

CHAPTER II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

APPROPRIATION ACCOUNTS 2000-01 - AT A GLANCE

Appropriation Accounts: Total No. of grants: 47

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original	17091.30		
Supplementary	2643.71		
Total gross provision	19735.01	Total gross expenditure	18199.49
Deduct – Estimated recoveries in reduction of expenditure	190.23	Deduct – Actual recoveries in reduction of expenditure	106.06
Total net provision	19544.78	Total net expenditure	18093.43

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	10603.13	2045.62	9664.70	2300.30
Capital	1205.06	5881.20	865.98	5368.51
Total Gross	11808.19	7926.82	10530.68	7668.81
Deduct – Recoveries in reduction of expenditure	180.23	10.00	105.90	0.16
Total: Net	11627.96	7916.82	10424.78	7668.65

2.1 Introduction

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 Act.

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 2000-01 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)
Voted					
I. Revenue	10310.13	293.00	10603.13	9664.70	- 938.43
II. Capital	783.12	93.40	876.52	595.30	- 281.22
III. Loans and Advances	294.46	34.08	328.54	270.68	- 57.86
Total Voted	11387.71	420.48	11808.19	10530.68*	- 1277.51
Charged					
IV. Revenue	1974.59	71.03	2045.62	2300.30	+ 254.68
V. Capital	2.62	0.10	2.72	0.87	- 1.85
VI. Public Debt	3726.38	2152.10	5878.48	5367.64	- 510.84
Total Charged	5703.59	2223.23	7926.82	7668.81*	- 258.01
Grand Total	17091.30	2643.71	19735.01	18199.49**	- 1535.52

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 87.10 crore and Capital Rs 18.96 crore, Total : Rs 106.06 crore).

** The total expenditure was inflated atleast to the extent of

- (i) Rs 3.82 crore being the amounts drawn during the year and deposited in Deposit Account or kept as Demand Draft with the drawing officers (vide Appendix I of Appropriation Accounts)
- (ii) Rs 1.86 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received.

2.2.1 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. However, excess expenditure amounting to Rs 1833.77 crore for the years 1983-84 to 1985-86 and 1987-88 to 1999-2000 and Rs 613.35 crore for the year 2000-2001 was yet to be regularised mainly due to failure of the Government to furnish explanations to Public Accounts Committee (PAC) in regard to such excess expenditure for the periods prior to 2000-2001. Brief details are given below:

Year	No. of grants/ Appropriations	Grant/Appropriation Numbers	Amount of excess	Amount for which explanation not furnished to PAC
			(Rupees in crore)	
1983-84	2	XVII RV and CV	3.69	3.69
1984-85	1	XVII	29.36	29.36
1985-86	3	XVII RV and CV, XXVI	35.65	34.30
1987-88	5	II, III RV and RCh. XXV, XXXVI	3.31	Nil
1988-89	8	II, XV, XVIII, XXV, XXXVI, XL, XLI, XLIII	5.05	0.04
1989-90	14	III, VII, X, XIII, XVII, XXIII, XXIV, XXVI, XXXI, XXXIII, XXXIV, XL, XLII, XLV	44.35	38.51
1990-91	22	I,II, III RV and RCh. VI, VII, IX, X, XII, XIII, XVII, XIX, XXI, RV and CCh. XXVIII, XXX, XXXI, XXXIV, XXXIX, XLI, XLIII, PDR	194.53	185.90
1991-92	19	I,II, III RV and RCh., VII, IX, X, XI, XII, XV, XVII RV and CV, XVIII, XXXI RV and CV XXXII, XLII, Debt charges, PDR	341.97	331.61
1992-93	9	VII, XXV, XXX RV and CV, XXXIV, XXXVIII, XLIII Debt charges, PDR	418.50	405.88
1993-94	13	V, VII, IX, XVI, XVII, XIX, XX, XXII, XXXIII, XXXVII, CV and RCh. Debt charges, PDR	112.63	80.31
1994-95	18	III, VII, X, XIV, XVI, XVIII CV and CCh., XIX, XX, XXV, XXX, XXXI, XXXII, XXXIV, XXXVIII RV and CV, XLIII, Debt charges	24.81	12.63
1995-96	15	V, VI, XIV RV and CV, XVI, XX, XXVI, XXXIII, XXXIV, XXXV, XXXIX, XLI, RV and CV, XLII, XLIII	46.11	43.98
1996-97	9	VI, XIV, XVIII, XXV, XXXII, XXXIV, XXXVII, XXXIX, XLIII	1.12	1.12
1997-98	10	I, V, XIV, XV, XVIII, XIX, XXV, XXXI, XXXIV, XLII	35.97	23.67
1998-99	15	I, III RV and RCh., V, X, XIV, XV, XVI, XIX, XXV, XXVIII, XXXIV, XLII, XLIII, XLV	115.41	113.35
1999-2000	8	I, II, IV, XIII, XVI, XIX, XXXIX Debt Charges	530.99	529.42
2000-01	7	I,III, Debt Charges, XVI, XIX, XXV, XXXIX	613.35	613.35
	178		2556.80	2447.12

RV – Revenue (Voted)

CV – Capital (Voted)

RCh – Revenue (Charged)

CCh – Capital (Charged)

PDR – Public Debt Repayment

Though PAC had recommended regularisation of excess of 34 of the above mentioned Grants/Appropriations in their Reports presented to the Legislature in April 1999 and December 2000 the necessary demands for the excess have not been presented to the Legislature so far (September 2001) by the Finance Department.

2.3 Results of Appropriation Audit

2.3.1(a) The overall saving of Rs 1535.52 crore was the result of saving of Rs 2148.87 crore in 97 grants and appropriations offset by excess of Rs 613.35 crore in 7 grants and appropriations. It is noticeable that under Voted (Revenue, Capital & Loans and Advances) the actual expenditure was even less than the original grant.

2.3.1(b) During the last three years the percentage of charged expenditure to total expenditure increased from 31 to 42 mainly due to repayments of public debt which increased from 63 *per cent* of the total charged expenditure in 1998-99 to 70 *per cent* in 2000-01. Since charged expenditure is not subject to vote of Legislature the increase in charged expenditure limits the scope of financial control of expenditure by the Legislature. For the year 2000-01, only 58 *per cent* of the expenditure out of Consolidated Fund was effectively subject to vote of Legislature.

2.3.2 The supplementary provision (Rs 2643.71 crore) obtained during the year constituted 15 *per cent* of the original provision as against 32 *per cent* in the previous year.

2.3.3 Supplementary provision of Rs 184.67 crore obtained in 29 cases during the year proved unnecessary in view of aggregate saving of Rs 1345.81 crore as detailed in Appendix III.

2.3.4 In 15 cases, against additional requirement of Rs 1764.37 crore, supplementary grant and appropriation of Rs 2372.41 crore were obtained resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 608.04 crore. Details of these cases are given in Appendix IV.

2.3.5 There was overall excess of Rs 347.30 crore under 4 grants and Rs 266.05 crore under 3 appropriations. This overall excess of Rs 613.35 crore requires regularisation under Article 205 of the Constitution. Details of these are given in Appendix V.

2.3.6 In 4 cases, supplementary provision of Rs 85.94 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 576.23 crore as per details given in Appendix VI.

2.3.7 In 44 cases, expenditure fell short by Rs 1 crore or more in each case and also by more than 10 *per cent* of the total provision as indicated in Appendix VII.

2.3.8(a) In 21 cases, there were persistent savings in excess of Rs 10 lakh in each case and also 10 *per cent* or more of the provision during the last three years 1998-2001. Details are given in Appendix VIII.

2.3.8(b) Persistent excess was noticed in the Revenue (Voted) Section of Grant No.XIX – Family Welfare during the last 4 years 1997-98 to 2000-01 as shown below:

Year	Excess (Rs in crore)	Percentage of Excess
1997-98	19.06	38
1998-99	20.66	35
1999-2000	21.95	21
2000-01	37.11	67

The occurrence of such large excess under this Grant for four consecutive years reveals the negligence of Chief Controlling Officer, the Director of Health Services in preparing reasonably accurate budget estimates and his failure in observing provisions of State Budget Manual for controlling the expenditure. The Finance Department also failed to take remedial action despite mention of the excess in successive Audit Reports, indicating deficient financial management.

2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 20 lakh proved excessive or resulted in savings by over Rs 20 lakh in each case are mentioned in Appendix IX.

2.3.10 Expenditure without provision

As envisaged in the State Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 6.33 crore was incurred in 15 cases as detailed in Appendix X without the provision having been made in the original estimates/supplementary demands and no reappropriation orders were issued.

2.3.11 Anticipated savings not surrendered

2.3.11(a) According to rules framed by Government the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 40 cases, the amount of available saving of Rs 1 crore and above in each case not surrendered, aggregated to Rs 1284.41 crore. Some important cases involving substantial amounts are given below:

<i>(Rupees in crore)</i>		
Grant No. & Name	Savings	Amount not surrendered
Revenue Voted		
XV Public Works	61.55	47.79
XVII Education, Sports, Art and Culture	189.92	162.96
XXVI Relief on account of Natural Calamities	90.91	46.03
XXXV Panchayat	265.13	235.98
Capital Voted		
XXXVIII Irrigation	56.13	48.60
Capital Charged		
Public Debt repayment	510.84	510.84

Failure of these departments to surrender such huge savings revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in Appendix XI.

2.3.11 (b) Out of the total surrendered amount of Rs 926.77 crore, Rs 918.49 crore was surrendered on the last day of the financial year i.e. 31 March 2001 indicating gross disregard of rules and procedures of financial control over expenditure.

2.3.12 *Surrender in excess of actual savings*

In 12 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the total amount of actual savings of Rs 70.70 crore, the amount surrendered was Rs 137.88 crore, resulting in excess surrender of Rs 67.18 crore. Details are given in Appendix XII.

The above instances of budgetary irregularities are reported from year to year in Chapter II of the Audit Report. If the precautions envisaged in the State Budget Manual are taken by all the departments, these could be minimised to a great extent.

2.3.13 *New Service*

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature. Government have issued orders based on recommendation of the Public Accounts Committee laying down various criteria for determining items of New Service/New instrument of Service. During the year Rs 0.64 crore was drawn, after providing funds by reappropriation, from the head of account, '2551-01-102-93 Employment Generation Schemes for Western Ghat People under 'Grant No.XXIX Agriculture' based on sanction issued by the Department of Planning and Economic Affairs. As the scheme was not contemplated in the original budget, provision of funds by reappropriation and drawal of the amount, without specific approval of Legislature for the expenditure was violative of rules governing Legislature control of expenditure.

2.3.14 *Advances from Contingency Fund*

The Contingency fund of the State is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances for meeting unforeseen expenditure pending authorisation by the Legislature. Advances from this Fund are to be made only for meeting unforeseen expenditure, the postponement of which till its authorisation by the Legislature would be undesirable.

The permanent corpus of the Contingency Fund of the State was Rs 25 crore. Eleven sanctions were issued during 2000-01 advancing a total amount of Rs 6.55 crore from the Fund. Out of this one sanction for Rs 0.25 crore was cancelled and advances of 4 sanctions amounting to Rs 1.40 crore were reduced by Rs 0.33 crore.

2.3.15 Trends of recoveries.

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude 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 39 Grants/Appropriations the actual recoveries adjusted in reduction of expenditure (Rs 12.10 crore) exceeded the estimated recoveries (Rs 2.49 crore) by Rs 9.61 crore and in 12 Grants/Appropriations the actual recoveries (Rs 93.95 crore) were less than the estimated recoveries (Rs 187.74 crore) by Rs 97.79 crore. More details are given in Appendix II of Appropriation Accounts.

2.3.16 Non-receipt of explanations for savings/excesses

After the close of each financial year, the detailed Appropriation Accounts showing the final grant/appropriation, the actual expenditure and resultant variation are sent to the Controlling Offices by the Accountant General (Accounts and Entitlement) for furnishing promptly the reasons for variation in general and those under important sub-heads in particular. The number of heads for which those reasons were not received as at the end of August 2001 was 623 representing 67 per cent of the total number of heads for which explanations for variation were required to be mentioned in the Appropriation Accounts.

2.3.17 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many departments. Out of 247 Controlling Officers who were required to reconcile their accounts for the year 2000-01, only 78 have reconciled the expenditure for the whole year, 91 have partially reconciled the expenditure for the year and 78 have not reconciled the accounts of even a single month of 2000-01. As of September 2001, 2595 monthly reconciliation certificates were due from 256 controlling officers for the period 1994-95 to 2000-01, as detailed in Appendix XIII.

2.3.18 Flow of expenditure

Under 20 major heads of account more than fifty per cent of expenditure was incurred during the last quarter of the financial year. In these cases 40 to 93 per cent of the expenditure was incurred only in the last month of the financial year. Details are given in Appendix XIV.

Since State Legislature approves the budget for a financial year for meeting the disbursements during that year and not for subsequent years, large amounts of funds released to implementing departments/agencies in March cannot constructively be spent during the year. Drawal/release of funds at the fag end of the financial year is indicative of deficient financial management.

2.4 Review of Expenditure and Budgetary Control

Budgetary procedure and expenditure control was reviewed in respect of Grant Nos.XVII-Education, Sports, Art and Culture and XXVII-Co-operation. Some of the important irregularities noticed during the review are detailed below:

2.4.1 Timely submission of budget proposals

Delay of more than one month was noticed in the submission of budget proposal by the Departments of Education and Co-operation. The delay was due to the non-receipt of the required details from the Subordinate Offices without which the consolidation could not be possible.

2.4.2. Lack of control over expenditure

As per para 64 of the Kerala Budget Manual, the Chief Controlling Officers shall have to keep a constant watch over current and anticipated expenditure. There had been significant variations between the final grant and the actual expenditure in many cases indicating that the monitoring by the controlling officers was inadequate. Reconciliation of expenditure by the departmental officers was incomplete. Few examples in which the expenditure have exceeded/fell short by over Rs 1 crore and also by 10 per cent of final grant are shown below:

Sl No.	Head of Account	Final grant	Expenditure	Variation
				Savings (-) Excess (+)
(Rupees in crore)				
1.	2202-01-101-98	258.05	202.94	(-) 55.11
2.	2202-01-103-50	27.60	17.06	(-)10.54
3.	2202-01-107-97	3.87	8.22	(+)4.35
4.	2202-02-106-99	26.56	18.35	(-)8.21
5.	2202-02-109-99	295.55	259.82	(-)36.03
6.	2202-02-109-93	2.95	1.86	(-)1.09
7.	2202-02-110-95	14.86	13.36	(-)1.50
8.	2202-02-800-87	32.82	14.47	(-)18.35
9.	2202-05-800-96	10.56	8.60	(-)1.96
10.	2202-80-004-91	4.48	3.05	(-)1.43
11.	2203-102-99	5.00	3.75	(-)1.25
12.	2203-112-99	4.64	6.29	(+)1.65
13.	2204-102-99	13.42	10.79	(-)2.63
14.	4202-02-103-99	2.02	0.33	(-)1.69
15.	4202-02-104-99	3.32	2.16	(-)1.16
16.	4202-02-105-99	5.96	4.22	(-)1.74
17.	2425-001-98	14.03	12.56	(-)1.47
18.	2425-101-99	18.97	16.83	(-)2.14

2.4.3 Non utilisation of appropriations

As per para 64 of the Kerala Budget Manual the grants made by the Legislature have to be applied for the purpose for which they are intended and to be spent according to Law/Rules and Regulations. In the following cases major portion/entire budget provision was unutilised/surrendered/

reappropriated without incurring expenditure. The fact that no part or only a small part of the funds provided in the budget was utilised during the year indicates that the budget provision was made without proper assessment of requirements and was unnecessary.

Sl. No.	Head of Account	Grant	Saving
		<i>(Rupees in crore)</i>	
1	2202-80-800-92(P)- Operation Black Board Scheme (100% CSS)	3.00	3.00
2	2203-104-96 (P)-Food Craft Institute Kalamassery Grant in aid	0.75	0.75
3	2810-60-800-98(P)-New Source of Energy	13.00	13.00
4	2810-60-800-96(P)-Projects for non-conventional sources of energy	7.00	7.00
5	4202-01-800-94-Construction of Building under operation Black Board Scheme	1.00	1.00
6	4425-107-99-Investments in credit co-operatives	5.00	4.35
7	4425-107-98-Service Co-operative Societies	1.00	0.87
8	4425-108-42-Assistance to PACs	10.00	8.38
9	6425-107-81-Assistance to District Co-operative Banks	0.80	0.80
10	6425-107-72-Assistance to PAC Co-operatives	2.00	2.00

2.4.4 Injudicious reappropriation/surrender of funds

As per para 84(2) of the Kerala Budget Manual, reappropriation is permissible only when there is a definite or reasonable chance of saving under the unit to be reduced or it is meant to curtail expenditure under that unit to meet more urgent additional expenditure under another. In the following cases funds were reappropriated/surrendered without assessing the probable requirement of funds and consequently the expenditure exceeded the final grant.

Sl. No.	Head of Account	Original Grant + Supplementary Grant	Amount Reappropriated/ surrendered	Actual expenditure	Expenditure Excess (+)
		<i>(Rs in crore)</i>			
1	2202-01-102-98(NP)	1.35	- 0.28	1.83	(+) 0.76
2	2202-01-103-47(NP)	3.64	- 0.61	3.40	(+) 0.37
3	2202-01-107-97 (P)	4.00	- 0.13	8.22	(+) 4.35
4	2202-02-191-48 (NP)	2.39	- 0.11	2.58	(+) 0.30
5	2203-112-99-(NP)	6.86	- 2.22	6.29	(+) 1.65

2.4.5 Non/belated surrender of savings

As per para 91 of the Kerala Budget Manual all anticipated savings are required to be surrendered, explaining the reasons therefor, without waiting till the end of the year unless they are required to meet excesses under other units which are definitely foreseen at the time.

Substantial savings available under the following heads of account remained unsurrendered at the close of the year.

Sl. No.	Head of Account	Final grant	Unsurrendered Savings
		<i>(Rs in crore)</i>	
1	2202-01-101-99	234.31	18.30
2	2202-01-101-98	258.05	55.11
3	2202-01-102-99	723.16	8.07
4	2202-01-103-50	27.60	10.54
5	2202-01-104-99	16.90	1.00
6	2202-02-106-99	26.56	8.21
7	2202-02-109-99 (NP)	295.55	36.03
8	2202-02-109-93 (NP)	2.95	1.09
9	2202-02-110-95	14.86	1.50
10	2202-03-102-99(P)	4.00	1.00
11	2202-03-102-97 (P)	8.00	2.00
12	2202-03-104-99	232.92	13.08
13	2204-102-99 (NP)	13.42	2.63
14	4202-02-103-99	2.02	1.69
15	4202-02-104-99	3.32	1.16
16	4202-02-105-99	5.95	1.74
17	2425-001-98	14.03	1.47
18	2425-101-99	18.97	2.14

In Grant No.XVII, (Rs 26.96 crore) and Grant No.XXVII (Rs 52.07 crore) surrender of funds found in excess of requirements was made only on the last day. Such belated surrender serves no purpose, as these surplus funds cannot be used under any other heads of the grant or under other grants.

2.4.6 Rush of expenditure

The flow of expenditure is required to be so regulated throughout the year so that there is no rush of expenditure during any months, particularly during the closing months of the financial year. It is contrary to the interest of Government to spend money hastily or in an ill-conceived manner merely because it is available or just to avoid lapse of funds. Under the following heads of account the entire expenditure was incurred only in the last month of the financial year.

Sl. No.	Head of account	Total expenditure	Expenditure during March
		<i>(Rupees in crore)</i>	
1.	2202-02-004-98 (P) - Computer Education & Training in Government High Schools	1.50	1.50
2.	2202-03-103-85 (P) - Matching grant from Government for renovation of college building	0.32	0.32
3.	2202-80-800-81 (P) - Education Technology Scheme	2.28	2.28
4.	2425-107-94 (P) - Implementation of ICDP financed by NCDC	0.40	0.40
5.	4425-107-99(P) - Apex and Central Banks-Investments	0.65	0.65
6.	4425-107-97 (P) - Primary land mortgage Banks-Investments	1.35	1.35
7.	4425-107-89(P) - Apex Processing Societies-Investments	3.55	3.55
8.	2425-108-47- Grant to Co-operative Academy for professional education	5.00	5.00