

CHAPTER – II

*Appropriation Audit and Control Over
Expenditure*

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APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2001-02 AT A GLANCE

Total number of grants/appropriations : 56

Total provision and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	36037.55	Gross expenditure	43161.10
Supplementary	10300.89		
Total gross provision	46338.44	Total gross expenditure	43161.10
Deduct - Estimated recoveries in reduction of expenditure	213.93	Deduct - Actual recoveries in reduction of expenditure	413.65
Total net provision	46124.51	Total net expenditure	42747.45

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	21886.99	5210.55	20316.35	4717.39
Capital	4014.58	36.84	3181.55	15.63
Total Gross	25901.57	5247.39	23497.90	4733.02
Deduct - Recoveries in reduction of expenditure	213.93	-	413.65	-
Total Net	25687.64	5247.39	23084.25	4733.02

2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are approved 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 certain 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 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 2001-02 against 56 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I. Revenue	21198.92	688.07	21886.99	20316.35	(-)1570.64
	II. Capital	3893.12	121.46	4014.58	3181.55	(-)833.03
	III. Loans and advances	1474.87	374.33	1849.20	1697.54	(-)151.66
Total Voted		26566.91	1183.86	27750.77	25195.44	(-)2555.33
Charged	IV. Revenue	5201.10	9.45	5210.55	4717.40	(-)493.15
	V. Capital	29.26	7.58	36.84	15.63	(-)21.21
	VI. Loans	--	--	--	--	--
	VII. Public Debt	4240.28	9100.00	13340.28	13232.63	(-)107.65
Total Charged		9470.64	9117.03	18587.67	17965.66	(-)622.01
Appropriation to Contingency Fund (if any)	--	--	--	--	--	--
Grand Total		36037.55	10300.89	46338.44	43161.10	(-)3177.34

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure (Rs 307.42 crore) and Capital expenditure (Rs 106.23 crore).

(a) The total expenditure stands inflated at least to the extent of following:

- (i) At the end of March 2002, Detailed Contingent bills were not received, as required under the rules from the Drawing and Disbursing Officers in support of Rs 88.95 crore drawn on Abstract Contingent bills during 2001-02. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouchsafed.
- (ii) Rupees 68.25 crore under MH 8443 – Civil Deposits – 106 Personal Deposits (Deposits: Rs 268.82 crore, Disbursements: Rs 200.57 crore).

(b) The total expenditure was understated to the extent of Rs 3.50 crore drawn from the Contingency Fund which remained unrecouped at the close of the year.

2.2.1 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 1976.35 crore for the years 1997-98 to 2000-01 was yet to be regularised. Details are given in *Appendix V*.

2.3 Results of appropriation audit

2.3.1 The overall saving of Rs 3177.34 crore was the result of saving of Rs 3605.03 crore in 109 items of grants and appropriations (due largely to postponement of works, failure to issue administrative sanctions, etc.) partly offset by excess of Rs 427.69 crore in 22 items of grants and appropriations.

2.3.2 Supplementary provision made during the year constituted 29 per cent of the original provision as against 23 per cent in the previous year. Total supplementary grants (other than under Public Debt) of Rs 1200.89 crore were obtained during the year while ultimate total savings (other than under Public Debt) amounted to Rs 3069.69 crore.

2.3.3 Supplementary provision of Rs 221.69 crore made in 27 cases during the year proved unnecessary in view of aggregate saving of Rs 1209.00 crore as detailed in *Appendix VI*.

2.3.4 In 13 cases, against additional requirement of only Rs 9186.51 crore, supplementary grants/appropriations of Rs 9337.16 crore were obtained resulting in savings in each case exceeding Rs 10 lakh aggregating to Rs 150.65 crore (*Appendix VII*).

2.3.5 The excess of Rs 426.07 crore under 18 grants and Rs 1.62 crore under 3 appropriations requires regularisation under Article 205 of the Constitution (*Appendix VIII*).

2.3.6 In 12 cases, supplementary provision of Rs 680.30 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 372.88 crore (*Appendix IX*).

2.3.7 In 52 cases, expenditure fell short by more than Rs 1 crore in each case and also by more than 10 per cent of the total provision as indicated in *Appendix X*.

2.3.8 In 8 cases, expenditure exceeded the approved provision by Rs 25 lakh or more and also by more than 10 per cent of the total provision in each case (*Appendix XI*).

2.3.9 Excessive/unnecessary reappropriation of funds

Reappropriation 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 87 cases, injudicious reappropriation of funds proved excessive or resulted in savings by over Rs 50 lakh in each case (*Appendix XII*).

2.3.10(a) New service/new instrument of service

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature or by an advance from Contingency Fund. The Government have issued orders based on recommendations of Public Accounts Committee laying down various criteria for determining items of 'New Service/New Instrument of Service'.

In 8 cases, however, which should have been treated as 'New Service/New Instrument of Service', expenditure aggregating to Rs 142.02 crore was incurred without Budget provision or as an advance from Contingency Fund (*Appendix XIII*).

2.3.10(b) Expenditure without provision

As per Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was however, noticed that expenditure of Rs 524.74 crore was incurred in 61 cases, (*Appendix XIV*) without any provision in the original estimate/supplementary demand or reappropriation order.

2.3.11 Anticipated savings not surrendered

(a) According to Budget Manuals, 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 2001-02, savings of Rs 811.03 crore under 55 grants/appropriations were not surrendered. In 37 cases, savings of Rs 1 crore and above in each case aggregating to Rs 804.10 crore were not surrendered (*Appendix XV*).

(b) Besides, in 51 cases, Rs 2768.62 crore (77 per cent of total savings) were surrendered on the last day of March 2002 indicating inadequate financial control over expenditure (*Appendix XVI*).

2.3.12 Surrender in excess of actual savings

In 20 cases, the amount surrendered was in excess of actual savings and in 10 cases surrenders were made even though expenditure was in excess of grant, indicating inadequate budgetary control. As against the savings of Rs 524.64 crore, the amount surrendered was Rs 977.71 crore, resulting in excess surrender of Rs 453.07 crore (*Appendix XVII*).

The above instances of budgetary irregularities are being reported every year. If the provisions of Andhra Pradesh Budget Manual are followed, these instances could be minimised to a great extent.

2.3.13 Advances from Contingency Fund

During 2001-02, Rs 13.01 crore were drawn from Contingency Fund of which Rs 3.50 crore remained unrecouped at the end of the year. Though provision of Rs 4.27 crore was made for recoupment to the Fund in 81 sanctions, no expenditure was incurred during the year.

2.3.14 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 7 grants/appropriations, actual recoveries adjusted as reduction of expenditure (Rs 93.99 crore) were less than the estimated recoveries (Rs 156.47 crore) by Rs 62.48 crore. The Government was able to collect in 15 cases of grants/appropriations, more recoveries (Rs 319.66 crore) than estimated (Rs 57.46 crore). More details are given in *Appendix II* of Appropriation Accounts.

2.3.15 Non-receipt of explanations for savings/excesses

For the year 2001-02, explanations for savings/excesses were either not received or were received incomplete in respect of 645 heads of accounts which form 81 per cent of the number of heads (793).

2.3.16 Rush of expenditure

The financial rules require that government expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the closing month of financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to these provisions, while the expenditure during the three quarters ending December 2001 was between 15.31 to 24.47 per cent of the total expenditure, it was highest at 39.41 per cent in the last Quarter of the year. Expenditure of Rs 6172.08 crore constituting 22.19 per cent of the total expenditure was incurred in March 2002 indicating a tendency to rush expenditure.

Quarter ended	Expenditure (Rupees in crore)	Percentage to total expenditure
30 June 2001	4259.49	15.31
30 September 2001	6806.29	24.47
31 December 2001	5787.50	20.81
31 March 2002	10964.00	39.41
Total Expenditure	27817.29	
Expenditure during March 2002	6172.08	22.19

2.3.17 Unreconciled expenditure

Financial rules require that the departmental controlling officers should periodically reconcile the departmental figures of expenditure with those booked by the Accountant General. In respect of 14 departments, expenditure of Rs 8265.44 crore, constituting 30 per cent of the total expenditure of Rs 27817 crore pertaining to 2001-02, remained unreconciled till June 2002. Details are given in *Appendix XVIII*. The following departments were mostly responsible for the unreconciled amount:

(Rupees in crore)

Name of the Department	Amount not reconciled
1. Energy	2326.83
2. Panchayati Raj and Rural Development	1316.72
3. Finance and Planning	1283.12
4. Environment, Forests, Science and Technology	1270.62

2.3.18 Drawal of funds in advance of requirement

Financial rules prohibit drawal of money from Treasury unless required for immediate disbursement. Similarly Demand Drafts/Cheques received should be utilised on the purpose for which they were received.

Test check of 28 offices¹ under 4 departments² revealed that out of Rs 153.50 crore drawn during the period from April 1993 to March 2002, Rs 27.61 crore were retained in Personal Deposit account (Rs 0.21 crore), in savings bank accounts (Rs 15.92 crore), in the form of Demand drafts (Rs 1.31 crore), fixed deposits (Rs 9.70 crore) and others (Rs 0.47 crore).

¹ (i) Commissioner and Director of Agriculture, Hyderabad, (ii) Joint Director of Agriculture, Ongole, (iii) Government General Hospital Kakinada, (iv) Government General Hospital, Guntur, (v) Director of Women Development and Child Welfare, Hyderabad, (vi) AP Vikalangula Co-operative Corporation and (vii) 22 offices of BC Welfare Corporation

² (i) Agriculture and Cooperation Department, (ii) Health, Medical and Family Welfare Department, (iii) Women, Child Welfare and Disabled Welfare Department and (iv) Backward Classes Welfare Department

2.3.19 Amounts sanctioned in relaxation of treasury control but not included in the Supplementary estimates

A test-check of sanctions issued by 10 departments³ of Government revealed that 67 sanctions for drawal of additional funds aggregating to Rs.292.76 crore were issued in relaxation of Treasury control⁴ pending provision of funds by reappropriation/supplementary grants during the financial year 2001-02. While reappropriation/supplementary provision was made for Rs 192.52 crore, no such provision was made for Rs 94.05 crore drawn against 18 sanctions by 7 departments⁵ and the amount requires regularisation.

2.3.20 Non-adjustment of abstract contingent bills

Financial rules provide for drawal of monies on Abstract Contingent (AC) bills by Drawing and Disbursing Officers (DDOs) either on the authority of standing orders or specific sanction of Government. Detailed Contingent (DC) bills in respect of AC bills drawn more than a month earlier are required to be submitted before the presentation of the next AC bill at the treasury.

As per Government orders issued in March 2002 all AC bills should be settled within three months and in no case submission of DC bills be delayed beyond 30 June for the bills drawn in March.

Scrutiny revealed that as of 30 June 2002, 1,24,509 AC bills for Rs 597.10 crore pertaining to the period 1975-76 to 2001-02 were pending adjustment for want of submission of DC bills by the concerned officers to the Accountant General (Rs 334.93 crore) and Pay and Accounts Officer, Hyderabad (Rs 262.17 crore). Of these, AC bills for Rs 419.68 crore (70 per cent) were pending for over three years.

Test check of the records of two departments viz., Medical and General Administration (Elections) revealed that unadjusted AC bills in the two departments accounted for Rs 57.83 crore (Medical:

³ (i) Agriculture and Cooperation; (ii) Animal Husbandry and Fisheries; (iii) Education; (iv) General Administration; (v) Health, Medical and Family Welfare; (vi) Industries and Commerce; (vii) Municipal Administration and Urban Development; (viii) Revenue; (ix) Social Welfare; and (x) Transport, Roads and Buildings

⁴ Treasuries were entrusted in May 1967 with the responsibility of controlling the expenditure as per the district budgetary allocations intimated to them by respective Heads of Department.

⁵ (i) Agriculture and Cooperation; (ii) Animal Husbandry and Fisheries; (iii) Education; (iv) Health, Medical and Family Welfare; (v) Municipal Administration and Urban Development; (vi) Revenue and (vii) Transport, Roads and Buildings

Rs 27.18 crore; General Administration (Elections): Rs 30.65 crore) as detailed below:

(Rupees in crore)

Pending for	Total pending AC bills			Total of (3) and (4)	Percentage of (5) to (2)
	All departments	Medical	General Administration (Elections)		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Over 20 years (1975-81)	0.39	-	-	-	-
10 to 20 years (1981-91)	19.97	1.05	3.58	4.63	23.18
5 to 10 years (1991-96)	195.45	11.11	8.86	19.97	10.22
3 to 5 years (1996-99)	203.87	13.82	14.53	28.35	13.91
1999-2000	28.67	0.47	0.81	1.28	4.46
2000-01	59.80	0.13	1.51	1.64	2.74
2001-02	88.95	0.60	1.36	1.96	2.20
Total	597.10	27.18	30.65	57.83	9.68

The pendency of AC bills was attributed (June-July 2002) to (i) non-receipt of vouchers from the subordinate officers (Rs 26.95 crore), (ii) non-receipt of condonation orders of government for delay in submission of DC bills (Rs 25.73 crore) and (iii) for want of stock entries on original bills (Rs 3.20 crore).

The following other points were noticed.

a) Delay in remittance of unspent amounts

Between September 1993 and March 1999 four officials drew Rs 7.82 crore through fourteen AC bills. The expenditure incurred against these bills was Rs 7 crore. The unspent amount of Rs 82.47 lakh was remitted after delays ranging from 13 months to 77 months. Of these in one case the entire amount of Rs 17.30 lakh drawn (March 1994) towards purchase of X-ray plants to various institutions by the Director of Health, Hyderabad was remitted back after a delay of 18 months (November 1995). In all these cases DC bills were either not submitted or returned by PAO due to non-receipt of vouchers or for want of condonation orders of government.

b) Non-submission of DC bills for the amounts drawn on AC bills

On seven occasions the Director of Health drew funds involving Rs 3.24 crore on AC bills and kept the amounts in the PD account of Andhra Pradesh Vaidya Vidhana Parishad, Hyderabad at the fag end of the financial years ending with March of 1991, 1992 and 1994 even though expenditure was to be incurred on the Schemes. On two occasions, the Joint Director, Medical and Health Services, TB control, Andhra Pradesh, Hyderabad drew (March 1990) Rs 15.75 lakh on AC bills for purchase of X-ray machine generator and anti TB drugs but did not submit the DC bills since vouchers as well as office copies of AC bills were lost.

In another case it was noticed that Rs 3.16 crore was drawn by Superintendent, Osmania General Hospital, Hyderabad on AC bill in September 1993 for opening a letter of credit with State Bank of Hyderabad, Overseas Branch for import of Cardiac Catherisation Laboratory equipment for use in King George Hospital, Visakhapatnam. Payment was made to the firm in December 1993 but the equipment found defective on testing, has not been functioning at all and remained idle since December 1998. DC bills have not been submitted so far (September 2002).

2.3.21 Personal Deposit Accounts

Personal Deposit Accounts are opened in the treasury in favour of designated officials of Government for specific purposes under specific sanctions issued by Government. These accounts are in the nature of bank accounts, the receipts and payment of which are recorded in the personal ledgers maintained in Treasury. The deposits are held and accounted for under Public Account.

Results of test check of 24 Personal Deposit Accounts in twin cities of Hyderabad and Secunderabad pertaining to Municipal Administration and Urban Development Department and Industries and Commerce Department revealed the following irregularities:

i) Non-reconciliation of accounts with treasury

As per orders of Government issued in April 2000 all Personal Deposit Account administrators are required to reconcile their balances with those of treasury and issue a quarterly certificate of acceptances of balances to the treasury. In fact, no such reconciliation is being done in the following cases inspite of huge differences:

(in Rupees)

S. No	P.D. A/c. No.	Name of Administrator	Closing Balance as on 31.3.2002	
			as per cash book	as per pass book
1.	1/43	Commissioner and Director of Municipal Administration	12,05,98,244	78,96,05,508
2.	2/426	Member-Secretary State Urban Development Agency	41,93,510	13,95,86,492
3.	1/32	Commissioner and Director of Municipal Administration	1,71,997	1,82,651
4.	9/374	Commissioner and Director of Municipal Administration	1,40,892	Not updated since March 2000
5.	1/305	FACAO AP Khadi Village Industries Board	37,53,296	Not updated since March 2000

ii) Incorrect lapsing of GOI funds by credit to State revenues

Orders were issued by State Government in April 2000 that scheme funds in PD accounts released in a financial year and remaining

unspent in the PD accounts at the end of the next financial year are to be treated as lapsed and credited to State revenue head of account. A sum of Rs 0.97 crore being the unspent balance of two Centrally Sponsored Schemes viz., National River Conservation Plan and Integrated Development of Small and Medium Towns, lying at the credit of PD account of Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited, Hyderabad as at the end of March 2001 was lapsed to State revenues in pursuance of the Government orders of April 2000. The appropriation of unutilised Central Scheme funds to State revenues, instead of remitting them back to GOI is irregular.

iii) Temporary diversion of funds

The Commissioner and Director of Municipal Administration (CDMA) had irregularly drawn in October 1999 a sum of Rs 25 lakh from the PD account (amount pertaining to Swarna Jayanthi Sehri Rozgar Yojana, a Centrally Sponsored Scheme) and paid the same to Machilipatnam Municipality to avoid attachment of its properties in a land acquisition case. The amount was recouped to PD account only in September 2000 from non-plan grants of the Municipality.

iv) Lack of watch on proper utilisation of scheme funds

During November 1999, the CDMA had released Rs 279.82 lakh under National Slum Development Programme (NSDP) a Centrally Sponsored Scheme from the PD account to the Managing Director, Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB) for taking up works in Municipal Corporation of Hyderabad area. Even as of June 2002 neither the CDMA obtained utilisation certificate nor the HMWS&SB was in a position to furnish to audit details of works executed with the said funds.

v) Health, Medical and Family Welfare Department released Rs 4.75 crore to 'Andhra Pradesh State Illness Assistance Fund (APSIAF), a registered Society. The money was credited to the Personal Deposit Account held by Managing Director, Andhra Pradesh Health, Medical, Housing and Infrastructure Development Corporation in violation of the bye-laws of the Fund that its funds should be kept in a nationalised bank in the name of the Society.

In violation of the bye-laws of APSIAF the Government in May 2001, sanctioned Rs 25 lakh from the funds to a private eye hospital at Hyderabad for finishing works of the hospital. The hospital had not yet been commissioned (July 2002).