

CHAPTER II

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 (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 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 Sections 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 UT. 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

The demands for grants approved by the Legislature comprise Voted grants (Revenue and Capital) and Charged appropriations (Revenue and Capital) totalling 57 grants and appropriations. The summarised position of actual expenditure during 2003-04 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	1025.42	148.47	1173.89	1162.19	(-) 11.70
	II Capital	137.36	18.89	156.25	154.99	(-) 1.26
	III Loans and Advances	6.69	--	6.69	4.95	(-) 1.74
Total-Voted		1169.47	167.36	1336.83	1322.13	(-) 14.70
Charged	IV Revenue	132.88	3.10	135.98	135.87	(-) 0.11
	V Capital	--	0.14	0.14	0.14	--
	VI Public Debt	68.66	0.67	69.33	69.33	--
Total-Charged		201.54	3.91	205.45	205.34	(-) 0.11
Grand Total		1371.01	171.27	1542.28	1527.47	(-) 14.81

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs 14.81 crore was the result of savings in 39 grants and 13 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 in the previous year.

2.3.3 In seven grants, against additional requirement of Rs 81.66 crore, supplementary provisions of Rs 84.11 crore were obtained resulting in aggregate savings of Rs 2.45 crore (Appendix 3). The savings in each grant exceeded Rs 10 lakh. Audit scrutiny revealed that in 16 cases where Rs 9.46 crore were provided under Supplementary Grant, Rs 2.02 crore were not spent (Appendix 4).

2.3.4 In 21 sub-heads under nine demands for grants, 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 31.03 crore (Appendix 5).

2.3.5 In 16 sub-heads under six 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 6). In seven out of the 16 sub-heads, the expenditure exceeded the approved provision by over 100 *per cent*.

2.3.6 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 sub-heads under five demands for grants, re-appropriation proved either excessive or unnecessary or inadequate, by over Rs 5 lakh (Appendix 7).

2.3.7 *Anticipated savings not surrendered*

The departments surrender the grants/appropriations or portions thereof whenever savings are anticipated. As against the total savings of Rs 14.81 crore in all grants/appropriations during 2003-04, the departments surrendered Rs 11.86 crore on 31 March 2004. It was, however, seen that anticipated savings of more than Rs 10 lakh each in eight grants amounting to Rs 2.46 crore were not surrendered (Appendix 8).

2.3.8 *Expenditure on Centrally Sponsored Schemes*

Out of the grants received from Government of India for implementing Centrally Sponsored Schemes, the UT Government transferred Rs 21.65 crore to deposit head, as this amount could not be spent before the end of the year. Out of Rs 12.41 crore provided as Final Modified Grant for implementing 97 Centrally Sponsored Schemes, Rs 11.29 crore (91 *per cent*) was spent. While no expenditure was incurred in respect of six schemes (provision : Rs 0.27 crore), the expenditure was less than 50 *per cent* of provision in respect of three schemes.

2.4 Comments on expenditure and budgetary control

2.4.1 According to General Financial Rules funds shall not be re-appropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year. This provision was violated by issue of modification orders as detailed below:

Under the head 2401.119(1) in Grant 24 - Agriculture, 'Integrated Scheme for the Development of Horticulture Crop' (Plan), (1) Pondicherry region, funds provided under Original and Supplementary Grant were fully utilised. However, scrutiny of the records revealed that modification orders were issued reducing the provisions under this head, once in November 2003 and again in December 2003 to meet expenditure under Minor Irrigation. Subsequently, the amount was increased to the original provision under this head, when savings were noticed in other heads. Consequently, the modifications relating to the aforesaid head did not form part of final re-appropriation orders. This indicates that provision is altered to suit the

expenditure by transferring funds temporarily through modification orders. This vitiates the budget control mechanism.

2.4.2 Deficiencies noted in provision of funds in the budget and re-appropriation in test checked grants were as under:

(Rupees in lakh)

Grant number	Head of account	O	R	Expenditure	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
18	2210.03.789(3) Community Health Centre (Plan) (2) Karaikal	28.03	(-) 22.53	5.50	Withdrawal of funds were due to non-sanction of posts for upgrading the Primary Health Centres. Proposal for creation of posts was made in May 2004. Provision under this head was made in 2002-03 also and was withdrawn due to the same reason.
28	2851.800(1) - Fiscal assistance to new Industries (Plan) (1) Pondicherry (2) Karaikal	100.00 50.00	(-) 100.00 (-) 50.00	-- --	The UT Government notification issuing guidelines released in November 2002 was under revision and the revised guidelines were received only in August 2004. Hence, the entire provision was withdrawn. Amounts provided in 2001-02 (Rs 200 lakh) and in 2002-03 (Rs 100 lakh) were also withdrawn for the same reason.
28	2851.800(8) Motivation of SC/ST/ women entrepreneurs to start Industries (Plan) (1) Pondicherry (2) Karaikal	60.00 15.00	(-) 32.78 (-) 15.00	27.22 --	Funds were withdrawn due to poor response from SC/ST entrepreneurs. The amount provided in 2001-02 (Rs 2 lakh) and 2002-03 (Rs 4 lakh) were also withdrawn for the same reason.
28	4885.01.190(2) Share capital assistance to PIPDIC for establishment of venture capital (Plan) (1) Pondicherry	25.00	(-) 25.00	--	Proposal to implement the scheme with the help of SIDBI ⁴ was not agreed to by SIDBI. However, funds were provided though the Department had not identified another agency. Hence, the entire amount was withdrawn. The amounts provided for the same purpose in 2001-02 (Rs 25 lakh) and 2002-03 (Rs 50 lakh) were also withdrawn for the same reason.

O : Original;

R : Re-appropriation

(1)	(2)	(3)	(4)	(5)	(6)
32	2205.107/101(1) Construction of Auditorium (Plan) (1) Pondicherry	10.00	(-) 10.00	--	Though the Government sanction was not obtained, funds were provided in 2002-03 (Rs 1 lakh) and 2003-04. As the work was not cleared by High Level Committee, Government sanction could not be obtained and funds had to be withdrawn.

2.5 Special Component Plan Schemes

A review of the implementation of Special Component Plan (SCP) schemes during 2001-04 revealed the following:

2.5.1 Inadequate provision

According to the guidelines issued by Government of India, the percentage of funds allotted under SCP to total plan allocation should be equivalent to percentage of Scheduled Caste (SC) population of the State/UT. As against 16 *per cent* of the SC population in UT, the provision under SCP in the annual plans for 2001-03 was only 11 *per cent* of the total plan outlay. The Planning and Research (P&R) Department attributed the shortfall to taking up of more capital-intensive projects wherein provision under SCP could not be made.

2.5.2 Specific schemes not evolved

The guidelines stressed that schemes implemented for SCs should be specifically drawn suiting the local needs and should not be mere extension of general schemes. Audit scrutiny revealed that against Rs 154.59 crore provided under SCP during 2001-04, Rs 45.44 lakh was provided under capital-intensive projects and Rs 9.53 crore was provided under schemes, which were mere extension of general schemes. Thus, only Rs 14.62 crore (10 *per cent*) of the SCP outlay was allocated for schemes specifically targetting the SCs. Though 27 *per cent* of the SC population was engaged as agricultural labourers, Agriculture Department did not evolve any scheme specifically for their benefit.

2.5.3 Expenditure wrongly booked under SCP

Against the SCP allocation of Rs 154.59 crore, the expenditure was only Rs 140.29 crore. Of this, the expenditure under specific schemes was just

10 *per cent* and benefits to SCs were extended mainly through Adi-draavidar welfare schemes under Social Welfare. Planning and Research Department had issued instructions to book expenditure on habitations having more than 50 *per cent* SC population under SCP but test check of 42 road and water supply works costing Rs 5.51 crore accounted under SCP by Public Works Department revealed that 32 works costing Rs 4.46 crore were executed in areas where the SC population was less than 50 *per cent*. Thus, the expenditure was wrongly booked under SCP.

When pointed out, Government stated (December 2004) that the Ministry of Social Justice and Empowerment of GOI to which the SCP is being sent every year for approval had not observed that the formulation of SCP in the UT was contrary to the guidelines issued by them. The Government promised to seek clarification from the Ministry on the findings of Audit and modify suitably the SCP for the year 2005-06.