

CHAPTER II

APPROPRIATION ACCOUNTS

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Summary of Appropriation Accounts : 2001-2002

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	1101.10	Total gross expenditure	1290.26
Supplementary	219.00		
Total gross provision	1320.10		
<i>Deduct – Estimated recoveries in reduction of expenditure</i>	13.70	<i>Deduct – Actual recoveries in reduction of expenditure</i>	10.89
Total net provision	1306.40	Total net expenditure	1279.37

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1017.96	102.82	997.20	102.76
Capital	145.20	54.12	136.18	54.12
Total – Gross	1163.16	156.94	1133.38	156.88
<i>Deduct – Recoveries in reduction of expenditure</i>	13.70	--	10.89	--
Total – Net	1149.46	156.94	1122.49	156.88

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-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 Summary of Appropriation Accounts

2.2.1 The demands for grants approved by the Union Territory Legislature comprise Voted grants (Revenue and Capital) and Charged appropriations (Revenue and Capital) totalling 55 grants and appropriations. The summarised position of actual expenditure during 2001-2002 against these grants and appropriations is as follows :

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	826.32	191.64	1017.96	997.20 ⁴	(-) 20.76
	II Capital	110.86	21.67	132.53	128.86	(-) 3.67
	III Loans and Advances	12.67	--	12.67	7.32	(-) 5.35
Total-Voted		949.85	213.31	1163.16	1133.88	(-) 29.78
Charged	IV Revenue	97.20	5.62	102.82	102.76	(-) 0.06
	V Capital	--	0.04	0.04	0.04	Nil
	VI Public Debt	54.05	0.03	54.08	54.08	Nil
Total-Charged		151.25	5.69	156.94	156.88	(-) 0.06
Grand Total		1101.10	219.00	1320.10	1290.26⁵	(-) 29.84

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 since explanation to the Public Accounts Committee has not yet been furnished by the respective departments.

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

⁴ This is gross figure without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure : Rs 1.24 crore and Capital expenditure : Rs 9.65 crore

⁵ The total expenditure stands inflated to the extent of Rs 4.03 crore being the draws made by several Drawing and Disbursing Officers in March 2002 which were not spent before the close of the year

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs 29.84 crore was the result of savings in 43 grants and 12 appropriations.

2.3.2 Supplementary provision constituted 20 *per cent* of the original provision as against 13 *per cent* in the previous year.

2.3.3 The General Financial Rules (GFRs) provide for obtaining funds under Supplementary Grant only when the expenditure cannot be postponed. However, Supplementary provision of Rs 91.84 lakh was made in the following two grants which proved unnecessary since the expenditure was less than the original grant.

(Rupees in lakh)

Grant number and name of the grant	Provision		Expenditure
	Original	Supplementary	
9 - Secretariat (Revenue - Voted)	1308.74	91.40	1089.26
27 - Community Development (Revenue - Voted)	297.70	0.44	297.11
Total	1606.44	91.84	1386.37

The Supplementary provisions of Rs 6.60 crore made in 15 cases under 9 demands for grants proved excessive (Appendix 2).

2.3.4 In 11 grants, against additional requirement of Rs 158.21 crore, supplementary provisions of Rs 167.80 crore were obtained resulting in savings in each grant exceeding Rs 10 lakh aggregating Rs 9.59 crore (Appendix 3).

2.3.5 In 121 sub-heads under 22 demands for 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 resulting in savings of Rs 47.49 crore (Appendix 4).

2.3.6 In 71 sub-heads under 19 demands for 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 (Appendix 5). In 22 out of the 71 sub-heads, 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 12 sub-heads under 7 demands for grants, re-appropriation proved excessive or unnecessary or inadequate by over Rs 5 lakh (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. Besides, the GFRs also prescribed monetary limit for release of grants, share capital and loan to Government companies/autonomous bodies etc., without obtaining the approval of Legislature/Parliament. In 5 cases (Appendix 7), expenditure of Rs 3.64 crore was provided and spent on New service/New instrument of service without approval of the Legislature.

2.3.9 Anticipated savings not surrendered

The departments surrender the grants/appropriations or portions thereof whenever savings are anticipated. As against the total savings of Rs 29.84 crore in all grants/appropriations during 2001-2002, the departments surrendered Rs 21.99 crore on 31 March 2002. It was, however, seen that anticipated savings of more than Rs 10 lakh each in 11 grants amounting to Rs 7.37 crore were not surrendered (Appendix 8).

2.3.10 Expenditure on Centrally Sponsored Schemes

Out of the grants received from Government of India for implementing Centrally Sponsored Schemes, the Government transferred Rs 12.24 crore to deposit head as this amount could not be spent before the end of the year. Out of Rs 16.44 crore provided as Final Modified Grant for implementing 88 Centrally Sponsored Schemes, only Rs 13.39 crore (81 per cent) was spent. While no expenditure was incurred in respect of 9 schemes (provision : Rs 0.70 crore), the expenditure was less than 50 per cent of provision (provision : Rs 2.05 crore; expenditure: Rs 0.34 crore) in respect of 8 schemes.

2.3.11 Drawal of funds to avoid lapse of budget grant

Scrutiny of the records of Directorate of Accounts and Treasuries, Pondicherry (DAT) revealed that advances of Rs 31.51 crore drawn in 809 bills by 40 Heads of Department during 1985-2002 were pending adjustment. Of this, Rs 12.58 crore related to 2001-2002 and Rs 2.34 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 2001-2002 revealed that Rs 4.03 crore were drawn in 7 schemes, without any immediate requirement (Appendix 9). The drawal of funds in advance was not in order. Besides, the expenditure for the year 2001-2002 was also inflated to that extent.

2.4 Comments on expenditure and budgetary control

2.4.1 According to GFRs, the reasons for savings and excess of over Rs 1 lakh shall be stated in the orders sanctioning re-appropriation. In the cases listed in Appendix 10, funds were provided under wrong heads or by giving wrong reasons and withdrawn/surrendered by furnishing wrong reasons or without specific reasons.

2.4.2 A review of the budgetary procedure and control of expenditure followed in 8 demands for grants⁶ revealed the following:

(a) The GFRs stipulate that budget estimate shall be prepared on the basis of what is expected to be paid during the year under proper sanction. The departments, however, provided funds in the budget estimates for 2001-2002 for posts not created and vacant posts, though there was ban on creation of new posts and filling up of vacant posts and for schemes not sanctioned/discontinued (Appendix 11). This resulted in inaccurate budgeting and large scale transfer of funds approved by the Legislature between the units of appropriation.

(b) Under Grant 24, 'Agriculture', a sum of Rs 114.70 lakh was provided under Supplementary Grant towards the Centrally Sponsored Scheme "Assistance to Marketing Committee". There was a final savings of Rs 109.33 lakh. Examination of the records revealed that Rs 76.92 lakh provided was towards four schemes proposed in March 2002 which are yet to be approved by Government. The provision of funds in the Supplementary Grant even before the schemes were approved was irregular.

(c) Under Grant 28, 'Industries', Rs 200 lakh was provided towards the scheme "Fiscal assistance to New Industries (Plan)" under 2851.A.800 (1). The amount was withdrawn due to non-implementation of the scheme. Examination of the records revealed that the proposals for extending financial assistance to Information Technology industries was approved by the Council of Ministers only in May 2002 and the terms and conditions governing the extent of concession/incentives were yet to be framed by the Department. Thus, provision of funds was far in advance of requirement.

(d) Under Grant 32, 'Building Programmes', Rs 100 lakh was provided for the head '2202.B.02.109 (1) Middle and Secondary Education'. Of this, Rs 55 lakh was surrendered on the ground that provision was restricted to actual requirement. On enquiry, the Department stated that the sum of Rs 55 lakh relating to Capital Expenditure was provided wrongly under "Revenue" head and hence had to be surrendered.

⁶ Grant Numbers 6, 9, 17, 21, 24, 25, 28 and 32

2.5 Suspense transactions

The minor head 'Suspense' is operated under Revenue and Capital accounts to accommodate interim transactions for which further payments or adjustments of value are necessary to finally account it under the final head concerned. The balances pending clearance under various sub-divisions of 'Suspense' are given in Appendix 12.

The following observations are made:

(i) Purchases: Minus (credit) balance under this head would represent the value of stores received but not paid for. Though the operation of this head was discontinued from 1986-87, there was a minus balance of Rs 3.28 crore under 'Public Works' as of March 2002. In Electricity Department, there was a plus balance of Rs 2 crore under this head indicating payment in excess of the value of stores received. The Departments failed to analyse the reasons for the balances in order to take steps to clear the same.

(ii) Stock: This head is operated for accounting the value of stores received for the general use of the divisions and stores issued to work or transferred to other divisions. Though there should be only a plus balance (debit) under this head, there was a minus balance (credit) of Rs 2.05 crore in Public Works Department as of March 2002. The Department assured the Public Accounts Committee that it would analyse and clear the minus balance and also reported that the balance was brought to Rs 79 lakh as of March 2000; Audit found that the actual balance at that time was minus Rs 2.59 crore. The information given to the PAC was incorrect.

(iii) Miscellaneous Works Advances: The balance under this head represents value of stores sold on credit, expenditure incurred over and above deposits, losses of cash and stores not written off, sums recoverable from Government servants, etc. There was a balance of Rs 57.82 lakh pending clearance in Electricity Department.

(iv) Workshop Suspense: The balance under this sub-division represents amount due to the workshops; there was a balance of Rs 1.24 crore in Electricity Department pending recovery from 1995-96 onwards. There was no clearance of the balance since 1995-96.