

## **CHAPTER II**

### **APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE**

#### **Introduction**

**2.1** In accordance with the provision 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 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.

**2.2** 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 amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act.

**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 Act, and ensure 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/appropriations and expenditure thereagainst is given below:-

**Summary of Appropriation Accounts 2000-2001**  
**Appropriation Accounts : 2000-2001**  
**Total number of Grants : 76 (73 Grants and 3 Appropriations)**  
**Total Provision and Actual Expenditure**

**Table No.2.1**

Provision	Amount	Expenditure	Amount
	<i>(Rupees in crore)</i>		
Original	1738.04 <sup>1</sup>		
Supplementary	484.09		
<b>Total Gross Provision</b>	<b>2222.13</b>	<b>Total gross expenditure</b>	<b>1923.64</b>
Deduct estimated recoveries in reduction of expenditure	12.99	Deduct actual recoveries in reduction of expenditure	4.03
<b>Total net Provision</b>	<b>2209.14</b>	<b>Total net expenditure</b>	<b>1919.61</b>

**Voted and Charged Provision and expenditure**

**Table No.2.2**

	Provision		Expenditure	
	<i>Rupees in crore</i>			
	<i>Voted</i>	<i>Charged</i>	<i>Voted</i>	<i>Charged</i>
Revenue	1288.04	198.40	1117.95	181.24
Capital	384.10	351.29	241.75	382.70
<b>Total Gross</b>	<b>1672.44</b>	<b>549.69</b>	<b>1359.70</b>	<b>563.94</b>
Deduct recoveries in reduction of expenditure	12.99	---	4.03	---
<b>Total : Net</b>	<b>1659.45</b>	<b>549.69</b>	<b>1355.67</b>	<b>563.94</b>

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

**Table No.2.3**

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
		<i>(Rupees in crore)</i>				
Voted	I Revenue	1079.61	208.43	1288.04	1117.95	(-) 170.09
	II Capital	189.73	170.25	359.98	228.42	(-) 131.56
	III Loans and Advances	11.85	12.57	24.42	13.33	(-) 11.10
	<b>Total Voted</b>	<b>1281.19</b>	<b>391.25</b>	<b>1672.14</b>	<b>1359.70</b>	<b>(-) 312.74</b>
Charged	IV Revenue	190.48	7.92	198.40	181.24	(-) 17.16
	V Capital	---	---	---	---	---
	VI Public Debt.	266.37	84.91	351.28	382.70	(+) 31.42
<b>Total Charged</b>	<b>456.85</b>	<b>92.83</b>	<b>549.68</b>	<b>563.94</b>	<b>(+) 14.26</b>	
	Appropriation to contingency Fund (if any)	NIL	NIL	NIL	NIL	NIL
<b>Grant Total</b>		<b>1738.04</b>	<b>484.08</b>	<b>2222.12</b>	<b>1923.64</b>	<b>(-) 298.48</b>

*Source: Appropriation Accounts*

<sup>1</sup> There is a difference of Rs.22.79 lakh between the original Provision and Appropriation Act for the year 2000-2001. The discrepancy till remained unreconciled as of January 2002.

2.6 The overall saving of Rs.298.49 crore was the net result of excess of Rs.51.81 crore in 17 case of grants and 1 case of appropriation, and saving of Rs.350.30 crore in 64 cases of grants and 5 cases of appropriations.

***Result of Appropriation Audit***

***Saving or excess over provisions***

2.7 The excess of Rs.12.18 crore under Revenue Section and Rs.39.63 crore under Capital Section as detailed in Appendix-II requires regularisation under Article 205 of the Constitution.

***Excess over grants in previous years not regularised***

2.8 Cases of excess expenditure over the budget provision reported in the Report of the Comptroller and Auditor General of India (Civil), Government of Nagaland are required to be regularised under Article 205 of the Constitution of India. However, it was noticed that excess expenditure of Rs.1009.80 crore reported during 1991-92 to 1999-2000 except 1992-93 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 2002. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

**Table No.2.4**

Serial No.	Year of Audit Report	Total number of Grants/ Appropriations	Grant Number	Amount involved (Rupees in crore)
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63, 65,69,70,35,36,72	152.27
2.	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31, 35,43,53,62,72	32.86
3.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
4.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47, 48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
5.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40, 46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
6.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48, 55,60,64,65,67,71,74,76,36,53,62,68,75	241.09
7.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43, 44, 46,47,49,55,57,58,60,62,64,66,76	263.80
8.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42, 45,46,51,58,60,64,67,68,69,74,75,76	167.14
		<b>Total:-</b>		<b>1009.80</b>

***Source: Appropriation Accounts***

2.9 Supplementary provision made during the year constituted 26 per cent of the original provision as against 16 per cent in the previous year.

***Unnecessary/excessive/insufficient supplementary grants***

**2.10(a)** Supplementary provision of Rs.29.53 crore made in 24 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs.45.81 crore as detailed in Appendix—III.

(b) In 55 cases of grants/appropriations, against additional requirement of Rs.31.72 crore, supplementary grants and appropriation of Rs.297.36 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.265.64 crore. Details of these cases are given in Appendix-IV.

(c) In 9 cases of grants/appropriations, supplementary provisions of Rs.30.06 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.13.86 crore as per details given in Appendix—V.

***Persistent savings***

**2.11** In 6 cases of grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in Appendix—VI.

***Significant excess/savings***

**2.12(a)** In 5 grants, the expenditure exceeded the approved provision by more than Rs.50 lakh in each case, and also by more than 10 *per cent* of the total provision. Details are given in Appendix—VII. In 2 out of above 5 grants, the expenditure exceeded the approved provision by 360 *per cent* and 4204 *per cent*.

(b) In 40 cases of grants, expenditure fell short by more than 50 lakh in each case, and also by more than 10 *per cent* of the total provision as detailed in Appendix—VIII.

***Anticipated saving not surrendered***

**2.13** According to rules, 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 13 cases of grants, the amount of available savings of Rs.1 crore and above in each grants not surrendered aggregated Rs.144.18 crore. Details are given in Appendix—IX.

***Surrender in excess of savings***

**2.14** In 13 grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual saving of Rs.31.55 crore, the amount surrendered was Rs.41.24 crore resulting in excess surrender of Rs.9.69 crore. Details are given in Appendix—X.

### ***Trend of Recoveries and Credits***

**2.15** Under the systems of gross budgeting followed by Government, the demands for grants presented to the legislature are for gross expenditure, 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.

**2.16** During 2000-2001, the actual recoveries (Rs.8.13 crore) were less than the estimated recoveries (Rs.17.25 crore) by Rs.9.12 crore. This was the net result of less recoveries of Rs.11.18 crore in 10 grants, and excess recovery of Rs.2.06 crore in one grant. Details are given in *Appendix* to the Appropriation Accounts.

### ***Unreconciled Expenditure***

**2.17** Financial rules require that the Departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). In respect of 2 controlling officers, expenditure of Rs.88.56 crore pertaining to 2000-2001 remained unreconciled till January 2002.

**2.18** The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 23 *per cent* to 5 *per cent* of the total expenditure in the last three accounting years (1998-99 to 2000-2001), as shown below:-

**Table No.2.5**

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved (Rupees in crore)
1998-99	76	25	23	405.00
1999-2000	76	06	10	174.00
2000-2001	76	02	5	88.56

### ***Abstract Contingent Bills***

**2.19** According to the Treasury Rules, the Detailed Countersigned Contingent (DCC) Bills in respect of any amount drawn on Abstract Contingent (AC) Bills are required to be submitted to the Controlling Authority within one month of the drawal of the bills, who shall submit the same with his countersignature to the Accountant General within another month. Every drawing and disbursing officer will furnish a certificate to every fresh abstract contingent bill to the effect that detailed countersigned contingent bills have been submitted to the controlling officer in respect of abstract contingent bills drawn more than a month before the date of that bill.

**2.20** Information collected (January 2001) from the Sr. Deputy Accountant General (A&E) revealed that 33 DDOs of 6 Departments had drawn Rs.0.37 crore on AC bills during the period from May 1999 to August 2000 which were lying outstanding as of January 2002. Details are shown in *Appendix-XI*. Thus, non-observance of rules by the DDOs resulted in non-adjustment of Rs.0.37 crore drawn in AC bills due to non-submission of DCC bills.

**SECTION—B-PARAGRAPHS**

**ART AND CULTURE DEPARTMENT**

**2.21 Drawal of money in advance of requirement**

**Rs.120 lakh was drawn between March 1997 and March 2000 and kept in Civil Deposit by floating financial rules.**

Financial rules prohibit drawal of money from the treasury unless it is required for immediate disbursement. Drawal of money to avoid lapse of budget grant and keeping the money in 'Civil Deposits' (CD) for subsequent utilisation violates the provision of financial rules.

**2.21.2** Pursuant to Government sanctions issued in March 1997, March 1999 and March 2000, the Director Art and Culture Nagaland, Kohima had drawn Rs.40 lakh each through AC bills in the above three years for consultancy services, boundary fencing, approach road, site development and development works of Second World War Museum (SWWM), at Kohima and deposited the same in Civil Deposits in the same months. Of these amounts, Rs.40 lakh each was withdrawn on 17 October 1997, 8 April 1999 and November 2000 and paid to the Executive Engineer and Secretary, Nagaland Art and Culture Council (NACC) respectively on the same dates for execution of the works.

**2.21.3** Neither any details/records in support of execution of works nor the expenditure incurred thereon were made available to audit nor any Detailed Countersigned Contingency (DCC) bills against the AC bills had been obtained and submitted to the Senior Deputy Accountant General (Accounts & Entitlement), as of October 2001.

**2.21.4** Thus, the Director flouted financial rules by drawing the money in advance of requirement and could not substantiate as to how the amount was finally spent. Besides, by debiting the expenditure to final head of account inflated the actual expenditure by Rs.40 lakh in each of financial years 1996-97, 1997-98 and 1999-2000.

**2.21.5** The matter was reported to Government and Department in June 2001. In reply, Government stated (August 2001) that the amounts of Rs.40 lakh for each year were drawn and paid to the Executive Engineer and Secretary, NACC as grants in aid for the project. But the reasons for keeping the money in Civil Deposits and non-submission of DCC bills were not stated.

**HOME (GENERAL ADMINISTRATION) DEPARTMENT**

**2.22 Drawal of funds in advance of requirements and to avoid lapse of budget grant**

**Drawal of Rs.269.03 lakh in advance of requirement resulted in loss of interest of Rs.14.70 lakh**

Rule 290 of the Central Treasury Rules Vol.I provides that no money shall be drawn from Treasury unless it is required for immediate disbursement. Drawal of money in anticipation of requirements or to avoid lapse of budget grant is also not permissible.

**2.22.2** Test check (September 2000) of the records (April 1999 to August 2000) of the Commissioner of Nagaland revealed that the Commissioner drew Rs. 269.03 lakh (March 2000: Rs.45.38 lakh; June 2000: Rs.223.65 lakh) for procurement of 16,502 metre red blanket for Gaon Buras/Dubashies and village guard's clothing, equipment/furniture during 1999-2000 and 2000-01 respectively. The bills were drawn by recording a certificate on the body of supplier's bills that materials were received in full and in good condition and entered in stock register.

**2.22.3** It was, however, noticed from the stock register that materials were actually procured between June 2000 and January 2001 without observing any codal formalities. The basis of selection of firms, however, could not be made available to audit. The materials, so procured, were issued to 3 Deputy Commissioners, Sub-Divisional Officers between July 2000 and January 2001 for utilisation, and payments to the suppliers were made in September 2000 (Rs.45.38 lakh), December 2000 (Rs.79.14 lakh) and January 2001 (Rs.144.51 lakh).

**2.22.4** Thus, it appeared that Rs.269.03 lakh was drawn in advance of requirements of which Rs.45.38 lakh was drawn to avoid lapse of budget grant, which was irregular and this irregular drawals resulted in loss of interest of Rs.14.70<sup>2</sup> lakh (Calculated at Government borrowing rate).

**2.22.5** In reply, the Commissioner stated (August 2001) that materials were received before drawal of funds and payments to suppliers were released after physical verification of stock and after replacement of defective materials by the suppliers. The reply is not tenable as no documentary evidence regarding issue of supply orders and receipt of materials prior to drawal of funds, stock

<sup>2</sup>	Rs.45.38 lakh x 11.85 x 5 months ÷ 1200 =	Rs. 2.24 lakh.
	Rs.223.65 lakh x 11.85 x 5 months ÷ 1200 =	Rs.11.04 lakh
	Rs.144.51 lakh x 11.85 x 1 months ÷ 1200 =	<u>Rs. 1.42 lakh</u>
	<b>Total:-</b>	<b>Rs.14.70 lakh</b>

entry and physical verification report of materials could not be made available to audit.

**2.22.6** The matter was reported to Government in June 2001; the reply had not been received (January 2002).