

## CHAPTER II APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

### 2.1 Introduction

In accordance with the provision of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants, in terms of Articles 204 and 205 of the Constitution of India, and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year, indicating the details of amounts on various specified services actually spent 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 ensure 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 original and supplementary grants/appropriations and expenditure thereagainst is given below:

**Total number of Grants : 76 (73 Grants and 3 Appropriations)  
Total Provision and Actual Expenditure**

Table 2.1 (Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	2471.44	Revenue	1512.90
Supplementary	310.55	Capital <sup>1</sup>	1629.34
<b>Total gross provision</b>	<b>2781.99</b>	<b>Total gross expenditure</b>	<b>3142.24</b>
Deduct estimated recoveries in reduction of expenditure	9.53	Deduct actual recoveries in reduction of expenditure	6.63
<b>Total net provision</b>	<b>2772.46</b>	<b>Total net expenditure</b>	<b>3135.61</b>

<sup>1</sup> Capital includes Loans and Advances and Public Debt.

## Voted and Charged Provision and Expenditure

Table 2.2 (Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1330.57	260.43	1294.03	218.87
Capital <sup>1</sup>	550.73	640.26	343.02	1286.32
<b>Total Gross</b>	<b>1881.30</b>	<b>900.69</b>	<b>1637.05</b>	<b>1505.19</b>
Deduct recoveries in reduction of expenditure	9.53	---	6.63	---
<b>Total : Net</b>	<b>1871.77</b>	<b>900.69</b>	<b>1630.42</b>	<b>1505.19</b>

The summarised position of actual expenditure, excess and savings during 2002-03 against grants/appropriation was as follows:

Table 2.3 (Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure <sup>2</sup>	Saving (-) Excess (+)
Voted	I Revenue	1264.38	66.19	1330.57	1294.03	(-) 36.54
	II Capital	341.41	189.79	531.20	340.69	(-) 190.51
	III Loans and Advances	19.53	---	19.53	2.33	(-) 17.20
<b>Total Voted</b>		<b>1625.32</b>	<b>255.98</b>	<b>1881.30</b>	<b>1637.05</b>	<b>(-) 244.25</b>
Charged	IV Revenue	260.31	0.12	260.43	218.87	(-) 41.56
	V Capital	---	---	---	---	---
	VI Public Debt.	585.81	54.45	640.26	1286.32	(+) 646.06
<b>Total Charged</b>		<b>846.12</b>	<b>54.57</b>	<b>900.69</b>	<b>1505.19</b>	<b>(+) 604.50</b>
	Appropriation to Contingency Fund	---	---	---	---	
<b>Grand Total</b>		<b>2471.44</b>	<b>310.55</b>	<b>2781.99</b>	<b>3142.24</b>	<b>(+) 360.25</b>

Source: Appropriation Accounts

The overall excess of Rs.360.25 crore was the result of excess of Rs.723.75 crore in 19 grants and appropriations offset by saving of Rs.363.50 crore in 67 grants and appropriations.

## 2.3 Result of Appropriation Audit

### 2.3.1 Saving or excess over provisions

The excess of Rs.77.67 crore under Revenue Section and Rs.646.05 crore under Capital Section as detailed in *Appendix-II* require regularisation under Article 205 of the Constitution.

### 2.3.2 Excess over grants in previous years not regularised

According to 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, it was noticed that excess expenditure of Rs.1056.73 crore reported during 1991-92 to 2001-02 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the

<sup>2</sup> These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz. Revenue expenditure Rs.6.63 crore and Capital expenditure NIL.

Government (Finance Department) for regularisation of the excess as of January 2004. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:

**Table 2.4** (Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	Amount involved
1	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63,65,69,70,35,36,72	152.27
2	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
3	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47,48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
4	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40,46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
5	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48,55,60,64,65,67,71,74,76,36,53,62,68,75	241.09
6	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43,44,46,47,49,55,57,58,60,62,64,66,76	263.80
7	1999-00	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42,45,46,51,58,60,64,67,68,69,74,75,76	167.14
8	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
9	2001-02	16	18,38,40,43,49,52,58,62,64,72,75,14,32,34,68,70	27.98
		<b>Total:-</b>		<b>1056.73</b>

Source: Appropriation Accounts

Supplementary provision made during the year constituted 13 *per cent* of the original provision as against 24 *per cent* in the previous year.

### 2.3.3 Unnecessary/excessive/insufficient supplementary grants

(a) Supplementary provision of Rs.21.94 crore made in 18 cases of grants/appropriations during the year proved unnecessary in view of aggregate savings of Rs.55.34 crore as detailed in *Appendix—III*.

(b) In 38 cases of grants/appropriations, against additional requirement of Rs.37.46 crore, supplementary grants and appropriation of Rs.209.90 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh aggregating Rs.172.44 crore. Details of these cases are given in *Appendix-IV*.

(c) In 14 cases of grants/appropriations supplementary provisions of Rs.87.25 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.697.19 crore as per details given in *Appendix—V*.

### 2.3.4 Persistent savings

In two cases of grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in *Appendix—VI*.

### **2.3.5 Significant excess/savings**

(a) In nine grants/appropriations the expenditure exceeded the approved provision by more than Rs.50 lakh in each case, and also by more than 10 per cent of the total provision. Details are given in *Appendix—VII*.

(b) In 45 cases of grants/appropriations expenditure fell short by more than Rs.50 lakh in each case, and also by more than 10 per cent of the total provision as detailed in *Appendix—VIII*.

### **2.3.6 Expenditure without provision**

According to rules, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was noticed that expenditure of Rs.5.40 crore was incurred in 26 cases as detailed in *Appendix – IX* without provision having been made in the original estimates/supplementary demands or any re-appropriation orders issued. This was in violation of Constitutional provision.

### **2.3.7 Anticipated savings not surrendered**

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. In 18 cases of grants/appropriations, the amount of available savings of Rs.1 crore and above in each grant/appropriation not surrendered aggregated Rs.125.89 crore. Details are given in *Appendix—X*.

### **2.3.8 Surrender in excess of savings**

In 18 grants/appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.63.12 crore, the amount surrendered was Rs.68.68 crore resulting in excess surrender of Rs.5.56 crore. Details are given in *Appendix—XI*.

The above instances of budgetary irregularities have been reported from year to year in Chapter II of the Audit Reports. If precautions had been taken by all departments in the light of the observations made earlier in Chapter II of the Reports, these irregularities would not have persisted.

### **2.3.9 Trend of Recoveries and Credits**

Under the systems of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure, all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

During 2002-03, the actual recoveries (Rs.6.63 crore) were less than the estimated recoveries (Rs.9.53 crore) by Rs.2.90 crore. This was the net result of less recoveries of Rs.5.58 crore in seven grants, and excess recovery of

Rs.2.68 crore in two grants. Details are given in *Appendix* to the Appropriation Accounts.

### **2.3.10 Non-receipt of explanations for savings/excess**

After the closure of accounts each year, the detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the controlling officers (COs) who are required to explain the variation in general and those under important sub-heads in particular. The COs were to furnish promptly all such information to the Sr. Dy. Accountant General (A&E) for preparation of the Appropriation Accounts.

Appropriation Accounts 2002-03 included 73 Grants and three Appropriations involving 1242 sub-heads. Of these 899 sub-heads attracted comments from the Government for excess/savings. The reasons for savings/excesses were called for by the Sr. Dy. Accountant General (A&E) in respect of these sub-heads. In 96 *per cent* cases, (860 sub-heads) explanations for variations were not received. The replies received in respect of 39 Sub-heads were incomplete.

### **2.3.11 Non-reconciliation of departmental figures of expenditure**

Financial rules require that the departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud, defalcation, etc. Out of 76 controlling officers, eight involving Rs.252.40 crore pertaining to 2002-03 remained unreconciled.

The extent of non-reconciliation of expenditure by the controlling officers, increased from five *per cent* to eight *per cent* of the total expenditure in 2002-03 in comparison with 2001-02, as shown below:

**Table 2.5** *(Rupees in crore)*

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved
2000-01	76	2	5	88.56
2001-02	76	8	5	116.13
2002-03	76	8	8	252.40

Source: Appropriation Accounts

## **2.4 Unadjusted Abstract Contingent Bills**

According to rules, Detailed Countersigned Contingent (DCC) Bills in support of drawals made in Abstract Contingent (AC) Bills are to be submitted within one month of the drawal to the Controlling Officer for onward transmission to the Accountant General. A certificate shall be attached by the Drawing and Disbursing officer (DDO) to every AC bill to the effect that DCC bills have

been submitted to the Controlling Officer in respect of all one month old AC bills drawn earlier.

Information collected (November 2003) from the Sr. Deputy Accountant General (A&E) revealed that 11 DDO of six Departments had drawn Rs.11.39 crore on AC bills during 2002-03, out of which DCC bills for Rs.1.21 crore were submitted and DCC bills for the balance amount of Rs.10.18 crore were not submitted as of January 2004. Details are shown in *Appendix – XII*.

Thus, non-observance of rules by the DDOs resulted in non-adjustment of Rs.10.18 crore drawn in AC bills. Due to non-submission of DCC bills by the Department, it could not be ensured that the amounts had been utilised for the purpose for which these had been drawn. Thus, possibility of misappropriation of amounts could not be ruled out in the absence of any DCC bills.