

CHAPTER II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

2.1 Introduction

2.1.1 In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums 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 Article 205 of the Constitution of India.

2.1.2 The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India 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 the amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act.

2.1.3 The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation 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 – 2001-2002

2.2.1 The summarised position of original and supplementary grants/appropriations and expenditure thereagainst is given below:

Total number of Grants/ : 50 (47 Grants; 3 Appropriations)
Appropriations

Table No. 2.1
Total provision and actual expenditure
(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	2430.09		
Supplementary	657.51		
Total gross provision	3087.60	Total gross expenditure	3589.10
Deduct – Estimated recoveries in reduction of expenditure	89.19	Deduct – Actual recoveries in reduction of expenditure	13.52
Total net provision	2998.41	Total net expenditure	3575.58

Table No. 2.2
Voted and Charged provision and expenditure
(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1348.51	181.23	1156.25	194.14
Capital	377.94	1179.92	180.69	2058.02
Total Gross :	1726.45	1361.15	1336.94	2252.16
Deduct-Recoveries in reduction of expenditure	89.19	—	13.52	—
Total : Net	1637.26	1361.15	1323.42	2252.16

2.2.2 The summarised position of actual expenditure, excess and savings during 2001-02 against grants and appropriations was as follows:

Table No. 2.3

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	(Rupees in crore)	
					Actual expenditure	Saving(-)/ Excess (+)
Voted	I. Revenue	1155.59	192.92	1348.51	1156.25	(-) 192.26
	II. Capital	249.26	110.81	360.07	176.55	(-) 183.52
	III. Loans & Advances	10.24	7.63	17.87	4.14	(-) 13.73
	Total Voted	1415.09	311.36	1726.45	1336.94	(-) 389.51
Charged	IV. Revenue	162.76	18.47	181.23	194.14	(+) 12.91
	V. Capital	—	—	—	—	—
	VI. Public Debt	852.23	327.69	1179.92	2058.02	(+) 878.10
Total Charged	1014.99	346.16	1361.15	2252.16	(+) 891.01	
Appropriation to Contingency Fund (if any)	---	—	—	—	—	—
Grand Total		2430.08	657.52	3087.60	3589.10	(+) 501.50

2.3 Excess over provision relating to previous years requiring regularisation

2.3.1 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, the excess expenditure amounting to Rs.1608.88 crore for the years 1997-98 to 2000-01 is yet to be regularised.

Table No. 2.4

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/Appropriation No(s)	Amount of excess	Amount for which explanations not furnished to PAC
1997-98	12	5,11,16,21,26,34,44 Appn. 2,16,23,25 and Appn. 2	384.57	384.57
1998-99	8	Appn. 2,1,8,8,20,34 Appn. 2 and 23	293.66	293.66
1999-00	16	1, Appn. 2,4,5,8,20,21, 29,33,34,39,44,appn.2, 21,23 and 25	844.88	844.88
2000-01	9	1, Appn. 2,5,8,21,23, 26,27 and 34	85.77	85.77
		Total:-	1608.88	1608.88

2.4 Results of Appropriation Audit

2.4.1 The overall excess of Rs.501.50 crore was the result of excess of Rs.895.20 crore in 8 cases of grants and appropriations offset by saving of Rs.393.70 crore in 70 cases of grants and appropriations.

2.4.2 Supplementary provision made during the year constituted 27.05 per cent of the original provision as against 83.79 per cent in the previous year.

2.4.3 Supplementary provision of Rs.94.57 crore made in 25 cases during the year proved unnecessary in view of aggregate saving of Rs.177.99 crore as detailed in *Appendix III*.

2.4.4 In 20 cases against additional requirement of Rs.106.68 crore supplementary grants and appropriations of Rs.193.51 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.86.83 crore. Details of these are given in *Appendix IV*.

2.4.5 The excess of Rs.2.90 crore under 6 grants and Rs.892.30 crore under 1 appropriation require regularisation under Article 205 of the Constitution. Details of these are given in *Appendix V*.

2.4.6 In 5 cases, supplementary provision of Rs.352.79 crore proved insufficient by more than Rs.10 lakh each, leaving an aggregate uncovered excess expenditure of Rs.894.84 crore as per details given in *Appendix VI*.

2.4.7 In 37 cases, expenditure fell short by more than Rs.1 crore in each case and also by more than 10 per cent of the total provision as indicated in *Appendix VII*. In 3 of the above cases (Sl. No. 21, 23 and 26) the entire provision totalling Rs.7.79 crore was not utilised.

2.4.8 In 10 cases there were persistent savings in excess of Rs.10 lakh in each case and 20 *per cent* or more of the provision. Details are given in *Appendix VIII*. In 3 cases there were persistent excess in excess of Rs. 10 lakh in each case ranging from 1 to 86 *per cent* of the provision as detailed below:

Table No. 2.5

(Rupees in lakh)							
Sl. No.	Number and Name of grant	1999-2000		2000-2001		2001-02	
		Total grant	Total excess (percentage to the total provision)	Total grant	Total excess (percentage to the total provision)	Total grant	Total excess (percentage to the total provision)
1	2	3	4	5	6	7	8
1.	Appropriation No.2- Interest Payment and Debt Services (Revenue) charged	13017.08	179.38 (1)	15857.84	1857.82 (12)	17719.59	1421.15 (8)
2.	21- Industries and Weights and Measures (Revenue) Voted	2276.64	320.15 (14)	1878.03	157.23 (8)	2105.68	175.54 (8)
3.	34- Rehabilitation (Revenue) Voted	312.33	30.98 (10)	190.65	263.43 (138)	78.43	66.06 (86)

2.4.9 Persistent excess requires investigation by the Government for remedial action.

2.4.10 In 2 cases, expenditure exceeded the approved provisions by Rs.25 lakh or more and also by more than 10 *per cent* of the total provision. Details are given in *Appendix IX*.

Excessive/unnecessary re-appropriation of funds

2.4.11 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. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs.50 lakh in each case are given in *Appendix X*.

Expenditure without provision

2.4.12 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.52.57 crore was incurred in 18 grants/appropriations as detailed in *Appendix XI* without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued.

Anticipated savings not surrendered

2.4.13 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. However, at the close of the year 2001-02 there were 70 cases in which large savings had not been surrendered by the departments. The amount involved was Rs.369.03 crore. In 46 cases, the amount of available savings not surrendered amounted to more than Rs.1 crore in each case. Details are given in *Appendix XII*.

2.4.14 The above instances of budgetary irregularities are reported from year to year in Chapter II of the Audit Report.

Trend of Recoveries and Credits

2.4.15 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.

2.4.16 In 9 grants the actual recoveries adjusted in reduction of expenditure (Rs.13.52 crore) were less than the estimated recoveries (Rs.89.19 crore) by Rs.75.67 crore. More details are given in *Appendix XIII*.

Non-receipt of explanations for savings/excesses

2.4.17 For the year 2001-02 explanations for savings/excesses were not received in respect of any Heads of Accounts.

Unreconciled expenditure

2.4.18 Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. Out of 97 Controlling Officers, 36 Controlling Officers did not reconcile before the final closing.

Treasury inspection

2.4.19 Results of Treasury inspection carried out during 2001-02 by the Office of the Sr. Deputy Accountant General (A&E), Manipur are as under:

2.4.20 Overpayment of pensionary benefits of Rs.0.96 lakh (including family pension of Rs.0.26 lakh) was made to pensioner due to non-deduction and premature restoration of commuted pension, payment of family pension at the enhanced rate for the period from 1.12.1999 to 28.2.2002.

AGRICULTURE DEPARTMENT

2.5 Drawal of fund in advance of requirement

Out of Rs.37 lakh drawn by the Director of Agriculture for payment to MPCCL, Rs.10.75 lakh were lying unutilised in the Bank account.

2.5.1 Rule 290 of the Central Treasury Rules provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It also prohibits drawal of money to prevent the lapse of budget grant.

2.5.2 Test check (January/February 2002) of records of the Director of Agriculture, Imphal revealed that the Directorate drew (March 2001) Rs.37 lakh against Government sanction (October 2000) towards share capital contribution for payment to Manipur Plantation Crops Corporation Ltd. (MPCCL). Out of this, the Director paid (14 June 2001) Rs.0.67 lakh to MPCCL and kept Rs.36.29 lakh in the form of banker's cheque. Balance amount of Rs.0.04 lakh was lying in cash as of February 2002. The department released (28 February 2002) Rs.25.50 lakh to MPCCL and spent Rs.0.08 lakh towards bank charges keeping the balance amount of Rs.10.75 lakh unauthorisedly in a bank current account (No.2010 of United Bank of India). On this being pointed out, the department stated (April 2002) that the money would be released on getting completion report from MPCCL on supply and installation of diesel generating set.

2.5.3 In October 2002, the department stated that the amount was handed over to MPCC Ltd. on 22 June 2002. The completion report of supply and installation of diesel generating set was called for (November 2002) but the same could not be furnished to audit (December 2002). Thus actual utilisation of Rs.10.75 lakh could not be verified (December 2002).

2.5.4 Thus, drawal of money in contravention of the rule *ibid* and retention of unspent balance of Rs.10.75 lakh in bank (March 2001 to June 2002) was irregular. Besides, the Government continued to depend on borrowed funds during the years while funds in Government department remained unutilised.

2.5.5 The matter was reported to Government in April 2002; their reply had not been received (December 2002).

**MUNICIPAL ADMINISTRATION, HOUSING AND URBAN
DEVELOPMENT DEPARTMENT**

2.6 Blocking of funds without implementing development programmes

Funds of Rs.13.77 crore drawn under various development programmes had been retained in other deposits without implementation of the programmes.

2.6.1 Scrutiny (April 2002) of records revealed that the Director of Municipal Administration, Housing and Urban Development drew Rs.15.07 crore during the period from 1996-97 to 2001-02 for implementation of various development schemes and programmes and kept it under 8449 Other Deposits in contravention of the Rule 290 of the Central Treasury Rules. Out of this Rs.1.30 crore (8.62 *per cent*) was withdrawn (1996-97: Rs.0.79 crore and 1998-99: Rs.0.51 crore) by the department leaving the balance of Rs.13.77 crore in the deposit account as on April 2002 (details are shown in the *Appendix- XIV*).

2.6.2 Thus, inspite of availability of sufficient funds, the programmes/schemes remained unimplemented. As a result the targeted groups of beneficiaries were deprived of the intended benefits under these schemes/programmes.

2.6.3 The matter was referred to the Government in June 2002; reply has not been received (December 2002).