Chapter 7

APPROPRIATION ACCOUNTS 2008-09: INTRODUCTION

Constitutional provisions

7.1 Soon after the Lok Sabha passes the demands for grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by the Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament can also sanction supplementary or additional grants by the subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by the Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112 (3) as well as Article 293 (2) of the Constitution. The Government prepares Appropriation Accounts every year indicating the details of the gross amounts on various services actually spent by the government vis-à-vis those authorised by the Appropriation Acts.

7.2 The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 98 grants and appropriations of Civil Ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four different Appropriation Accounts pertaining to different sectors of activities of the government, *viz.* Civil, Defence, Posts and Railways, along with his Report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various Ministries during 2008-09 are as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
Total:	**121**

7.3 This Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), including an analysis of expenditure in excess of allocation requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some Ministries, unrealistic budgeting and detailed observations in respect of the Ministries selected for in-depth examination. For facility of better appreciation of the sectoral features, all grants relating to civil Ministries/departments, Posts and Defence appropriation have been dealt with comprehensively. References to Railways appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in the related Audit Report for the year ended 2008-09.

A summary

7.4 Table 7.1 gives the total provision (both charged and voted) and disbursements during 2008-09. **Appendix-VII-A** presents the details of the summary of Appropriation Accounts of civil Ministries/departments, Postal, Railways and Defence Services.

Table 7.1: Provision and Disbursements during 2008-09

(Rupees in crore)

Departments	Total Provision	Disbursements	Savings
Civil	3220867	3149073	71794
Posts	10720	10001	719
Railways	160701	149383	11318
Defence Services	125414	118006	7408
Grand Total	**3517702**	**3426463**	**91239**

7.5 Under the civil Ministries/departments, the net saving of Rs. 71,794 crore was due to excess expenditure of Rs. 270 crore under four grants and saving of Rs. 72,064 crore in the grants pertaining to the civil Ministries/departments. Out of the overall excess expenditure of Rs. 270 crore, Rs. 163 crore was on account of payment of more pensions than anticipated under grant no. 39 – Pensions. Of the overall savings of Rs. 72,064 crore, saving of Rs. 23,607 crore was in grant no. 37-Repayment of Debt{Capital (Charged) Section}, Rs. 7,234 crore was in grant no. 35-Transfers to State and U.T. Governments{Revenue(Charged) Section} and Rs. 2,663 crore in {Revenue (Voted) Section}, Rs. 6,322 crore was in grant no. 34-Interest Payments {Revenue (Charged) Section}, Rs. 4,907 crore was in grant no. 57-Department of School Education and Literacy{Revenue (Voted) Section}, Rs. 3,072 crore was in grant no. 32-Payments to Financial Institutions {Capital (Voted) Section} and Rs. 2,226 crore was in grant no. 53-Police {Capital (Voted) Section}. Excluding these, the gross unspent provision was Rs. 22,033 crore.

7.6 There were savings in 208 sections and excess in four sections under the grants/appropriations relating to civil Ministries/departments, savings in four sections of Posts, savings in 20 sections and excess in nine sections of Railways and savings in 10 sections and excess in two sections of Defence Services. **Appendix-VII-B** presents an abstract of the details.

Charged and Voted disbursements

7.7 **Appendix-VII-C** contains the details of the disbursements actually made against the approved demands (grants and appropriations) of the civil Ministries/departments for the years 1997-2009. During these years, 70 to 81 *per cent* of the total disbursements for the civil Ministries/departments were charged on the Consolidated Fund of India.

7.8 During 2008-09, the total disbursements of Rs. 31,49,073 crore under civil Ministries/departments were higher by Rs. 8,10,980 crore to the total disbursements of Rs. 23,38,093 crore during 2007-08. It had increased by 439 *per cent* from Rs. 5,84,471 crore in 1997-98. The charged disbursements increased by 432 *per cent* from Rs. 4,52,232 crore in 1997-98 to Rs. 24,04,957 crore in 2008-09 and voted disbursements increased by 463 *per cent* from Rs. 1,32,239 crore to Rs. 7,44,116 crore over the same period. The charged disbursements of the civil Ministries/departments during 2008-09 were mainly on account of Interest Payments (Rs.2,01,143 crore), which was 12 *per cent* higher than Rs. 1,79,987 crore for 2007-08, Repayment of Debt (Rs.21,64,561 crore) and Transfers to State and Union Territory Governments (Rs.34,188 crore) on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State Plan Schemes etc. and constituted 76 *per cent* of the total disbursements.

7.9 Since charged disbursements are not subject to vote by the Parliament, effectively the scope of financial control by Parliament is limited to about 24 *per cent* of the total disbursements in the civil Ministries. However, viewed against the background of the total disbursements from the CFI (gross Rs. 34,26,463 crore), the percentage of charged disbursements was 70 *per cent* (Rs. 24,05,151 crore) (including Posts, Defence Services and Railways).

Rush of expenditure during March and the last quarter of the financial year

7.10 In terms of Rule 56(3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided. The Ministry of Finance issued instructions to Ministries/departments in September 2007 to restrict expenditure during the month of March and the last quarter of the financial year to 15 per cent and 33 per cent, respectively, of the budgeted estimates. The details given in **Appendix-VII-D** indicate that major parts of disbursements by some Ministries/Departments were made in the month of March 2009/during last quarter of the financial year. Some of the Ministries/Departments which incurred large expenditure in the month of March 2009 are Ministry of Petroleum and Natural Gas (Rs. 10,857.03 crore), Ministry of Steel (Rs. 682.45 crore), Ministry of External Affairs (Rs. 2,078.98 crore), Department of Consumer Affairs (Rs. 244.29 crore), Department of Heavy Industry (Rs. 1,911.70 crore), Ministry of Textiles (Rs. 1,687.95 crore) etc,. Since the funds released in March to various organisations cannot be constructively spent during the year, which closes on the last day of the same month, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.