

## CHAPTER-II

### APPROPRIATION AND CONTROL OVER EXPENDITURE

#### 2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-2007 against the total of 30 grants/appropriations was as follows:

*(Rupees in crore)*

|                      | Nature of expenditure | Original grants/appropriation | Supplementary grant/appropriation | Total           | Actual expenditure | (-)Saving (+) Excess |
|----------------------|-----------------------|-------------------------------|-----------------------------------|-----------------|--------------------|----------------------|
| Voted                | I. Revenue            | 17209.22                      | 1234.90                           | 18444.12        | 14811.68           | -3632.44             |
|                      | II. Capital           | 2679.02                       | 1385.13                           | 4064.15         | 3128.75            | -935.40              |
|                      | III. Loans & Advances | 14.23                         | 2.21                              | 16.44           | 17.05              | +0.61                |
| <b>Total Voted</b>   |                       | <b>19902.47</b>               | <b>2622.24</b>                    | <b>22524.71</b> | <b>17957.48</b>    | <b>-4567.23</b>      |
| Charged              | V. Revenue            | 4217.54                       | 139.01                            | 4356.55         | 4210.71            | -145.84              |
|                      | VI. Capital           | 0                             | 0                                 | 0               | 0                  | 0                    |
|                      | VII. Public Debt      | 1847.99                       | 0                                 | 1847.99         | 5170.55            | +3322.56             |
| <b>Total Charged</b> |                       | <b>6065.53</b>                | <b>139.01</b>                     | <b>6204.54</b>  | <b>9381.26</b>     | <b>+3176.72</b>      |
| <b>Grand Total</b>   |                       | <b>25968.00</b>               | <b>2761.25</b>                    | <b>28729.25</b> | <b>27338.74</b>    | <b>-1390.51</b>      |

*Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 478.61 crore and capital expenditure Rs 115.47 crore.*

The overall savings of Rs 1,390.51 crore as mentioned above were the net result of savings of Rs 5,143.94 crore in 71 cases and appropriations offset by excess of Rs 3,753.43 crore in six cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; these had not been received (August 2007).

## **2.3 Savings and Excesses**

### **2.3.1. Appropriation by Allocative Priorities**

Out of the savings of Rs 5,143.94 crore, as much as 91.33 per cent (Rs 4,697.92crore) occurred in 12 grants as mentioned below:

*(Rupees in crore)*

| <b>Grant No.</b>   | <b>Original</b> | <b>Supplementary</b> | <b>Total Grant</b> | <b>Actual Expenditure</b> | <b>Saving</b>  |
|--|-----------------|----------------------|--------------------|---------------------------|----------------|
| 01-Agriculture and Forests-Revenue (Voted)   | 382.58          | 0                    | 382.58             | 276.05                    | 106.53         |
| 05-Education-Revenue (Voted)   | 2712.70         | 0                    | 2712.70            | 2292.83                   | 419.87         |
| 05-Education-Capital (Voted)   | 103.63          | 0                    | 103.63             | 15.06                     | 88.57          |
| 08-Finance-Revenue (Voted)   | 5705.69         | 93.18                | 5798.87            | 4043.91                   | 1754.96        |
| 08-Finance-Revenue (Charged)   | 4177.49         | 111.00               | 4288.49            | 4151.80                   | 136.69         |
| 11-Health and Family Welfare-Revenue (Voted)   | 925.87          | 0                    | 925.87             | 709.52                    | 216.35         |
| 12-Home Affairs and Justice-Capital (Voted)  | 138.36          | 9.91                 | 148.27             | 57.69                     | 90.58          |
| 15-Irrigation and Power-Revenue (Voted)  | 2293.11         | 330.23               | 2623.34            | 1977.56                   | 645.78         |
| 17-Local Government, Housing and Urban Development-Capital (Voted)                                 | 294.59          | 194.10               | 488.69             | 210.29                    | 278.40         |
| 19-Planning-Revenue (Voted)  | 509.63          | 94.54                | 604.17             | 539.05                    | 65.12          |
| 21-Public Works-Capital (Voted)  | 794.74          | 0                    | 794.74             | 636.60                    | 158.14         |
| 22-Revenue and Rehabilitation-Revenue (Voted)  | 996.71          | 0                    | 996.71             | 661.83                    | 334.88         |
| 23-Rural Development and Panchayats-Revenue (Voted)  | 181.66          | 332.11               | 513.77             | 286.06                    | 227.71         |
| 23-Rural Development and Panchayats-Capital (Voted)  | 183.11          | 71.62                | 254.73             | 131.99                    | 122.74         |
| 25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes-Revenue (Voted) | 217.80          | 0.04                 | 217.84             | 166.24                    | 51.60          |
| <b>Total</b>   | <b>19617.67</b> | <b>1236.73</b>       | <b>20854.4</b>     | <b>16156.48</b>           | <b>4697.92</b> |

Departments did not intimate reasons for savings. Areas in which major savings occurred in these 12 grants are given in **Appendix-2.12**.

### **2.3.2. Persistent savings**

In 9 cases, involving six grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 per cent or more of provision. Details are given in **Appendix-2.13**. Under five centrally sponsored schemes, there were savings of 100 per cent during the last three years.

### **2.3.3. Original budget and supplementary provisions**

Supplementary provisions (Rs 2,761.25 crore) made during this year constituted 10.63 per cent of the original provision (Rs 25,968.00 crore) as against 5.26 per cent in the previous year.

### **2.3.4. Unnecessary/excessive/inadequate supplementary provisions**

Supplementary provisions of Rs 863.18 crore made in 20 cases during the year proved unnecessary in view of aggregate saving of Rs 3,130.85 crore. Details are given in *Appendix-2.14*.

In 13 cases, against additional requirement of only Rs 1,436.18 crore, supplementary grants and appropriations of Rs 1,891.52 crore were obtained, resulting in savings in each case exceeding Rupees 50 lakh, aggregating Rs 455.34 crore. Details are given in *Appendix-2.15*.

As mentioned below, supplementary provision of Rs 2.40 crore proved insufficient leaving an uncovered excess expenditure of Rs 0.85 crore.

| Sr No.                   | No. and name of Grant/Appropriation            | Original Grant | Supplementary grant | Total        | Expenditure  | Excess      |
|--------------------------|--|----------------|---------------------|--------------|--------------|-------------|
| <b>(Rupees in crore)</b> |  |                |                     |              |              |             |
| <b>Revenue (Charged)</b> |  |                |                     |              |              |             |
| 1.                       | 30-Vigilance                                   | 0.01           | 0.10                | 0.11         | 0.13         | 0.02        |
| <b>Capital (Voted)</b>   |  |                |                     |              |              |             |
| 2.                       | 08-Finance                                     | 14.23          | 2.21                | 16.44        | 17.05        | 0.61        |
| 3.                       | 27-Technical Education and Industrial Training | 0              | 0.09                | 0.09         | 0.31         | 0.22        |
|                          | <b>TOTAL</b>                                   | <b>14.24</b>   | <b>2.40</b>         | <b>16.64</b> | <b>17.49</b> | <b>0.85</b> |

### **2.3.5. Anticipated savings not surrendered**

According to rules, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2006-07, there were 29 cases in which savings were above Rupees one crore in each case amounting to Rs 3,651.60 crore had not been surrendered. In 13 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating to Rs 858.81 crore (58.94 per cent of total savings) were generated and these were not surrendered. Details are given in *Appendices-2.16 and 2.17* respectively.

### **2.3.6. Excess expenditure over provision of previous years, requiring regularisation**

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 1,331.71 crore for the years 2001-06 had not been got regularised so far (August 2007). This was a breach of Legislative control over appropriations.

*(Rupees in crore)*

| Year         | No. of grants/<br>appropriation | Grants/Appropriation<br>No(s) | Amount of excess | Reasons for<br>excess |
|--------------|---------------------------------|-------------------------------|------------------|-----------------------|
| 2001-2002    | 4                               | 1,15,21 & 26,                 | 386.23           | Not received          |
| 2002-2003    | 4                               | 15, 18, 21 & 26               | 289.85           | Not received          |
| 2003-2004    | 5                               | 11, 12, 18, 21 & 30           | 194.46           | Not received          |
| 2004-2005    | 4                               | 8, 12, 21, 26                 | 395.52           | Not received          |
| 2005-2006    | 2                               | 17, 19                        | 65.65            | Not received          |
| <b>TOTAL</b> |                                 |                               | <b>1331.71</b>   |                       |

### **2.3.7 Excess expenditure over provisions of 2006-07 requiring regularization**

The excess of Rs 3.753.43 crore involving five grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given as follows:

*(Rupees in crore)*

| Sr.No.                   | No. and name of<br>Grant/appropriation            | Total Grant/<br>appropriation | Actual<br>expenditure | Excess         |
|--------------------------|---|-------------------------------|-----------------------|----------------|
| <b>Revenue (Voted)</b>   |   |                               |                       |                |
| 1.                       | 21-Public Works                                   | 718.64                        | 1148.40               | 429.76         |
| <b>Revenue (Charged)</b> |   |                               |                       |                |
| 2.                       | 05-Education                                      | 16.25                         | 16.50                 | 0.25           |
| 3.                       | 30-Vigilance                                      | 0.11                          | 0.13                  | 0.02           |
| <b>Capital (Voted)</b>   |   |                               |                       |                |
| 4.                       | 08-Finance  | 16.43                         | 17.05                 | 0.62           |
| 5.                       | 27-Technical Education and<br>Industrial Training | 0.09                          | 0.31                  | 0.22           |
| <b>Capital (Charged)</b> |   |                               |                       |                |
| 6.                       | 08-Finance  | 1847.99                       | 5170.55               | 3322.56        |
|                          | <b>TOTAL</b>                                      | <b>2599.51</b>                | <b>6352.94</b>        | <b>3753.43</b> |

Reasons for the excesses had not been furnished by the Government as of August 2007.

### **2.3.8. Persistent excesses**

Significant excesses were persistent in eight cases involving two grants as detailed in **Appendix-2.18**. Persistent excesses require investigation by the government.

### **2.3.9. Excessive/unnecessary re-appropriation of funds**

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. Cases where the re-appropriation of funds proved injudicious in view of final excess of Rs 49.88 crore in two grant and savings of Rs 494.18 crore in 14 grants by Rupees one crore and above are detailed in **Appendices- 2.19 and 2.20** respectively.

**2.4 Unreconciled expenditure**

As per instructions of the State Government, departmental figures of expenditure should be reconciled periodically with those of the Accountant General (A&E) such reconciliation would enable them to exercise control over expenditure.

Position as on July 2007 regarding non-reconciliation of expenditure by Controlling Officers with Accountant General (A&E) revealed that nine Controlling Officers out of 205 had not reconciled an expenditure of Rs 2,637.23 crore incurred by them up to 31 March, 2007 as detail below:

*(Rupees in crore)*

| Sr.No | Head of Account                                  | Expenditure booked under the head | No. of Controlling Officers along with expenditure where reconciliation was not done | No. of Controlling Officers along with expenditure who have done partial reconciliation | Month up to which completed | Expenditure remaining un-reconciled. |
|-------|--|-----------------------------------|--|---|-----------------------------|--------------------------------------|
| 1     | 2801-Power                                       | 1427.98                           | 1  |   |                             | 1427.98                              |
| 2     | 2852-Justice                                     | 105.00                            | 1  |   |                             | 105.00                               |
| 3     | 4801-C.O. on power project                       | 20.00                             | 1  |   |                             | 20.00                                |
| 4     | 2202-General Education<br>DPI (C)<br>DPI- (P)(S) | 19.25<br>2022.69                  | 1  |   |                             | 19.25<br>952.11                      |
| 5     | 2515-Other Rural Development Programme           | 61.91                             |  | (1) 54.48   | 12/2006                     | 7.43                                 |
| 6     | 4515-C.O. other Rural Development Programme      | 25.89                             |  | (1) 23.96   | 12/2006                     | 1.92                                 |
| 7     | 3451-Secretariat Economic Services               | 504.73                            |  | (2)401.19   | 12/2006                     | 103.54                               |
|       |  |                                   |  |   | <b>Total</b>                | <b>2637.23</b>                       |

Non-reconciliation of figures of expenditure is contrary to the instructions issued by the government which could lead to cases of frauds and embezzlements etc. remaining undetected.

The matter was taken up with the government by the Accountant General (A&E) in June, 2007. The reply is still awaited (August 2007).

## **2.5 Defective Re-appropriation**

During 2006-07, 40 re-appropriation orders of Rs 2,338.17 crore were issued. Of these, nine orders aggregating Rs 967.77 crore were issued on 31st March 2006, the last day of the fiscal year. Thirteen re-appropriation orders of the value of Rs 781.46 crore (33.42 *per cent*) were not considered in accounts as per details given in *Appendix- 2.21*.

## **2.6 Rush of Expenditure**

The financial rules require that government funds should be evenly spent throughout the year. The rush of expenditure, towards the end of the financial year, is regarded as a breach of financial rules. Scrutiny revealed that Rs 2,463.13 crore i.e. 11.66 *per cent* of the total expenditure Rs 21,129.96 crore (Rs 21,129.96 crore excludes recoveries Rs 594 crore, public debt Rs 5,171 crore and loans and advances Rs 444 crore) was incurred in March 2007. Expenditure on the last day of the year was Rs 493.45 crore. It was also noticed that in 10 cases, expenditure incurred during the 4<sup>th</sup> quarter of the year ranged between 50 and 100 *per cent* of total expenditure under those head of accounts. Expenditure incurred during March 2007 was 28.97 *per cent* of the total expenditure in these cases. Details are given in *Appendix-2.22*.

## **2.7 Expenditure on New Service/New Instrument of Service**

Para 14.1 of Punjab Budget Manual read with note on “Streamlining of procedure for submission of budget returns” below para 14.9 of the Manual *ibid* lays down that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by the Appropriation Act for a financial year, except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the contingency fund of the state.

Test check of records revealed that the State Government incurred an expenditure of Rs 164.49 crore on 6 new schemes as detailed in the *Appendix- 2.23* without budget provision in contravention of the provisions of the Punjab Budget Manual.

## **2.8 Budgetary Control**

**2.8.1** A review of budgetary procedure and control over expenditure in case of five grants (13-Industries, 17-Local Government Housing and Urban Development, 19-Planning, 23-Rural Development and Panchayats, 25-Social and Women’s Welfare and Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes) covering nine offices and 14 departments revealed that budget estimates for the year 2006-07 due on 1st November 2005 were sent by these administrative departments to the Finance Department late and in some cases even after the budget had been formulated by the State Government.

Departments were to maintain liability register to keep watch over the undischarged liabilities. It was noticed that no such register was maintained by the Drawing and Disbursing Officers operating these grants. As a result, the budget estimates were prepared by the Controlling Officers without considering the liabilities of the department.

**2.8.2** In 28 cases (Industry, Local Government, Housing and Urban Development, Planning, Rural Development and Panchayats, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Social Security and Welfare), there were persistent savings exceeding Rs 20 lakhs or 20 *per cent* or more of the provision in each case during the last three years as per detail given in **Appendix-2.24**. In 10 of the above cases, entire provisions in last three years remained unutilised.

**2.8.3** A detailed scrutiny of two departments i.e. Planning Department (Grant no. 19) and Rural Development and Panchayats (Grant no. 23) revealed that in 20 cases, there were saving of Rs 277.29 crore due to non-receipt of sanction/schemes clearance from the Government or cut imposed/non-release of funds by the Finance Department/Government of India as per detail in **Appendix-2.25**.

In eight cases there were saving of Rs 112.64 crore due to bills not passed by the Treasury Office as per detail given in **Appendix-2.26**.

