

CHAPTER II
APPROPRIATION AUDIT AND
CONTROL OVER
EXPENDITURE

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

In accordance with the provisions of Section 29 of the Government of Union Territories Act, 1963, soon after grants under Section 28 are made by the Union Territory (UT) Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the UT. The Appropriation Act passed by the Legislature contains authority to appropriate certain sums from the Consolidated Fund of the UT for specified services. Supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 30 of the Government of Union Territories Act, 1963.

The Appropriation Act includes expenditure which has been voted by the Legislature on various grants in terms of Sections 29 and 30 of the Government of Union Territories Act, 1963 and also expenditure which is required to be charged on the Consolidated Fund of the UT. The Appropriation Accounts are prepared every year indicating details of amounts spent on various specified services 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 44 demands for grants approved by the Legislature comprise Voted grants (Revenue (32) and Capital (12)) and seven Charged appropriations (Revenue (six) and Capital (one)) totalling 51 grants/appropriations. The summarised position of actual expenditure during 2006-07 against these grants and appropriations is as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving (-)/ Excess (+)
Voted	I Revenue	1,775.11	155.12	1,930.23	1,741.40	(-) 188.83
	II Capital	646.47	23.40	669.87	378.80	(-) 291.07
	III Loans and Advances	5.09	--	5.09	3.08	(-) 2.01
Total-Voted		2,426.67	178.52	2,605.19	2,123.28	(-) 481.91
Charged	IV Revenue	184.63	4.68	189.31	189.19	(-) 0.12
	V Capital	--	--	--	--	--
	VI Public Debt	74.70	21.61	96.31	96.31	--
Total-Charged		259.33	26.29	285.62	285.50	(-) 0.12
Grand Total		2,686.00	204.81	2,890.81	2,408.78	(-) 482.03

Overall savings of Rs 482.03 crore was the result of savings in 44 grants and seven appropriations (51 cases). The schemes under which the savings mainly occurred and the reasons therefor are given in Appropriation Accounts for the year 2006-07.

2.3 Results of Appropriation Audit

Supplementary provision

2.3.1 Supplementary provision constituted eight *per cent* of the original provision as against 15 *per cent* in the previous year.

¹ These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure.

2.3.2 In four grants, against additional requirement of Rs 88.14 crore, supplementary provisions of Rs 93.07 crore were obtained resulting in aggregate savings of Rs 4.93 crore (Details are given in **Appendix – 2.1**). The savings in each case exceeded Rs 50 lakh. In one grant², the entire supplementary provision of Rs 4.38 lakh proved unnecessary as there was a saving of Rs 20.11 lakh.

2.3.3 In 102 cases, expenditure fell short by Rs 50 lakh or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 601.92 crore (Details are given in **Appendix – 2.2**). In 22 out of these 102 cases, the entire provision of Rs 356.16 crore was not spent. In 58 cases, the expenditure exceeded the approved provisions (both Original and Supplementary) by more than Rs 50 lakh and also by more than 10 *per cent* of the total provision, resulting in an excess of Rs 130.46 crore. In 25 out of these 58 cases, the expenditure exceeded the approved provision by 100 *per cent*. (Details are given in **Appendix – 2.3**).

2.3.4 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. In five cases, re-appropriation was proved unnecessary (Details are given in **Appendix – 2.4**).

2.3.5 Anticipated savings not surrendered

The departments surrender the grants/appropriations or portions thereof whenever savings are anticipated. As against the total savings of Rs 482.03 crore in all grants/appropriations during 2006-07, the departments surrendered Rs 470.51 crore on 31 March 2007. It was, however, observed that anticipated savings of more than Rs 25 lakh each in 7 cases amounting to Rs 9.90 crore were not surrendered (Details are given in **Appendix – 2.5**).

2.3.6 Expenditure on Centrally Sponsored Schemes

Out of Rs 31.71 crore provided as Final Modified Grant (FMG) for implementing 87 Centrally Sponsored Schemes, Rs 29.53 crore (93 *per cent*) were spent. While no expenditure was incurred in respect of 5 schemes (FMG : Rs 0.52 crore), the expenditure was less than 50 *per cent* of provision in respect of seven schemes.

2.4 Comments on expenditure and budgetary control

Scrutiny of the records relating to budgeting and expenditure control maintained by Animal Husbandry, Public Works, Transport, Information

² Grant 24 'Agriculture' (Revenue – voted)

and Publicity, Co-operation and Industries departments revealed the following:

2.4.1 Unnecessary provision of funds

Unnecessary provision of funds was made in the following cases resulting in huge re-appropriation:

Head of Account and description	Budget provision	Actual Expenditure	Amount withdrawn by Re-appropriation	Remarks
(Rupees in lakh)				
Grant No.16 4059.01.051(3) Construction of Assembly Building	250.00	26.00	224.00	Funds provided on <i>ad hoc</i> basis for payment of consultancy charges even before clearance of work by High Level Committee.
4059.80.800(1) Construction of infrastructural facilities in the Tsunami affected areas	250.00	32.80	217.20	Provision of funds was made on <i>ad hoc</i> basis. While one Division spent Rs 14.80 lakh only, out of Rs 160 lakh, another Division could obtain sanction for works amounting to Rs 27.50 lakh only, against the allotment of Rs 80 lakh. Of this, one work was not approved as it did not come under the jurisdiction of Tsunami affected areas.
Grant No.19 5452.80.190(2)(1) Share Capital contribution to joint venture	100.00	--	100.00	Funds were provided before clearance of the 'Splendor Train' project by Railway Board.

2.4.2 Excess provision of funds

Funds were provided in excess of requirement in the following cases resulting in savings:

(Rupees in crore)				
Head of Account and description	Budget provision/ Revised Estimate	Requirement as revealed from the records of the department	Excess over requirement	Savings
Grant No.8 Transport 3075.60.800(1) - Matching grant for Railways for Electrification	2.00	0.18	1.82	1.89
Grant No.16 Public Works 4702.789(1)(1) - Ground Water Recharge Scheme	1.88	1.18	0.70	0.79
Grant No.16 Public Works 4711.03.800(3)(1) - Creation of infrastructural facilities in Tsunami affected areas	25.00	20.00	5.00	13.02
Grant No.32 Building Programmes 4210.01.110(2)(1) - Construction of Women and Children Hospital	13.34	10.00	3.34	2.59

Out of Rs 1.50 crore provided for giving loans to Government servants towards House Building Advance, Rs 1.27 crore were surrendered in March 2007 due to less demand from Government servants than anticipated. Though there was a huge surrender of funds during 2004-05 and 2005-06 under House Building Advance, provision of huge amount proved excessive and resulted in surrender.

2.4.3 Erroneous provision of funds

The Chief Engineer, Public Works Department provided Rs eight crore for Yanam region for creation of infrastructural facilities in Tsunami affected areas and spent it. As Yanam region was not notified as affected by Tsunami, provision of funds was erroneous.

Expenditure on flood relief works and rehabilitation works for Rs 4.18 crore was wrongly provided under the head 2245.02.101(1), which relates to payment of cash doles to the victims of natural calamities like fire, flood etc.

2.4.4 Funds provided under Supplementary grant before sanction of schemes

In the following cases, funds were provided by Director of Animal Husbandry under supplementary grant to meet the expenditure on revision of pay scales, increase in Dearness Allowance and increase in cost of fuel.

(Rupees in lakh)

Head of Account	Provision		FMG	Actual Expenditure	Savings
	Original	Supplementary			
2403.101(1)(1)	85.67	40.23	125.90	107.02	18.88
2403.102(1)(1)	101.11	57.56	158.67	149.29	9.38
2403.102(1)(2)	27.59	34.12	61.71	51.34	10.37

The provision was, however, could not be used for the purpose as proposal of Assured Career Progression was not approved by Government and savings resulted. Provision of funds in supplementary grant even before sanction of scheme was in contravention of provisions of General Financial Rules.

2.4.5 Advance drawal of funds

Grants-in-aid released/drawn far in advance of requirement were either deposited or lying with the implementing organisations in the following cases:

(Rupees in lakh)

Head of Account/ description	Amount drawn	Remarks
Grant No.22 Co-operation 2401.195(9) - Assistance to Agricultural Credit Co- operative Societies	550.00	The amount was drawn and deposited with Pondicherry State Co-operative Bank Limited pending receipt of orders from Government of India for waiver of loan and interest due from the farmers to the Bank.
Grant No.28 Industries 2851.003(1)(1) and 2851.789(1)(1) - Construction of a separate Office-cum-Training Hall	87.40	Although the grant of Rs 18 lakh released in March 2006 was not utilised by the Puducherry Management and Productivity Council (as additional land required for the work was not transferred by the Director of Industries and estimate was not prepared for executing the work). Yet, Rs 87.40 lakh was released during this year.

2.4.6 New service/New instrument of service

Expenditure on a scheme/service not contemplated in the Budget estimate constitute New service/New instrument of service. In such cases, expenditure can be incurred only after obtaining either an advance from the Contingency Fund pending authorisation by the Legislature or provision of funds through supplementary estimates. The Committee on Public Accounts (PAC), fixed (March 2004) the monetary limit for determining the expenditure on the New service/New instrument of service as Rs five lakh for recurring expenditure and Rs 10 lakh for non-recurring and works expenditure. Besides, PAC also prescribed monetary limits for release of grants, share capital and loan to Government companies/autonomous bodies etc. without obtaining the approval of the Legislature. Contravening these provisions, the Director of Animal Husbandry incurred expenditure in excess of the limits prescribed for New instrument of service in the following schemes without approval of the Legislature.

Name of the scheme	FMG	Expenditure	Remarks
	(Rupees in lakh)		
Special Livestock Breeding Programme	276.06	271.90	The scheme which was implemented for women's self help groups during 2005-06 was extended to assist Below Poverty Line (BPL) farmers and Rs 133.92 lakh was drawn for extending subsidy to BPL farmers for purchase of milch cows.
Livestock and Poultry Research and Training Centre	90.11	89.18	The scheme, which provided for distribution of 16 week layer pullets (birds) to farmers free of cost was modified to include additional inputs like feed and cage and Rs 51.36 lakh was drawn for purchase of cages.

2.4.7 Non-furnishing of specific reasons for withdrawal of funds

The Plan outlay of Rs 1,410 crore approved by the Planning Commission for 2006-07 was revised to Rs 1,043.45 crore at the Revised Estimate stage

due to non-materialisation of loans from Housing and Urban Development Corporation Limited (Rs 247 crore), non-drawal of loan from World Bank for Emergency Tsunami Reconstruction Programme and lesser mobilisation of funds from other sources etc. As against the reduction of Plan outlay by Rs 366.55 crore, Government issued orders for surrender/re-appropriation of Rs 483.87 crore on the ground of reduction of plan allocation at Revised Estimate stage. This has resulted in non-furnishing of specific reasons for withdrawal of Rs 117.37 crore.