

CHAPTER - II

Appropriation Audit and Control over expenditure

Summary of Appropriation Accounts 2007-08 Government of NCT of Delhi

(Rupees in crore)

| | | |
|--|---|---------------------------------------|
| Total Number of Grants/ Appropriation | | 13 |
| Original Provision 18578.03 | | Gross Expenditure 18218.49 |
| Supplementary Grant 758.56 | | |
| Total Provision 19336.59 | | Savings 1118.10 |
| Provision 17.49 | ← Recoveries in reduction of Expenditure → | Actual Recoveries 58.86 |
| Charged and Voted Section | | |
| Provision 3923.19 | ← Charged → | Expenditure 3550.70 |
| Provision 15413.40 | ← Voted → | Expenditure 14667.79 |
| Revenue and Capital Section | | |
| Provision 10374.67 | ← Revenue → | Expenditure 9790.53 |
| Provision 8961.92 | ← Capital → | Expenditure 8427.96 |
| Net Provision 19319.10 | | Net Expenditure 18159.63 |

2.1 Introduction

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

The Appropriation Acts include the expenditure which has been voted by the Legislature under various grants in terms of Articles 204 and 205 of the Constitution of India and also include 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 services actually spent by Government vis-à-vis those authorised by the Appropriation Acts.

2.2 Appropriation audit

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

This chapter contains audit observations in respect of the Appropriation Accounts prepared by the Controller of Accounts, Government of NCT of Delhi for the year 2007-08.

2.3 Charged and voted expenditure

The break-up of charged and voted expenditure during 2003-04 to 2007-08 is given below:

Table 2.1: Charged and Voted Expenditure

(Rupees in crore)

| Year | Expenditure | | | | |
|---------|-------------|---------|----------|------------------|--------------------|
| | Voted | Charged | Total | Percentage Voted | Percentage Charged |
| 2007-08 | 14667.79 | 3550.70 | 18218.49 | 81 | 19 |
| 2006-07 | 11585.71 | 2451.66 | 14037.37 | 83 | 17 |
| 2005-06 | 10291.67 | 2072.29 | 12363.96 | 83 | 17 |
| 2004-05 | 9742.47 | 4004.40 | 13746.87 | 71 | 29 |
| 2003-04 | 9347.43 | 3121.14 | 12468.57 | 75 | 25 |

Charged expenditure like interest payments, repayment of debts etc. are those expenditures which are not subject to vote. The proportion of such expenditure constituted 19 per cent of the total expenditure. Out of Rs. 3550.70 crore under charged expenditure, Rs. 3479.43 crore (98 per cent) pertains to Public debt.

2.4 Appropriation Accounts

A summary of the gross sums expended during the year compared with the sums authorised by the Delhi Legislative Assembly during the year 2007-08 is given below:

Table 2.2: Summary of Appropriation Accounts

(Rupees in crore)

| Nature of Expenditure | Original Grant/ Appropriation | Supplementary Grant/ Appropriation | Total Grant/Final Appropriation | Actual Expenditure | Savings | Savings as percentage of Total Grants |
|-----------------------|-------------------------------|------------------------------------|---------------------------------|--------------------|----------------|---------------------------------------|
| Revenue | | | | | | |
| Charged | 2728.65 | 24.38 | 2753.03 | 2575.61 | 177.42 | 6.44 |
| Voted | 7252.28 | 369.36 | 7621.64 | 7214.92 | 406.72 | 5.34 |
| Total Revenue | 9980.93 | 393.74 | 10374.67 | 9790.53 | 584.14 | 5.63 |
| Capital | | | | | | |
| Charged | 1167.41 | 2.75 | 1170.16 | 975.09 | 195.07 | 16.67 |
| Voted | 7429.69 | 362.07 | 7791.76 | 7452.87 | 338.89 | 4.35 |
| Total Capital | 8597.10 | 364.82 | 8961.92 | 8427.96 | 533.96 | 5.96 |
| Gross Total | 18578.03 | 758.56 | 19336.59 | 18218.49 | 1118.10 | 5.78 |

Note: In Demands for Grants, provisions for charged expenditure are called appropriations. For voted expenditure, they are called grants.

2.5 Savings and excess

2.5.1 Savings under various grants/appropriations

Savings in each grant/appropriation are worked out separately for voted and charged sections for both revenue and capital expenditure. Savings indicate that expenditure could not be incurred as estimated, anticipated and planned and are reflective of poor budgeting or short fall in performance or both. Over all savings exceeded the supplementary grants that were obtained. Overall savings of Rs. 1118.10 crore for the year 2007-08 constituted 5.78 per cent of total budget provision of Rs. 19336.59 crore. Details of grants/appropriations-wise savings are given in **Appendix-2.1**. Large savings occurred in departments of Education, Medical & Public Health, Industries, Public Debt, Urban Development and Public Works Department.

The entire provision of Rs. 1034.88 crore made under 67 sub-heads pertaining to nine grants remained unutilized due to Non release of Loan, non implementation of schemes of Ring Railway in integration with MRTS, Urban

Renewal Mission and Centralized Accident & Trauma services etc. Details of unutilized provisions are given in **Appendix-2.2**.

The primary reasons for the savings of Rs. 1118.10 crore were stated to be (i) non-filling up of vacant posts, receipt of less claims and non receipt of bills etc.(Rs. 100.91 crore) (ii) slow progress of work under the various schemes (Rs. 79.84 crore) (iii) less number of beneficiaries of consumer subsidy, free supply of text books, uniform to students and stipend to girls students (Rs. 16.85 crore) (iv) non-finalization of proposals for purchase of computers and vehicles (Rs. 15.64 crore) (v) Non implementation of scheme for National Programme of Nutritional Support to primary education (CSS) (Rs. 32.85 crore) (vi) Non receipt of sanction in time for supplementary Nutrition Programme (SCP) (Rs. 9.47 crore) (vii) receipt of less recommendation for the Scheme to be implemented through other agencies (Rs. 24.93 crore). Details of savings affecting implementation of schemes due to unspent provisions exceeding Rs. One crore are given in **Appendix-2.3**.

2.5.2 Failure to surrender savings

According to Rule 69 of the General Financial Rules, savings anticipated in a grant/appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the last day of the financial year. Saving should also not be held in reserve for possible future use. Against the total savings of Rs. 1118.10 crore, an amount of Rs. 713.10 crore was surrendered on the last day of the financial year. The remaining savings of Rs. 405.00 crore were not surrendered thereby depriving the Government of the opportunity of using these funds in other sectors where they may have been required. Details of savings and amounts not surrendered are given in **Appendix-2.4**.

2.5.3 Savings of Rs. 100 crore or above

Saving of Rs. 100.00 crore or above in a grant or appropriation are indicative of defective budgeting as well as shortfall in performance. Detailed note in respect of 5 cases under 4 grants viz. Department of Education (Rs. 117.22 crore), Medical and Public Health (Rs. 107.68 crore), Industries (Rs. 236.46 crore) and Public Debt (Rs. 356.20 crore) was required to be furnished to the Public Accounts Committee by the respective Ministry/Department, which has not been submitted. (Chapter 11.5.3 of Civil Accounts Manual II).

2.5.4 Persistent savings

According to Rule 48(2) of General Financial Rules, Department are required to prepare their estimates, keeping in view the trends of disbursement during the previous years and other relevant factors like instructions on economy

issued by Finance Department. Scrutiny of Appropriation Account for the years 2004-08 revealed that there were persistent underutilization of provisions in the eight cases (Four Grants) as detailed in **Appendix-2.5**, which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes.

2.5.5 Unrealistic estimation of supplementary grants

While obtaining a supplementary grant, department has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirements of funds. Resort to supplementary demands should only be made in exceptional and urgent cases.

In the cases highlighted in **Appendix-2.6** Departments of Government of NCT of Delhi sought supplementary provisions in anticipation of higher expenditure but final expenditure were less than the original provisions as such supplementary provisions were not utilized at all.

2.5.6 Re-appropriation of funds

A grant or appropriation is distributed among sub-heads or standard objects heads called primary units under which it is to be accounted. Re-appropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be fully utilized.

Re-appropriation was unwarranted in 20 cases as the original provision under the sub-head to which funds were transferred by re-appropriation was more than adequate. The final unspent amounts under the sub-heads were greater than the amounts re-appropriated to those sub-heads. Final savings ranged from 100 to 4167 *per cent* of the amount of re-appropriation. Cases of unwarranted re-appropriation are indicative of an inadequate accounting information system and poor assessment of requirement of funds. Details of cases involving important re-appropriations are i.e. Education (100-222 *per cent*) Medical and Health (117-704 *per cent*) and Industries (127-1006 *per cent*) given in **Appendix-2.7**.

2.5.7 Excess expenditure over sanctioned grant requiring regularization

Article 205 of the Constitution of India, provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service for that year, the excess expenditure should be regularized by the State Legislative Assembly.

In 29 sub-heads pertaining to five grants there was an excess expenditure over sanctioned grant. It was observed that the variation of excess over the sanctioned grant was more than Rs. 50.00 lakh and was also more than 1935 *per cent* of sanctioned grant in one sub-head. The excess expenditure of Rs. 404.02 crore required regularization under Article 205 of the Constitution. Details of excess expenditure are given in **Appendix-2.8**.

Significant excess over sanctioned grant occurred under the following heads of account.

- Grant 11 – 5054’- Capital Outlay on Road & Bridges – District and Other Roads – Construction of Roads and Bridges (Rs. 5.30 crore)
- ‘5054’- Capital Outlay on Road & Bridges –Common Wealth Games (Rs. 395.01 crore)
- ‘4801’ Capital Outlay on Education, Sports, Art & Culture – General Education – Construction of Buildings for Middle Schools (Rs. 0.74 crore)
- ‘3054’ Roads and Bridges-District and other Roads-Maintenance (Rs. 0.53 crore)

2.5.8 Unauthorized expenditure on new service/new instrument of service

Article 205 of the Constitution provides that expenditure on a ‘New Service/New Instrument of Service not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorization by the Legislature. These conditions covering the scrutiny of orders relating to allotment and re-appropriation of funds have been stipulated in Rule 57 of the General Financial Rules 2005 and Rule 10 of the Delegation of Financial Powers Rules 1978 also places limits on the authority to re-appropriate funds in respect of schemes for which no provision exists in the Budget.

It was however seen that in 29 cases expenditure had been incurred on a “New Service/New instrument of Service” through re-appropriation without obtaining approval of the Legislature. Details of such expenditure are given in **Appendix-2.9**. The important items include Automation of the office of Excise and Entertainment Department, Vocational Training improvement project of Education department, Post-Partum in sub-divisional hospital of Medical and Health Department, Merit-cum-means based scholarship, Incentive for Inter caste marriage, Grant-in-aid to DTTDC for the Torch Rally of Doha Asian Games in Delhi of Social Welfare Department and Reimbursement of fines, forfeiture to MCD.

Expenditure amounting to Rs. 4.86 crore under eight grants on a 'New Service/New Instrument of service was met without the approval of Legislature.

2.5.9 Recoveries in reduction of expenditure

The demands for grants presented to the Legislature are for gross expenditure including 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 2007-08 such recoveries were anticipated at Rs. 17.49 crore. However, actual recoveries during the year were Rs. 58.86 crore. Position of estimated and actual recoveries during the previous five years is depicted below:

Table 2.3: Recoveries in Reduction of Expenditure

(Rupees in crore)

| Year | Estimated Recoveries | Actual Recoveries | Excess(+) Short fall (-) | Percentage of variation Excess (+) Short fall (-) |
|---------|----------------------|-------------------|--------------------------|---|
| 2007-08 | 17.49 | 58.86 | (+) 41.37 | (+) 236.54 |
| 2006-07 | 919.36 | 1070.97 | (+)151.61 | (+) 16.49 |
| 2005-06 | 1283.01 | 1222.22 | (-) 60.79 | (-) 4.74 |
| 2004-05 | 926.51 | 871.44 | (-) 55.07 | (-)5.94 |
| 2003.04 | 718.50 | 748.40 | (+) 29.90 | (+) 4.16 |

2.5.10 Suspense Balances

The Government of NCT of Delhi has no separate Public Account and such transactions are carried out under the 'Public Account of the Union Government'. All such transactions are ultimately cleared either by payment or recovery in cash or by book adjustment. These are recorded initially under the 'Suspense Heads'. Balances under Suspense Heads are required to be reviewed at short intervals so as to ensure that no item remains unadjusted longer than is reasonably necessary and its clearance is brought about in the ordinary course with due regard to the rules applicable to each case. There is, therefore, a need to clear these balances expeditiously and to classify them to appropriate heads of accounts.

Examination of such transactions in the Public Accounts (Central) prepared by the Government of NCT of Delhi revealed that large balances were

outstanding under 'Suspense Heads' during the last five years as below:

Table 2.4: Amounts under Suspense heads
(Rupees in crore)

| At the end of March | Net amount |
|----------------------------|-------------------|
| 2008 | Dr. 19.68 |
| 2007 | Dr. 169.34 |
| 2006 | Dr. 251.69 |
| 2005 | Dr. 215.35 |
| 2004 | Dr. 742.73 |

The balance as on 31st March 2008 included debt balance under Pay and Accounts Office Suspense Account (Dr. Rs. 44.72 crore), Cash Settlement Suspense Account (Dr. Rs. 78.21 crore), Provident Fund Suspense Account (Dr. Rs. 0.09 crore), Public Sector Bank Suspense Account (Cr. Rs. 66.50 crore), Material Purchase Settlement Suspense Account (Cr. Rs. 36.74 crore) and Suspense Account (Cr. Rs. 0.10 crore).