

## CHAPTER II : APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

### Appropriation Accounts at a glance – 2002-03

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 : 63 (58 Grants; 5 Appropriations)

### Total provision and actual expenditure

Table 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	1879.63		
Supplementary	302.31		1832.23
<b>Total Gross provision</b>	<b>2181.94</b>	<b>Total Gross expenditure</b>	<b>1832.23</b>
Deduct – Estimated recoveries in reduction of expenditure	...	Deduct – Actual recoveries in reduction of expenditure	...
<b>Total Net Provision</b>	<b>2181.94</b>	<b>Total Net Expenditure</b>	<b>1832.23</b>

### Voted and Charged provision and expenditure

Table 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1307.44	171.90	1044.87	159.68
Capital <sup>(a)</sup>	356.22	346.38	260.94	366.74
<b>Total: Gross</b>	<b>1663.66</b>	<b>518.28</b>	<b>1305.81</b>	<b>526.42</b>
Deduct – Recoveries in reduction of expenditure	...	...	...	...
<b>Total : Net</b>	<b>1663.66</b>	<b>518.28</b>	<b>1305.81</b>	<b>526.42</b>

### Appropriation and Control Over Expenditure

#### 2.1 Introduction

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 the authority to appropriate certain sums from the

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

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.

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.

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 Non-adoption of general principle of gross budgeting**

According to the general rule of accounting, a grant/appropriation is voted/authorised for the gross expenditure required for each service. The expenditure shown against each grant/appropriation in the Appropriation Accounts will thus exclude recoveries of expenditure relating to respective grants/appropriations. Although the necessity for following the principle of gross budgeting was brought (December 1996) to the notice of the State Government by the Accountant General (Accounts & Entitlement), the Demands for Grants of the Government of Meghalaya were being prepared and voted on net basis. The Demands for Grants for the year 2002-03 were also prepared on net basis as the recoveries in reduction of expenditure pertaining to three grants (Grant Nos. 19, 27 and 43) were adjusted within the grants. Consequently, the Appropriation Accounts for the year 2002-03 were prepared on the basis of net provision voted by the State Legislature.

Immediate steps need to be taken by the State Government for adoption of generally accepted accounting rule of gross budgeting.

## **2.3 Summary of Appropriation Accounts**

The summarised position of actual expenditure, excess and savings during 2002-03 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	1270.83	36.61	1307.44	1044.87	(-) 262.57
	II. Capital	275.01	2.26	277.27	186.06	(-) 91.21
	III. Loans and Advances	78.95	...	78.95	74.88	(-) 4.07
<b>Total Voted</b>		<b>1624.79</b>	<b>38.87</b>	<b>1663.66</b>	<b>1305.81</b>	<b>(-) 357.85</b>
Charged	IV. Revenue	171.90	...	171.90	159.68	(-) 12.22
	V. Capital	...	0.15	0.15	...	(-) 0.15
	VI. Public Debt	82.94	263.29	346.23	366.74	(+) 20.51
<b>Total Charged</b>		<b>254.84</b>	<b>263.44</b>	<b>518.28</b>	<b>526.42</b>	<b>(+) 8.14</b>
Appropriation to Contingency Fund (if any)		...	...	...	...	...
<b>Grand Total</b>		<b>1879.63</b>	<b>302.31</b>	<b>2181.94</b>	<b>1832.23</b>	<b>(-) 349.71</b>

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

According to 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.602.18 crore for the years 1971-72 to 2001-02 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

Year	Number of grant/appropriation	Grant(s)/Appropriation(s)	Amount of excess
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
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
2000-01	4/3	1, 16, 40, 56/1, 2, 4	11.06
2001-02	3/2	1,18,35/1,2	1.76
			<b>602.18</b>

## **2.5 Results of Appropriation Audit**

**2.5.1** The overall saving of Rs.349.71 crore was the result of saving of Rs.371.81<sup>(a)</sup> crore in 59 cases of grants and appropriations offset by excess of Rs.22.10 crore in four grants and three appropriations.

**2.5.2** Supplementary provision made during the year constituted 16.08 *per cent* of the original provision as against 2.81 *per cent* in the previous year.

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

(a) Supplementary provision of Rs.14.69 crore made in 13 cases during the year proved unnecessary in view of aggregate saving of Rs.123.52 crore as detailed in Appendix II.

(b) In four cases, against additional requirement of Rs.18.37 crore, supplementary grants of Rs.20.48 crore were obtained resulting in saving in each case exceeding Rs.10 lakh, aggregating Rs.2.11 crore. Details of these cases are given in Appendix III.

(c) In two cases, supplementary provision of Rs.263.29 crore proved insufficient leaving an uncovered excess expenditure of Rs.20.51 crore as per details given in Appendix IV.

(d) In 44 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.

### **2.5.4 Persistent savings**

In 21 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.

### **2.5.5 Excess requiring regularisation**

The excess of Rs.22.10 crore under four grants and three appropriations requires regularisation under Article 205 of the Constitution. Details of these are given in Appendix VII.

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

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.

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<sup>(a)</sup> Difference of Rs.0.01 crore with the Appropriation Accounts was due to rounding.

### ***2.5.7 Expenditure without provision***

As envisaged in the budget manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was noticed that, taking into account the expenditure exceeding Rs.10 lakh, expenditure of Rs.7.36 crore was incurred in 15 cases as detailed in Appendix IX without the provision having been made in original estimates/supplementary demands and no re-appropriation orders were issued.

### ***2.5.8 Anticipated savings not surrendered***

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. At the close of the year 2002-03 there were 49 grants/appropriations in which large savings had not been surrendered by the departments. The amount involved was Rs.175.09 crore. Details are given in Appendix X. In 25 cases, the amount of available savings of Rs.1 crore and above in each case not surrendered aggregated Rs.165.24 crore.

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

For the year 2002-03, explanations for final savings/excesses were not received in respect of all the 108 heads of Accounts.

### ***2.5.10 Unreconciled expenditure***

Financial Rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. 67 Heads of Accounts (78 Controlling Officers) involving Rs.841.15 crore pertaining to 2002-03 remained unreconciled.

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

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 10 and 63 *per cent* in respect of eight illustrative heads of accounts as indicated in Appendix XI.

## **2.6 Control over expenditure**

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.

It has been noticed that DCC bills for Rs.29.88 lakh against 20 AC bills drawn during 1992-93 to 2001-02 by eight Drawing and Disbursing Officers were not submitted to the AG and thus remained unregularised till March 2003. The details are given in Appendix XII.

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. 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.