

CHAPTER II

APPROPRIATION ACCOUNTS

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 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 Act 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 58 grants and appropriations. The summarised position of actual expenditure during 2002-03 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	948.45	112.24	1060.69	1039.79 ⁴	(-) 20.90
	II Capital	137.70	32.73	170.43	156.37	(-) 14.06
	III Loans and Advances	8.20	--	8.20	5.43	(-) 2.77
Total-Voted		1094.35	144.97	1239.32	1201.59	(-) 37.73
Charged	IV Revenue	113.78	3.68	117.46	117.25	(-) 0.21
	V Capital	--	0.07	0.07	0.07	--
	VI Public Debt	61.32	0.15	61.47	61.47	--
Total-Charged		175.10	3.90	179.00	178.79	(-) 0.21
Grand Total		1269.45	148.87	1418.32	1380.38⁵	(-) 37.94

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 Government to get the excess over a grant/appropriation regularised by the Union Territory Legislature. Expenditure of Rs 37.33 lakh spent in excess of the amount authorised by the Legislature under the following three grants during the year 1997-98 requires regularisation.

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

The proposals for regularisation of expenditure received from Finance Department were under the consideration of Public Accounts Committee (December 2003).

⁴ This is gross figure without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure : Rs 5.73 crore and Capital expenditure : Rs 8.93 crore

⁵ The total expenditure stands inflated to the extent of Rs 67.43 lakh being the draws made by several Drawing and Disbursing Officers in March 2003 which were not spent before the close of the year

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs 37.94 crore was the result of savings in 44 grants and 14 appropriations. The schemes under which the savings mainly occurred and the reasons therefor were given in Appropriation Accounts.

2.3.2 Supplementary provision constituted 12 *per cent* of the original provision as against 20 *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 11.62 lakh was made in the following four grants, which proved unnecessary since the expenditure was less than the original grant.

Grant number and name of the grant	Provision		Expenditure
	Original	Supplementary	
8 - Transport (Revenue - Voted)	782.25	1.37	283.40
13 - Jails (Revenue - Voted)	105.00	4.00	101.37
17 - Education (Capital - Charged)	10.00	4.35	6.31
26 - Fisheries (Capital - Voted)	21.50	1.90	21.23
Total	918.75	11.62	412.31

(Rupees in lakh)

2.3.4 In eight grants, against additional requirement of Rs 82.64 crore, supplementary provisions of Rs 85.99 crore were obtained resulting in aggregate savings of Rs 3.35 crore (Appendix 3). The savings in each grant exceeded Rs 10 lakh.

2.3.5 In 32 sub-heads under 15 demands for grants, expenditure fell short by more than Rs 50 lakh in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 50.93 crore (Appendix 4).

2.3.6 In 16 sub-heads under nine demands for grants, 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. The excess expenditure was met by re-appropriation (Appendix 5). In four out of the 16 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 14 sub-heads under 10 demands for grants,

re-appropriation proved either excessive/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 the expenditure on the New service/New instrument of service as Rs 3.50 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 the Legislature/Parliament. In seven cases (Appendix 7), expenditure of Rs 2.06 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 37.94 crore in all grants/appropriations during 2002-03, the departments surrendered Rs 33.33 crore on 31 March 2003. It was, however, seen that anticipated savings of more than Rs 10 lakh each in 11 grants amounting to Rs 4.05 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 13.71 crore to deposit head, as this amount could not be spent before the end of the year. Out of Rs 15.34 crore provided as Final Modified Grant for implementing 101 Centrally Sponsored Schemes, only Rs 13.37 crore (87 *per cent*) was spent. While no expenditure was incurred in respect of 31 schemes (provision : Rs 1.36 crore), the expenditure was less than 50 *per cent* of provision in respect of two schemes.

2.3.11 Drawal of funds to avoid lapse of budget grant

Scrutiny of the records of Directorate of Accounts and Treasuries, Pondicherry revealed that advances of Rs 46.11 crore drawn in 1409 bills by 46 Heads of Department during 1985-2003 were pending adjustment. Of this, Rs 31.22 crore related to 2002-03 and Rs 17.65 crore related to Electricity Department which were not adjusted for want of details regarding payment made to various agencies as deposits for executing works. Electricity Department should have ascertained the details of

Rs 17.65 crore given by it to various agencies as deposits. Its records were deficient in this regard.

Test-check of such advances drawn during 2002-03 revealed that Rs 67.43 lakh were drawn in seven schemes, without any immediate requirement (Appendix 9). The drawal of funds in advance was not in order. Besides, the expenditure for the year 2002-03 was inflated to that extent.

2.4 Comments on expenditure and budgetary control

2.4.1 Under Members of Legislative Assembly (MLA) Local Area Development scheme, Rs 40 lakh was provided to each MLA to take up development works. However, it is seen that Rs 1.20 crore was provided in respect of three nominated MLAs, although nominations were yet to be made. This fund was later diverted to other purposes.

2.4.2 Sufficient funds were not provided in the budget for the schemes announced by the Chief Minister in his budget speech. Test-check revealed that in respect of three schemes, Rs 1.45 crore were re-appropriated from other units to meet the expenditure as shown below.

(Rupees in lakh)

Head of account	Provision			Expenditure	Remarks
	Original	Supplementary	Re-appropriation		
2225.A.01.277(4) Maintenance of Boys and Girls Hostels (Non-Plan) (1) Pondicherry region	128.55	--	26.85	155.38	Excess was due to introduction of breakfast scheme in the hostel.
2225.A.01.789(7) Grant of opportunity cost to the parents of SC girl students in Middle and Secondary level classes (Std.VI to XII) (Plan) (1) Pondicherry region	42.00	--	57.00	99.00	Excess was due to enhancement of rate of scholarships.
2235.B.02.101(22) Payment of financial assistance to totally disabled persons (Plan) (2) Karaikal region	16.30	--	31.09	47.32	Excess was due to reduction of disability percentage and also due to upward revision of the quantum of assistance.
(4) Yanam region	1.35	--	9.03	10.38	
2235.B.02.789(8) Payment of financial assistance to totally disabled persons (Plan) (1) Pondicherry region	6.19	--	20.92	27.11	
Total			144.89		

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 10.

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 2003. 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 2.20 crore in Public Works Department as of March 2003. Despite assurance to the Public Accounts Committee, the Department failed to analyse and clear the minus balance.

(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 55.86 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.