.4 The summarised position of original and supplementary grants and expenditure thereagainst in respect of 27 grants and appropriations is as follows.

Summary of Appropriation Accounts 2000-01

Appropriation Accounts 2000-01

Total number of grants 27

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original:	9497.91		13763.57
Supplementary:	255.65		
Total gross provision:	9753.56	Total gross expenditure:	13763.57
Deduct-Estimated recoveries in reduction of expenditure	1689.62[#]		225.56
Total net provision	8063.94	Total net expenditure	13538.01

Voted and Charged provision and expenditure

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	6015.53	956.10	5880.67	778.19
Capital	2486.33	295.60	1113.53	5991.18
Total Gross:	8501.86	1251.70	6994.20	6769.37
Deduct-recoveries in reduction of expenditure	1689.62		225.56	
Total: Net	6812.24	1251.70	6768.64	6769.37

2.5 The summarised position of the actual expenditure during 2000-01 against 27 grants/appropriations was as follows:

[#] Includes provision of Rs 85.06 crore (Revenue: Rs 55.39 crore and Capital: Rs 29.67 crore) transferable to MH 8448-Deposits; 113-Ladakh Autonomous Hill Development Council, taken as reduction of expenditure for which matter has been taken up with the State Government

(Table No. 2.1)

(Rupees in crore)

	Nature of expenditure	Original grant/Appropriation	Supplementary grant/Appropriation	Total	Actual expenditure [#]	Saving (-)/Excess (+)
Voted	Revenue	5771.53	244.00	6015.53	5880.67	(-) 134.86
	Capital	2473.66	11.21	2484.87	1054.95	(-) 1429.92
	Loans and Advances	1.46	-	1.46	58.58	(+) 57.12
Total voted:		8246.65	255.21	8501.86	6994.20	(-) 1507.66[®]
Charged	Revenue	955.66	0.44	956.10	778.19	(-) 177.91
	Capital	-	-	-	-	--
	Public Debt	295.60	-	295.60	5991.18	(+) 5695.58
Total Charged		1251.26	0.44	1251.70	6769.37	(+) 5517.67
Grand Total:		9497.91	255.65	9753.56	13763.57**	(+) 4010.01

2.6 The overall excess of Rs 4010.01 crore was due to net effect of saving of Rs 2300.24 crore (Revenue: Rs 880.89 crore; Capital: Rs 1419.35 crore) and excess of Rs 6310.25 crore (Revenue: Rs 568.12 crore; Capital: Rs 5742.13 crore) in respect of 27 grants and 6 appropriations and 10 grants and 2 appropriations respectively.

Results of Appropriation Audit

Excess expenditure requiring regularisation

2.7 In the Revenue section there was an excess expenditure of Rs 568.12 crore in 7 grants and one appropriation while in the Capital section excess amounted to Rs 5742.13 crore in 3 grants and one appropriation as detailed below:

[#] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue : Rs 38.02 crore and Capital: Rs 187.54 crore

[®] Include Rs 55.39 crore and Rs 29.67 crore under Revenue-voted and Capital-voted, respectively due to short/non-transfer of funds from MHs 2575/4575 under Grant No.5 to the Major Head 8448-Deposits-113-LAHDC Fund

^{**} The total expenditure stands inflated at least to the following extent:

- (i) At the end of March 2001, detailed contingent bills were not received as required under rules from 251 drawing and disbursing officers in support of Rs 237.47 crore drawn on abstract contingent bills. In absence of detailed contingent bills, the genuineness of expenditure could not be vouchsafed
- (ii) Expenditure of Rs 5.81 lakh met out of contingency fund during 2000-01 and was not recouped
- (iii) Amount of Rs 1.29 crore drawn in March 2001 by credit to Deposits

^{*} The expenditure stands understated to the extent of Rs 4.91 crore for which vouchers were not received from the treasuries during the year and remained unaccounted for in the books of the Accountant General (A&E)

(Table No. 2.2)

(Rupees in crore)

S.No	Name of grant/appropriation	Total grant or appropriation	Expenditure	Excess (Percentage of excess)
I. Revenue (Voted)				
1.	1-General Administration	113.82	117.84	4.02 (4)
2.	6-Power Development	1044.31	1577.21	532.90 (51)
3.	12-Agriculture and Rural Development	283.76	295.00	11.24 (4)
4.	16-Public Works	200.62	203.75	3.13 (2)
5.	18-Social Welfare	74.34	87.20	12.86 (17)
6.	25-Labour, Stationery and Printing	22.66	24.96	2.30 (10)
7.	27-Higher Education	138.11	139.77	1.66
II. Revenue (Charged)				
8.	9-Parliamentary Affairs	0.29	0.30	0.01 (3)
	Total Revenue Section:	1877.91	2446.03	568.12
III. Capital (Voted)				
9.	9-Parliamentary Affairs	1.00	1.12	0.12 (12)
10.	23-Public Health Engineering	114.76	159.64	44.88 (39)
11.	26-Fisheries	3.45	5.00	1.55 (45)
IV. Capital (Charged)				
12.	8-Finance	295.60	5991.18	5695.58 (1927)
	Total Capital Section	414.81	6156.94	5742.13
	Grand Total:	2292.72	8602.97	6310.25

2.8 The excess expenditure of Rs 6310.25 crore over the provision in these 12 cases, was mainly due to clearance of overdraft obtained by the State Government from Jammu and Kashmir Bank Limited for meeting its ways and means requirements and for purchase of power by the Power Development Department, which requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

2.9 In the case of 2 grants and one appropriation (*Appendix-2*) there was excess expenditure of Rs 5.69 crore despite obtaining supplementary grants of Rs 15.65 crore. This reflected failure of the departments not only to assess the requirement of additional funds even at the end of the year but also inadequacy of the system of monitoring the trend of expenditure under various heads of account.

Excess over grants in previous years not regularised

2.10 As per section 82 of the Constitution of the Jammu and Kashmir it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess

expenditure of Rs 28618.44 crore for the years 1980-81 to 1999-2000 as per details given below was pending with the Finance Department for regularisation.

(Table No. 2.3)

Year	No. of Grants/ Appropriation	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23.	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26, 27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16, 17,18,20,21,23,24,25,26,27	2936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4189.21
1998-99	6	4,5,6,8,23,27	4185.25
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5851.08
Total			28618.44

Savings under various grants/appropriations

Unnecessary/excessive supplementary provisions

2.11 Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances under which and the purpose for which the original grant or appropriation was provided.

2.12 In 7 cases, relating to 5 grants and 2 appropriations (*Appendix-3*), supplementary provisions of Rs 11.59 crore were obtained in anticipation of higher expenditure. However, the final expenditure of Rs 55.81 crore was even less than the original grant of Rs 210.31 crore. The savings of Rs 166.09 crore thus, exceeded the entire supplementary provision amounting to Rs 11.59 crore indicating unnecessary allotment of additional funds in these cases.

2.13 In 4 other cases, relating to 4 grants, supplementary grants aggregating Rs 228.13 crore were obtained against the requirement of Rs 74.28 crore resulting in saving of Rs 153.85 crore (*Appendix-4*).

2.14 Apart from these cases, savings in 30 cases exceeded 10 *per cent* of the budget provision and were more than Rs 50 lakh in each case as detailed in *Appendix-5*. Large-scale savings indicated over-estimation of requirement of funds.

Flow of expenditure

2.15 Financial rules require that expenditure should evenly be distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is to be regarded as breach of financial rules. Quarter-wise expenditure (net) during 2000-01 as also expenditure in the month of March 2001 under revenue and capital sections incurred by the State Government is detailed below:

(Table No. 2.4)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	923.11	12.33
Second quarter	1615.76	21.57
Third quarter	1583.60	21.15
Fourth quarter	3365.78 (1289.90)	44.95 (17)
Total	7488.25	100

(Figures in brackets represent expenditure in the month of March)

2.16 As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2001 constituted 17 *per cent* of the total expenditure.

Persistent excesses/savings**Persistent excesses**

2.17 Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 1998-99, 1999-2000 and 2000-01 in the following grants/appropriations:

(Table No. 2.5)

S.No	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		1998-99	1999-2000	2000-01
I. Revenue-Voted				
1.	6-Power Development Department	128.27	291.89	532.90
II. Capital- Voted				
2.	26-Fisheries Department	0.72	1.22	1.55
III. Capital-Charged				
3.	8-Finance Department	3917.71	5348.78	5695.58

Persistent savings

2.18 Persistent savings of 10 *per cent* and above were noticed during the years 1998-99, 1999-2000 and 2000-01 in the grants/appropriations detailed in *Appendix-6*.

Budgetary Control**Expenditure without budget provision**

2.19 No expenditure is to be incurred, unless it has been provided in the budget estimates. However, during the year 2000-01, expenditure of Rs 743.60 crore was incurred under 76 major heads of account (22 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (September 2001). Expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the concerned departments/controllers/officers. Details of cases covered under this category are given in *Appendix-7*.

Unutilised provisions and surrender thereof

2.20 Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen given the trend of expenditure. Savings should also not be held in reserve for possible future excess.

2.21 In the accounts for the year 2000-01, it was noticed that against final savings of Rs 2300.24 crore relating to 27 grants and 6 appropriations no

amount was surrendered during the year though the savings aggregating Rs 2296.67 crore in 24 grants/appropriations had exceeded more than Rs 1 crore in each case as detailed in *Appendix-8*. Non-surrendering of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

Recoveries as reduction of expenditure

2.22 The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of expenditure to other concerning departments. These anticipated recoveries and credits are separately shown in budget estimates and actuals adjusted in the accounts as reduction of expenditure. Appropriation Audit, however, is done by comparing gross expenditure with gross amount of grant. During the year 2000-2001 funds aggregating Rs 85.06 crore (Revenue: Rs 55.39 crore; Capital : Rs 29.67 crore) provided by the State Government under Grant No.5-Ladakh Affairs Department for transfer to the LAHDC Fund were wrongly exhibited as recovery in the Budget estimates. Matter has been reported to the State Government for adopting correct accounting procedure in future.

2.23 In the Revenue Section against the estimated recoveries of Rs 837.94 crore, actual recoveries were Rs 38.02 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs 766.62 crore, actual recoveries were Rs 187.54 crore. The shortfall occurred mainly under Grants No 6-Power Development Department; (Rs 774.82 crore), 16-Public Works Department (Rs 19.29 crore) and 5-Lakakh Affairs Department (Rs 2.30 crore) in Revenue section and under Grants No 15-Food, Supplies and Transport Department (Rs 563.30 crore), 12-Agriculture, Rural Development and Co-operative Department (Rs 8.39 crore) and 5-Ladakh Affairs Department (Rs 95 lakh) under Capital section. While shortfall in the recoveries under Grant No. 5 was due to the adopting of wrong accounting procedure by the State Government as indicated above, reasons for the shortfall in respect of other grants though called for, were awaited. Grant-wise details of deviations from the original estimates are given in the *Appendix-II* to the Appropriation Accounts 2000-01.

Non-reconciliation of departmental figures of expenditure

2.24 Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Accountant General (Accounts and Entitlement). Such reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 2001, 182 controlling officers, out of 222 had not completed the reconciliation in respect of expenditure of Rs 5633.89 crore, which constituted 75 per cent of the total revenue and capital expenditure.