

CHAPTER - II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS – 2001-2002 AT A GLANCE

Total No. of grants: 30

Total provision and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Budget	23630.90	-	25590.59
Supplementary	4764.15		-
Total Gross Provision	28395.05	Total Gross Expenditure	25590.59
Deduct -Estimated recoveries in reduction of expenditure	1406.08	Deduct-Actual recoveries in reduction of expenditure	2597.67
Total provision	26988.97	Total net expenditure	22992.92

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	11632.36	3325.23	10096.73	3211.13
Capital	4505.15	8932.31	4049.72	8233.01
Total Gross	16137.51	12257.54	14146.45	11444.14
Deduct recoveries in reduction of expenditure	1406.08	-	2597.67	-
Total: Net	14731.43	12257.54	11548.78	11444.14

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 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 summarised position of actual expenditure during 2001-2002 against grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving
Voted	I. Revenue	11250.39	381.97	11632.36	10096.73	1535.63
	II. Capital	2858.15	1447.13	4305.28	3870.32	434.96
	III. Loans & Advances	184.55	15.32	199.87	179.40	20.47
Total Voted		14293.09	1844.42	16137.51	14146.45	1991.06
Charged	IV. Revenue	2848.99	476.24	3325.23	3211.13	114.10
	V. Capital	0.04	-	0.04	0.01	0.03
	VI. Public Debt	6488.78	2443.49	8932.27	8233.00	699.27
	Total Charged		9337.81	2919.73	12257.54	11444.14
Grand Total		23630.90	4764.15	28395.05	25590.59	2804.46

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs.598.05 and capital expenditure Rs.1999.62 crore.

2.3 Results of Appropriation Audit

2.3.1 Savings/ excess in grants/ appropriations

The overall savings of Rs.2,804.46 crore as mentioned in paragraph 2.2 above was the net result of savings of Rs.3,190.69 crore in 68 cases of grants and appropriations offset by excess of Rs.386.23 crore in 5 cases of grants and appropriations.

2.3.2 Excess requiring regulations

(a) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.1,463.40 crore for the years 1996-97 to 2000-01 had not been regularised so far (August 2002). This was breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
1996-97	6	9,12,15,21,25,26	254.67	Not received
1997-98	4	1,5,12,21	312.98	Not received
1998-99	6	5,7,8,21,26,28	242.80	Not received
1999-2000	2	21,26	86.10	Not received
2000-2001	7	7,8,14,15,21,26,27	566.85	Not received
Total	25		1463.40	

(b) Excess over provisions during 2001-02 requiring regularisations

The excess of Rs.386.23 crore under 4 grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given below.

Sr.No.	No. and name of Grant/appropriation	Total Grant/appropriation	Actual expenditure	Excess
<i>Amount in Rupees</i>				
Revenue (Voted)				
1.	15-Irrigation & Power	8,03,71,36,000	8,11,85,49,245	8,14,13,245
2.	21-Public Works	5,73,43,79,000	9,43,62,12,466	3,70,18,33,466
Revenue (Charged)				
3.	01-Agriculture and Forests	1,02,000	1,31,67,500	1,30,65,500
4.	26-State Legislature	16,76,000	17,00,069	24,069
Capital (Voted)				
5..	15-Irrigation & Power	9,00,52,66,000	9,07,12,77,617	6,60,11,617
	TOTAL	22,77,85,59,000	26,64,09,06,897	3,86,23,47,897

Reasons for excess had not been furnished by the Government as of July 2002.

2.3.3 Original budget and supplementary provisions

Supplementary provisions (Rs.4,764.15 crore) made during this year constituted 20.16 per cent of the original provision (Rs. 23,630.90 crore) as against 3.54 per cent in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs. 132.86 crore made in 12 cases during the year proved unnecessary in view of aggregate saving of Rs.802.72 crore as detailed in **Appendix-III**.

In 11 cases, against additional requirement of only Rs.2,942.70 crore, supplementary grants and appropriations of Rs. 4,345.48 crore were obtained, resulting in savings in each case exceeding Rs. 10 lakh, aggregating Rs.1,402.78 crore. Details of these cases are given in **Appendix-IV**.

In 4 cases, supplementary provisions of Rs. 308.69 crore proved insufficient by more than Rupees one crore in each case leaving an aggregate uncovered excess expenditure of Rs. 386.23 crore as per details given in **Appendix-V**.

2.3.5 Persistent savings

In 12 cases involving 6 grants/appropriations, there were persistent savings of more than Rupees one crore in each case and 20 per cent or more of provision. Details are given in **Appendix-VI**. Under 7 Centrally sponsored schemes, there were savings of 100 per cent.

2.3.6 Persistent Excesses

Significant excesses were persistent in 5 cases involving one grant as detailed in **Appendix-VII**. Persistent excess requires investigation by the Government.

2.3.7 Significant savings

In 29 cases, expenditure fell short by more than Rupees one crore in each case and also by more than 20 per cent of the total provision as indicated in

Appendix-VIII. In five of these cases (Sr. No. 18, 19, 21, 27 and 28) the entire provision totaling Rs. 23.97 crore was not utilized.

2.3.8 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/ savings over grant by over Rupees one crore are detailed in **Appendix IX and X** respectively.

2.3.9 Anticipated savings not surrendered

(a) According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2001-2002, there were 25 cases in which savings above Rupees one crore in each case amounting to Rs. 1,537.98 crore had not been surrendered. In 17 cases even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs. 1,010.86 crore remained un-surrendered. Details are given in **Appendix XI and XII** respectively.

(b) Besides, in 18 cases, Rs. 540.92 crore were surrendered on the last two days of March 2002 indicating inadequate financial control over expenditure. Details are given in **Appendix-XIII**.

(c) Despite excess expenditure of Rs. 6.60 crore and Rs.370.18 crore in grants (15–Irrigation and Power and 21–Public Works), Rs.12.54 crore and Rs.36.56 crore respectively were surrendered.

2.4 Trend of Recoveries and Credits

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. In 4 grants/appropriations, the actual recoveries adjusted in reduction of expenditure (Rs. 31.68 crore) fell short of the estimated recoveries (Rs.135.52 crore) by Rs.103.84 crore. Further in 4 grants/appropriations though no recoveries were provided in budget estimates, recoveries of Rs.5.73 crore were made. Details are given in **Appendix-XIV**.

2.5 Explanations for saving/excess not received

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers requiring them to explain significant variations. During the year, Rs.386.23 crore of excess and Rs.3,190.69 crore of savings were noticed under 30 grants. The explanations for variations were not received from any of the Controlling Officers (August 2002).

2.6 Un-reconciled Expenditure

Departmental figures of expenditure should be reconciled with those of the Principal Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The number of Controlling Officers who did not reconcile their figures and the amounts involved were as under.

<i>(Rupees in crore)</i>		
Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
1992-93	8	693.37
1993-94	31	585.03
1994-95	8	84.52
1995-96	2	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	4	27.82
2000-2001	2	1147.74
2001-2002	8	1387.56
Total	98	6233.77

2.7 Defective Re-appropriation

During 2001-2002, 45 re-appropriation orders of Rs.1,211.26 crore were issued. Of which, 4 orders aggregating Rs.106.29 crore were issued on 31st March 2002 the last day of the fiscal year. 9 re-appropriation orders of the value of Rs.212.48 crore were incorrect as indicated in *Appendix-XV* and hence were excluded from the Draft Appropriation Accounts 2001-2002.

2.8 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for the 4 quarters and also for the month of March 2002 is depicted in *Appendix-XVI* which shows that the expenditure incurred in March 2002 in 5 cases ranged between 35 and 74 *per cent* of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.9 Expenditure and Budgetary Control

2.9.1 A review of budgetary procedure and control over expenditure in case of five* grants covering 45 offices of 41 departments revealed that budget estimates due in the month of October were not sent to the Finance Department in respect of four Head of accounts and in other cases these were sent with delays ranging from 6 to 127 days. The liability register to keep a

* 1-Agriculture and Forests, 5-Education, 8-Finance, 11-Health and Family Welfare and 12-Home Affairs and Justice.

watch over un-discharged liabilities was not maintained by the Drawing and Disbursing Officers operating Grant No. 1, 5, 11 and 12.

2.9.2 Further detailed scrutiny of two departments i.e. Public Instructions (Primary) (Grant No.5 Education) and Health Services (Grant No. 11 Health and Family Welfare) revealed the following irregularities:

(i) Provision for vacant posts

Budget Manual prescribes that while framing estimates for sanctioned establishments whether permanent or temporary, no provision should be made for vacant posts. Funds should be obtained either by supplementary grants or by re-appropriation whenever the vacant posts are filled up. In one case (2202 General Education), provision of Rs. 201.97 crore for 10601 vacant posts (out of 48193 sanctioned posts) was made in contravention of the rules which resulted in savings in the grant.

(ii) Provision of funds for schemes awaiting sanction

In 10 cases, provision of funds aggregating Rs. 15.62 crore for the schemes awaiting sanction was made without prior approval of competent authority. Details are given in **Appendix-XVII**.

(iii) Non-release of funds by the Government

In 9 cases, there was saving of Rs. 25.20 crore due to non-release of funds by the Government. Details are given in **Appendix-XVIII**. This was also in breach of Legislative control.

(iv) Unnecessary Supplementary grant

In 3 cases, detailed in **Appendix-XIX**, supplementary grants sanctioned proved unnecessary in view of hundred *per cent* saving under each head. The reasons for non-utilization of grants were stated to be due to delayed receipt of sanction, non-release of funds by the Government of India and non-passing of bills by the Treasury.

(v) Unrealistic Budgeting

Head of Department is required to prepare budget estimates on the basis of actual expenditure in the two preceding years, in the last six months of previous year and in the first six months of current year. It was noticed in Audit that budget estimates were not prepared as per prescribed procedure.

2.9.3 Substantial savings in grant/ appropriation

In 81 cases, savings exceeding Rupees one crore in each case and also by more than 10 *per cent* of total provision amounted to Rs.784.57 crore as detailed in **Appendix-XX**. In 23* of the above cases, the entire provision totaling Rs.83.61 crore was not utilized.

* 5,7,8,9,10,11,12,13,14,15,16,19,22,23,24,25,26,35,38,39,70,71,72

2.9.4 Persistent savings in grant/ appropriation

In 60 cases, there was persistent saving exceeding Rs.10 lakh in each case and 20 *per cent* or more of the provision during the last three years. Details are given in **Appendix XXI**. In 23** of the above cases entire provision totaling Rs. 63.43 crore remained unutilized.

2.9.5 Unusual excess over budget provision

In 10 cases, expenditure aggregating to Rs. 33.83 crore exceeded the approved provision by Rs.25 lakh or more in each case and also by 10 *per cent* of the total provision. Details of these cases are given in **Appendix XXII**.

2.9.6 Persistent excess over budget provision

Significant excess relating to Soil and Water Conservation, Finance and Police Departments persisted during the last 3 years as detailed in **Appendix XXIII**. Persistent excesses require regularization and investigation.

2.9.7 Expenditure without budget provision

As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was however, noticed that expenditure of Rs. 17.93 crore (voted) and Rs.2.70 crore (charged) was incurred in 18 and 4 cases respectively as detailed in **Appendix-XXIV** without any provision in the original estimates/supplementary demand and without any re-appropriation order to this effect.

** 1 to 4, 6 to 7, 10 to 11, 15 to 16, 18 to 19, 23 to 24, 26, 33, 38, 40 to 43, 55 and 60.