

## CHAPTER II : APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

### Appropriation Accounts at a glance – 2000-2001

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

Appropriation Accounts : Government of Meghalaya  
 Total Number of Grants/  
 Appropriations : 64 (59 Grants; 5 Appropriations)

### Total provision and actual expenditure

Table 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	1609.56		1423.88
Supplementary	127.10		
<b>Total Gross provision</b>	<b>1736.66</b>	<b>Total Gross expenditure</b>	<b>1423.88</b>
Deduct – Estimated recoveries in reduction of expenditure	...	Deduct – Actual recoveries in reduction of expenditure	...
<b>Total Net Provision</b>	<b>1736.66</b>	<b>Total Net Expenditure</b>	<b>1423.88</b>

### Voted and Charged provision and expenditure

Table 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1131.71	139.50	955.88	123.60
Capital <sup>(a)</sup>	391.48	73.97	314.94	29.46
<b>Total: Gross</b>	<b>1523.19</b>	<b>213.47</b>	<b>1270.82</b>	<b>153.06</b>
Deduct – Recoveries in reduction of expenditure	...	...	...	...
<b>Total : Net</b>	<b>1523.19</b>	<b>213.47</b>	<b>1270.82</b>	<b>153.06</b>

### Appropriation 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

<sup>(a)</sup> Included Loans and Advances and Public Debt.

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 the 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 Article 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 amounts on various specified services actually spent by Government vis-a-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

2.2.1 The summarised position of actual expenditure, excess and savings during 2000-2001 against the grants/appropriations was as follows :-

**Table 2.3**

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-) Excess (+)
Voted	I. Revenue	1065.65	66.06	1131.71	955.88	(-) 175.83
	II. Capital	257.04	39.49	296.54	226.04	(-) 70.50
	III. Loans and Advances	75.93	19.02	94.94	88.90	(-) 6.04
<b>Total Voted</b>		<b>1398.62</b>	<b>124.57</b>	<b>1523.19</b>	<b>1270.82</b>	<b>(-) 252.37</b>
Charged	IV. Revenue	137.27	2.23	139.50	123.60	(-) 15.90
	V. Capital	...	...	...	...	...
	VI. Public Debt	73.67	0.30	73.97	29.46	(-) 44.51
<b>Total Charged</b>		<b>210.94</b>	<b>2.53</b>	<b>213.47</b>	<b>153.06</b>	<b>(-) 60.41</b>
Appropriation to Contingency Fund (if any)		...	...	...	...	...
<b>Grand Total</b>		<b>1609.56</b>	<b>127.10</b>	<b>1736.66</b>	<b>1423.88</b>	<b>(-) 312.78</b>

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

2.2.2 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. However, the excess expenditure amounting to Rs.589.36 crore for the years 1971-72 to 1999-2000 was yet to be regularised. The details are as under:-

**Table 2.4****(Rupees in crore)**

Year	Number of grant/appropriation	Grant(s)/Appropriation(s)	Amount of excess
1971-72	4	64,79,80,88	0.08
1972-73	3/1	12,16,71/ Interest on Debt and other obligations	0.26
1973-74	3	10,30,64	0.01
1974-75	4	13,15,29,54	0.05
1975-76	3/2	13,29,82/Governor, Public Works	0.07
1976-77	4/1	29,32,54,62/Interest Payment	0.10
1977-78	3/1	7,13,54/Governor	0.07
1978-79	2	3,22	0.05
1979-80	2	13,22	0.03
1980-81	4/1	13,20,30,39/Governor	0.09
1981-82	7/1	13,14,20,28,31,34,37/Governor	0.37
1982-83	15/2	3,5,14,16,19,20,22,24,26,27,28,31, 37,46,55/Governor, Administration of Justice	8.66
1983-84	14/1	3,8,9,16,19,24,27,28,31,37,40,45,46,56/ Public Service Commission	7.74
1984-85	13	9,10,18,20,22,24,25,27,30,43,58,59,64	8.89
1985-86	11/2	7,8,17,18,24,27,29,37,38,58,64/ Administration of Justice, Loans and Advances from Central Government	5.88
1986-87	10	7,8,9,24,25,27,29,39,55,56	0.95
1987-88	12/1	1,11,13,16,20,24,28,36,38,48,54,57/ Public Service Commission	3.06
1988-89	10/1	9,15,16,20,24,36,44,45,54,57/ Public Service Commission	1.52
1989-90	12/2	8,11,16,22,24,29,36,41,44,45,48,54/ Police, Roads and Bridges	6.37
1990-91	11	9,16,18,24,26,28,36,37,53,54,58	3.21
1991-92	14	5,7,8,9,16,18,24,26,30,33,36,54,57, 61	3.88
1992-93	13/2	5,7,8,9,13,16,20,24,26,33,49,54,57/ Internal Debt of State Government, Governor	34.31

Year	Number of grant/appropriation	Grant(s)/Appropriation(s)	Amount of excess
1993-94	9/3	6,8,20,24,26,27,40,53,56/ Internal Debt of State Government, Loans and Advances, Public Service Commission	264.26
1994-95	4/3	20,24,53,60/Interest Payment, Public Service Commission, Internal Debt	183.34
1995-96	7/3	1,14,24,27,47,53,56/Parliament/ State/Union Territory Legislature, Police, Water Supply and Sanitation	12.71
1996-97	16/2	1,3,5,7,9,14,16,20,21,22,24,29,36, 41,53,56/Governor, Administration of Justice	9.83
1997-98	12/1	1,6,7,8,9,15,16,18,20,24,25,56/ Governor	8.10
1998-99	5	1,2,6,11 and 24	22.82
1999-2000	3/1	9,16,18/Governor	2.65
			<b>589.36</b>

### 2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs.312.78 crore was the result of saving of Rs.323.84 crore in 60 grants and appropriations offset by excess of Rs.11.06 crore in 4 grants and 3 appropriations.

2.3.2 Supplementary provision made during the year constituted 7.9 **per cent** of the original provision as against 4.06 **per cent** in the previous year.

#### *Unnecessary/Excessive/Insufficient Supplementary Provision*

2.3.3 Supplementary provision of Rs.46.31 crore made in 23 cases during the year proved unnecessary in view of aggregate saving of Rs.122.39 crore as detailed in Appendix II.

2.3.4 In 13 cases, against additional requirement of Rs.52.82 crore, supplementary grants of Rs.59.67 crore were obtained resulting in saving in each case exceeding Rs.10 lakh, aggregating Rs.6.86 crore. Details of these cases are given in Appendix III.

2.3.5 In 2 cases, supplementary provision of Rs.4.06 crore proved insufficient by more than Rs.10 lakh leaving an uncovered excess expenditure of Rs.6.89 crore as per details given in Appendix IV.

2.3.6 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 V.

***Persistent savings***

2.3.7 In 19 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 VI.

***Excess requiring regularisation***

2.3.8 The excess of Rs.11.06 crore under 4 cases of grants and 3 cases of appropriations requires regularisation under Article 205 of the Constitution. Details of these are given in Appendix VII.

***Excessive/unnecessary/injudicious re-appropriation of funds***

2.3.9 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. Cases where injudicious re-appropriation of funds that resulted in excess/savings by over Rs.10 lakh are given in Appendix VIII.

***Expenditure without provision***

2.3.10 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, taking into account the expenditure exceeding Rs.10 lakh, expenditure of Rs.17.03 crore was incurred in 28 cases as detailed in Appendix IX without the provision having been made in original estimates/supplementary demands and no re-appropriation orders were issued.

***Anticipated savings not surrendered***

2.3.11 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 2000-2001 there were 47 grants/appropriations in which large savings had not been surrendered by the departments. The amount involved was Rs.141.16 crore. Details are given in Appendix X. In 21 cases, the amount of available savings of Rs.1 crore and above in each case not surrendered aggregated Rs.132.47 crore.

***Non-receipt of explanations for savings/excesses***

2.3.12 For the year 2000-2001, explanations for final savings/excesses were either not received or were received incomplete in respect of 98 heads of Accounts which formed 91 **per cent** of the number of heads.

### ***Unreconciled expenditure***

2.3.13 Financial Rules required that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. In respect of 70 Heads of Accounts (84 Controlling Officers) involving Rs.760.30 crore pertaining to 2000-2001 remained un-reconciled.

### ***Rush of expenditure***

2.3.14 The financial rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. The expenditure during the 4<sup>th</sup> quarter and in the month of March compared to the total expenditure ranged between 42 & 100 and 25 & 79 **per cent** respectively, in respect of 10 illustrative heads of accounts as indicated in Appendix XI.

## **2.4 Control over expenditure**

2.4.1 According to the Meghalaya Treasury Rules, 1985, the Controlling Officers are to submit Detailed Countersigned Contingent (DCC) Bills against the drawal of Abstract Contingent (AC) Bills to the Accountant General (AG) within a month from the date of receipt of such bills in his office.

2.4.2 It has been noticed that DCC bills for Rs.29.43 lakh against 26 AC bills drawn during 1992-93 to 2000-2001 by 7 Drawing and Disbursing Officers were not submitted to the AG and thus remained unregularised till March 2001. The details are given in Appendix XII.

2.4.3 Withdrawal of money in AC bills is exhibited in the accounts as expenditure for the purpose for which the funds were provided by the Legislature. However, due to non-submission of DCC bills, the actual expenditure against the withdrawal in AC bills, the extent to which and the purpose for which the amounts were appropriated was fulfilled, remained unassessed. The large scale non-regularisation of withdrawal in AC bills indicated a serious deficiency in control over expenditure.

## **2.5 Non-adoption of proper accounting classification and codification pattern in the Budget Document**

2.5.1 Under Article 150 of the Constitution of India, the President of India is to prescribe 'Form of accounts' of the Union and the states on the advice of the Comptroller and Auditor General of India (C&AG). The term 'Form of accounts' also includes the prescription of the appropriate heads of accounts to

which a transaction or class of transactions is to be classified in the accounts of the Union and of the states. The Government Accounting Rules (GAR), 1990 prescribes the basic structure of the 'Form of accounts' as well as the classification of transactions in the accounts. The List of Major and Minor Heads (LMMH) of accounts issued under the GAR lists out the prescribed heads of accounts up to the Minor Heads as well as the codification to be followed by both the Union and the state governments without exception.

2.5.2 Under the orders issued by the Department of Economic Affairs, Ministry of Finance, Government of India in December 1994, the number of tiers of classification as well as their codification prescribed for preparation of the Detailed Demand for Grants as well as the budget are as under:-

(a)	Major Head	4 digits (numeric) denoting the Function
(b)	Sub-Major Head	2 digits (numeric) denoting the Sub-Function
(c)	Minor Head	3 digits (numeric) denoting the Programme
(d)	Sub-Head	2 digits (numeric) denoting the Scheme
(e)	Detailed Head	2 digits (numeric) denoting the Sub-Scheme
(f)	Object Head	2 digits (numeric) denoting the Object

2.5.3 While opening and modification of Minor Heads and above could be done by the Union Government on the advice of the C&AG, the state governments have been authorised by the Union Government to open Sub-Heads and below in their accounts on the advice of the state Accountants General. The observance of the above mentioned heads of accounts and the codification thereof as prescribed by the President has to be followed by the state government for accounting as well as for preparation of their Budget.

2.5.4 Based on the discussions held in the meeting of 21<sup>st</sup> December 1999 between the representatives of the Accountant General's (A&E) office and the Finance Department, Government of Meghalaya (GOM), the latter had agreed to effect all the necessary corrections in the accounting classification and codification throughout the entire Budget and Detailed Demand for Grants of the GOM beginning with the Financial Year 2000-2001. In February 2000, the Principal Secretary, Finance Department, GOM, was once again addressed and was requested to ensure complete correct classification and codification. He was also reminded once again of the need that prior concurrence of the Accountant General (A&E) was to be obtained for opening new Sub-Heads and below. As no action was taken by the GOM, the Additional Deputy Comptroller and Auditor General of India in June 2000 addressed the Chief Secretary to the GOM on the urgent need for the GOM to adopt the correct accounting classification, structure and Form of Accounts of the Government and the violation of the Constitutional requirements.

2.5.5 Scrutiny of the Budget Documents of the Government of Meghalaya for the year 2000-2001 by the Accountant General (A&E) revealed the following deficiencies with regard to the accounting classification and codification in the Demand for Grants for the year.

Serial number	Nature of deficiencies
1.	Numeric codification of Sub-Heads, Detailed-Heads were not in keeping with six tiers and 15 digits classification as laid down in December 1994 orders in 58 Grants (Grant No.1 to 58) and in 5 Appropriations (Major Heads of Account : 2048, 2049 & 2051 and Debt Heads : 6003 and 6004).
2.	Unauthorised use of <b>alpha-numeric</b> classification under Sub-Heads of 16 Grants (Grant Nos. 1,6,15,21,22,27,34,44,45 to 48,51,53 and 54) and 2 Appropriations (Major Heads of Account : 2048 and 2049).
3.	Unauthorised opening of Minor Heads under Detailed Demand for Grants in respect of 11 Grants (Grant Nos. 18 to 21, 27,39,40,43 to 45 and 47) and an Appropriation (Major Head of Account : 2049).
4.	Non-assignment of standardised codes for schemes in all cases where scheme exists either in the Budget or in the Plan Document at the Sub-Head level.
5.	Wrong accounting classification under the Object Heads in all Major Heads of Account under Grant Nos.1 to 60 and in 4 Appropriation (Major Heads of Account: 2049 and 2051 and Debt Heads : 6003 and 6004).
6.	Non depiction of Sub-Heads/Detailed Heads/Object Heads under Major Heads/Minor Heads in respect of 29 (Grants involving 42 Major Heads of Account and one Appropriation (Debt Head: 6004).
7.	Unauthorised opening of Sub-Heads under Major Heads of Account : 2070, 2401, 2403, 2505, 2515 (illustrative) without the prior concurrence of the Accountant General (A&E) and consequently these Heads appearing in the Detailed Demand for Grants and the Budget were not in the standardised form.

2.5.6 The matter was reported to the Finance Department, Government of Meghalaya by the Accountant General (A&E), Meghalaya (April 2001); reply had not been received (December 2001).