

CHAPTER II

APPROPRIATION ACCOUNTS

**APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE**

Summary of Appropriation Accounts : 1999-2000

Appropriation Accounts: Union Territory of Pondicherry

Total number of demands for grants: 33

Total provision and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	838.55	Total gross expenditure	1012.46
Supplementary	178.66		
Total gross provision	1017.21		
<i>Deduct – Estimated recoveries in reduction of expenditure</i>	9.53	<i>Deduct – Actual recoveries in reduction of expenditure</i>	11.48
Total net provision	1007.68	Total net expenditure	1000.98

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	776.12	75.80	771.54	75.79
Capital	122.07	43.22	121.91	43.22
Total - Gross	898.19	119.02	893.45	119.01
<i>Deduct – Recoveries in reduction of expenditure</i>	9.53	--	11.48	--
Total - Net	888.66	119.02	881.97	119.01

2.1 Introduction

In accordance with the provisions of Section 29 of the Government of Union Territories Act, 1963 soon after the grants under Section 28 are made by the Union Territory Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the Union Territory. The Appropriation Bill passed by the Union Territory Legislature contains authority to appropriate certain sums from the Consolidated Fund of the Union Territory for the 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 the expenditure which has been voted by the Legislature on various grants in terms of Section 29 and 30 of the Government of Union Territories Act, 1963 and also the expenditure which is required to be charged on the Consolidated Fund of the Union Territory. The Appropriation Accounts are prepared every year indicating the 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

2.2.1 The 33 demands for grants approved by the Union Territory Legislature comprise Voted grants (Revenue and Capital) and Charged appropriations (Revenue and Capital). The summarised position of actual expenditure during 1999-2000 against these grants and appropriations is given below :

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	618.63	157.49	776.12	771.54*	(-) 4.58
	II Capital	98.25	14.43	112.68	114.33*	(+) 1.65
	III Loans and Advances	5.60	3.79	9.39	7.58	(-) 1.81
Total-Voted		722.48	175.71	898.19	893.45	(-) 4.74
Charged	IV Revenue	73.07	2.73	75.80	75.79	(-) 0.01
	V Capital	--	0.22	0.22	0.22	--
	VI Public debt	43.00	--	43.00	43.00	--
Total-Charged		116.07	2.95	119.02	119.01	(-) 0.01
Grand Total		838.55	178.66	1017.21	1012.46**	(-) 4.75

2.2.2 Excess over provisions relating to previous year requiring regularisation

As per Section 30 of the Government of Union Territories Act, 1963, it is mandatory for the Union Territory (UT) Government to get the excess over a grant/appropriation regularised by the Union Territory Legislature. However, the excess expenditure of Rs 37.33 lakh for the year 1997-98 was yet to be regularised due to non-furnishing of explanation to the Public Accounts Committee by the respective departments.

Year	Grant number and Name of the Grant	Amount of excess expenditure (in Rupees)
1997-98	16. Public Works (Capital - Voted)	12,70,582
1997-98	21. Social Welfare (Revenue - Voted)	20,36,019
1997-98	29. Electricity (Capital - Voted)	4,26,233
	Total	37,32,834

* This was gross figure without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure : Rs 1.75 crore and Capital expenditure : Rs 9.73 crore.

** The total expenditure stands inflated to the extent of Rs 1.93 crore being draws made by several Drawing and Disbursing Officers in March 2000, which were not spent before the close of the year.

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs 4.75 crore was the result of savings in 40 grants and 8 appropriations.

2.3.2 Supplementary provision made during the year constituted 21 *per cent* of the original provision as against 20 *per cent* in the previous year.

2.3.3 Supplementary provision of Rs 85.05 lakh made in two grants and one appropriation during the year proved unnecessary since the expenditure was less than the original grant as detailed in Appendix 2.

2.3.4 In 21 grants, against additional requirement of Rs 132.98 crore, supplementary provisions of Rs 136.71 crore were obtained resulting in savings in each grant exceeding Rs 1 lakh aggregating Rs 3.73 crore. Details of these cases are given in Appendix 3.

2.3.5 In 85 cases under 16 grants, expenditure fell short by more than Rs 10 lakh in each case and also by more than 10 *per cent* of the total provision as indicated in Appendix 4.

2.3.6 In 70 cases under 13 grants, expenditure exceeded the approved provisions (both original and supplementary) by more than Rs 10 lakh and also by more than 10 *per cent* of the total provision. The excess expenditure was met by re-appropriation. Details of these are given in Appendix 5. In 29 out of the 70 cases, the expenditure exceeded the approved provision by over 100 *per cent*.

2.3.7 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 43 cases under 13 grants, re-appropriation of funds proved excessive or unnecessary or inadequate by over Rs 1 lakh as given in Appendix 6.

2.3.8 *New service/New instrument of service*

According to rules, expenditure on a scheme/service not contemplated in the Budget Estimate constitutes 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, in October 1993, fixed the monetary limit for determining expenditure on the New service/New instrument of service as Rs 3.5 lakh for recurring expenditure and Rs 6 lakh for non-recurring and works expenditure. In the 7 cases mentioned in Appendix 7, expenditure of Rs 2.47 crore, beyond these limits which constituted New service/New instrument of service, was incurred without the approval of the Legislature.

2.3.9 Anticipated savings not surrendered

The departments surrender the grants/appropriation or portions thereof to the Finance Department whenever savings are anticipated. As against the total savings of Rs 4.75 crore in all grants/appropriations during 1999-2000, the departments surrendered Rs 1.57 crore on 31 March 2000. It was, however, seen that anticipated savings of more than Rs 10 lakh each, in 7 grants amounting to Rs 2.34 crore were not surrendered (*vide* Appendix 8).

2.3.10 Advances from Contingency Fund

The Contingency Fund of the UT Government, established for meeting expenditure of an unforeseen and emergent character, the postponement of which till its authorisation by the Legislature would be undesirable, and for meeting expenditure in excess of the provision for the service included in an Appropriation Act, has a corpus of Rs 50 lakh. The advance drawn from the Contingency Fund is to be recouped by Supplementary Grant. It was, however, seen that the departments had incurred, without obtaining advance from Contingency Fund, expenditure of emergent nature, including the expenditure on centrally sponsored schemes for which token provisions only were made in the budget pending sanction of Government of India (GOI) for continuance of the scheme and on schemes in excess of the amount provided in the Appropriation Act, by obtaining modification orders from the Finance Department. The expenditure so incurred were regularised later on 31 March 2000 by obtaining Supplementary Grant or by re-appropriation from savings in the grant/appropriation. A few illustrative cases where expenditure was incurred in excess of the budget provision as of December 1999 and regularised mainly by Supplementary Grant are furnished in Appendix 9. The procedure followed by the Government was irregular since an advance from the Contingency Fund should have been drawn and then recouped by obtaining Supplementary Grant.

2.3.11 Expenditure on Centrally Sponsored Schemes

Against Rs 10.79 crore provided as Final Modified Grant for implementing 58 centrally sponsored schemes during the year 1999-2000, only Rs 10.17 crore (94 *per cent*) was spent. While no expenditure was incurred in respect of 4 schemes¹, the expenditure was less than 50 *per cent* of provision (provision : Rs 29.64 lakh; expenditure: Rs 12.71 lakh) in respect of 4 schemes².

¹ 1. Celebration of World Consumer Rights Day; 2. Accelerated Rural Water Supply Programme; 3. Development of Sanskrit and 4. Integrated Programme for the Development of Spices.

² 1. National Highways Patrolling Scheme; 2. New Educational Technology Scheme; 3. Promotion of Sports and Games in Schools and 4. Financial assistance to persons distinguished in letters, arts, etc.

2.3.12 Drawal of funds to avoid lapse of budget grant

Scrutiny of the records of Directorate of Accounts and Treasuries, Pondicherry revealed that Rs 55.92 crore was pending adjustment out of advances drawn in 1319 bills by 43 Heads of Department during 1985-86 to 1999-2000. Of this, Rs 26.39 crore related to 1999-2000. Out of Rs 55.92 crore outstanding, Rs 18.23 crore related to Electricity Department which were not adjusted for want of details regarding payment made to various agencies as deposits for executing works. Test-check of such advances drawn during 1999-2000 revealed that out of Rs 1.93 crore drawn as advance in 4 grants (8 schemes) during March 2000, Rs 1.36 crore were utilised in subsequent year and Rs 0.57 crore retained in the form of cheque or cash or as deposits in Public Sector Undertakings and Public Works Department as detailed in Appendix 10. The drawal of funds in advance of requirement was not in order. Besides, the expenditure for the year 1999-2000 was also inflated to that extent.

2.4 Comments on expenditure and budgetary control

2.4.1 (a) The demands for grants presented to Legislature did not include (i) Statement showing estimated strength of establishment and provision therefor (both Non-plan and Plan) in the budget (ii) Statement showing details of provision in the budget for grants-in-aid to Non-Government Bodies (iii) Works annexure indicating details of works costing Rs 10 lakh or above individually and (iv) Statement giving details of provision in the budget for New service/New instrument of service.

(b) The budget estimate has to be prepared on the basis of what is expected to be paid under proper sanction and all inescapable and foreseeable expenditure should be provided. Saving under an unit of appropriation would, therefore, arise only in cases where the expenditure could not be incurred as anticipated. It was, however, seen that modification proposals transferring the provision made under one unit of appropriation to another were sent to Finance Department even in the month of May of the same financial year. It was further noticed that out of 2048 units of appropriation, additions or withdrawals of funds by re-appropriation were made in 1405 units of appropriation (69 *per cent*) indicating inaccurate budgeting, resulting in large scale transfer of funds approved by the Legislature between the units of appropriation.

(c) Government was to obtain approval for additional funds from Legislature through Supplementary Grant if the amount provided in the budget was insufficient or to take up some 'New service'. It was, however, seen that the Government obtained additional funds of Rs 7.99 crore under 40 units of appropriation in the Supplementary Grant stating that the additional provision was due to more allocation for plan scheme at revised

estimate stage without indicating the specific reasons for additional requirement under these units of appropriation.

2.4.2 A review of the budgetary procedure and control of expenditure revealed the following:

(a) In the following instances the provision of funds was reduced by way of re-appropriation on the ground that there was slow progress of works. However, a detailed examination of the records of the divisions indicated that the savings occurred on account of non-sanction or non-preparation of estimates. Thus, the provision of funds for works not ripe for execution had resulted in savings by way of surrender/re-appropriation.

(Rupees in lakh)

Head of account	Budget provision	Supple-mentary	Re-appro-riation	Total	Expen-diture	Remarks
Grant 16 -Public Works						
2215.B.01.101 (1) (1)	10.00	--	(-) 9.25	0.75	0.75	Though the re-appropriation orders stated that the reasons for savings were on account of slow progress of work, a detailed examination of the records of Public Health division revealed that the savings were due to non-availability of estimates/sanctions from the Government.
2215.B.01.101 (2) (1)	95.00	--	(-) 52.98	42.02	42.02	
2215.B.01.102 (5) (1)	20.00	--	(-) 13.10	6.90	6.90	
2215.B.01.102 (6) (1)	60.00	--	(-) 37.35	22.65	22.67	
2217.D.05.001 (3) (1)	150.00	--	(-) 61.00	89.00	89.00	
Grant 32 – Building Programmes						
2205.E.800 (1) (1)	4.00	20.00	(-)24.00	--	--	Provision was withdrawn due to non-sanction of works of Dr.Ambedhkar Mani Mandapam.
2210.F.01.110 (2) (1)	36.18	--	(-)32.00	4.18	4.18	Withdrawal of funds was due to non-availability of site in 4 works, non-approval of proposals in 2 works and non-finalisation of sketch scheme (2 cases).

(b) Though funds are to be provided in the budget only for foreseeable expenditure, budget provisions were made in the following cases even before creation of posts/infrastructure resulting in withdrawal by re-appropriation.

(Rupees in lakh)

Head of account	Budget provision	Supplementary	Re-appropriation	Total	Expenditure	Remarks
Grant 17 - Education						
2202.A.03.103 (21)	129.00	--	(-)110.18	18.82	18.36	Provision was withdrawn mainly due to non-creation of posts for rural college at Madagadipet, Pondicherry.
2202.A.03.103 (22) (2)	51.00	--	(-)51.00	--	--	Provision was withdrawn due to lack of infrastructure for the formation of college for B.Ed. courses.
Grant 18 - Medical						
2210.A.01.110 (19)	13.60	--	(-)11.72	1.88	1.87	Provision of Rs 2 lakh out of Rs 11.72 lakh towards salary of staff of Mahatma Gandhi Government Leprosy Hospital was withdrawn due to non-creation of posts.
2210.A.80.004 (3)	5.00	--	(-)4.99	0.01	--	The provision was withdrawn as the scheme of Development of Naturopathy and Yoga could not be implemented due to non-posting of technical expert.

(c) Government have not evolved the policy for classification of expenditure under Capital and Revenue. While funds for the purchase of computers were provided under Revenue head '2401' by Agriculture Department, Public Works Department provided for this expenditure under Capital head '4059'. The following works which are of capital nature were sanctioned as revenue expenditure.

Grant number	Head of account and Name of the scheme	Remarks
16	2217.D.05.001 (2) - Integrated Urban Development Project	Rs 60.47 lakh spent on construction of Pumping Station at Chettikulam was of capital nature.
24	2401.A.119 (1) - Integrated Scheme for the Development of Horticulture Crops (1) Pondicherry Region	Rs 30.00 lakh drawn and paid to Pondicherry Agro Services and Industries Corporation Limited towards works like improvement of roads, tank, buildings, etc., which are of capital nature.

Further, of Rs 5.50 lakh provided under revenue head '2702.H.02.052 - Ground Water Machinery and Equipment' in Grant number 16, Rs 5.19 lakh were not spent, on the ground that the machinery and equipment were to be purchased only under Capital.

(d) In accordance with Rule 73 of General Financial Rules (GFR), Supplementary Grants should be sought when the amount provided in Budget is insufficient or a need had arisen to incur expenditure on a 'New service'. GFR provide that Supplementary Grant should be sought for only in case of (a) an unforeseen emergency or (b) under-estimated or insufficient allowances for factors leading to the growth of expenditure. It is also provided in the GFR that only when such expenditure cannot be met from saving within the detailed head or other detailed heads within the primary unit of appropriation or from savings within the grant as a whole or from savings that could be effected by economy measures, Supplementary Grant should be resorted to. Contrary to these provisions, funds were provided under Supplementary Grant unnecessarily. A list of illustrative cases where funds were provided in Supplementary Grant but withdrawn fully or partially by re-appropriation are furnished in Appendix 11. A specific case is examined below:

Under the head of account '4702.FF.101 (1) Tank Rehabilitation Project Aid by European Economic Commission (Plan) (1) Pondicherry Region' (Grant number 16), no budget provision was made for 1999-2000. However, during October 1999, Government sanctioned Rs 47.70 lakh to be drawn as advance for deposit under 'Tank Rehabilitation Project, Pondicherry account'. As the Project Accounts were not ready then, the Public Works Department, in November 1999, transferred the amount from Consolidated Fund to Deposit head – '8443 - Civil Deposits'. Consequently, there was an excess expenditure of Rs 47.70 lakh as of that date under the head since there was no budget provision. The Department sought Supplementary Grant of Rs 50.00 lakh in March 2000 under the head on the ground that there was higher allocation of funds at revised estimate stage. Simultaneously, the Department had also withdrawn by re-appropriation Rs 26.00 lakh from the Supplementary provision stating the reason "slow progress of works". As a result, there was only Rs 24 lakh available under the head as of March 2000 though Rs 47.70 lakh had already been booked as expenditure under this head. In order to rectify the excess, the Department proposed a reverse Transfer Entry in May 2000 by allowing credit of Rs 23.70 lakh under the head with contra debit under '8443-Civil Deposits' head. It is seen that but for the Transfer Entry in May 2000 for Rs 23.70 lakh, the Grant under 'Capital' section would have had an excess expenditure of Rs 20.93 lakh, as there was a final saving of Rs 2.77 lakh only.

Thus, the procedure adopted not only contravened the provision of GFR, but also indicated that provision of funds and re-appropriation had been made without the care it deserved.

(e) In the following schemes, though funds were provided under 'Special Component Plan', the expenditure was incurred on schemes which were not meant exclusively for the benefit of Scheduled Castes.

(Rupees in lakh)		
Head of account and name of the scheme	Provision made	Actual expenditure
Grant 18 – Medical 2210.A.06.101 (8) (6) Prevention of visual impairment and control of blindness, Pondicherry (Plan) (SCP) O: 20.00 R: (-) 0.06	19.94	19.92
Grant 24 – Agriculture 2415.D.01.277 (2) Assistance to Agricultural Research Education (SCP) (1) Pondicherry region O: 30.00 (2) Karaikal region O: 80.00	30.00	30.00
Grant 29 – Electricity 4801.AA.04.190 (2) Investment in Public Sector Undertaking Share Capital contribution to Pondicherry Power Corporation Limited (SCP) O: 190.00	190.00	190.00

O : Original R: Re-appropriation

2.4.3 Rush of expenditure

In the following cases under Grant 24, funds were drawn far in advance without immediate requirement and spent only after the end of the year.

(i) Under the head ‘2401.A.001 (2) (1) - Strengthening of Agriculture Department’ Rs 18.10 lakh was drawn in advance on 31 March 2000 towards purchase of computers and computer table. The amount was kept in the form of Demand Drafts and 90 *per cent* of the amount was paid only in June 2000 on receipt of the equipment.

(ii) Under the head ‘2401.A.103 (2) (1) - Improved seed promotion and certification programme’, Rs 7.50 lakh was drawn in March 2000 and paid to the Seed Certification Agency as grant. It was observed that the Seed Certification Agency had been registered as a society only in August 1998 and the amount of Rs 7.60 lakh paid in 1993-94 and 1996-97 remained unspent and were kept in fixed deposit. The release of grant without ensuring the utilisation of grant released earlier was done to avoid lapse of grant.

2.5 Suspense balances in Public Works Department Accounts

Mention was made in the previous Reports of the Comptroller and Auditor General of India, regarding the adverse position of balances under various

suspense heads in Public Works Department Accounts. The position as of March 2000 was as under:

(i) Though the Department gave assurance to the Committee on Public Accounts in July 1994 promising to reduce the minus balance under the sub-head 'Stock' under '2059-Public Works – Suspense', it stood at Rs 2.59 crore in March 2000 indicating irregularities such as non-accounting of receipt of materials, inflated issue rates, etc. Besides, the credit balance of Rs 1.48 lakh as of March 1991 under the sub-head 'Stock' under Capital major head also continues to exist indicating the existence of surplus/unserviceable materials.

(ii) In spite of assurance to the Committee on Public Accounts in July 1994, the balance under the sub-head 'Workshop – Suspense' under 'Revenue' continues to persist indicating non-apportionment of expenditure to job works.

(iii) Even after the deletion of the sub-head 'Purchases', from the List of Major and Minor Heads in 1986-87, the credit balance of Rs 3.28 crore under 'Revenue' and Rs 0.01 crore under 'Capital' existed under this sub-head as of March 2000.

Thus, the Public Works Department did not take effective action to clear the amount booked under 'Suspense' heads which would have a bearing on the revenue and expenditure of the UT Government.