

CHAPTER - II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

SUMMARY OF APPROPRIATION ACCOUNTS 2001-2002

Appropriation Accounts : 2001-2002

Total No. of grants :102

Total provision and actual expenditure

(Rupees in crore)

Provision		Expenditure	
Original	37269.80		
Supplementary	12886.11		
Total gross provision	50155.91	Total gross expenditure	43688.89
<i>Deduct- Estimated recoveries in reduction of expenditure</i>	803.09	<i>Deduct-Actual recoveries in reduction of expenditure</i>	474.95
Total net provision	49352.82	Total net expenditure	43213.94

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	25633.13	4292.69	18839.77	4251.57
Capital	4269.62	15960.47	2085.00	18512.55
Total Gross :	29902.75	20253.16	20924.77	22764.12
<i>Deduct- Recoveries in reduction of expenditure</i>	802.78	0.31	474.78	0.17
Total : Net	29099.97	20252.85	20449.99	22763.95

2.1 Introduction

The Appropriation Acts include 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 required to be charged on the

Consolidated Fund of the State. The Appropriation Accounts prepared annually indicate 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 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 102 approved Grants/Appropriations was as given below :

(Rupees in crore)

	Original Grant/Appropriation	Supplementary Grant/Appropriation	Total	Actual Expenditure	Variation Savings (-)/ Excess (+)
Revenue					
Voted	2,51,25.60	5,07.53	2,56,33.13	*1,88,39.77	(-)67,93.36
Charged	41,51.33	1,41.36	42,92.69	*42,51.57	(-) 41.12
Capital					
Voted	39,33.32	87.79	40,21.11	*18,55.96	(-)21,65.15
Charged	1.24	1.53	2.77	2.11	(-) 0.66
Public Debt Charged	38,20.94	1,21,36.75	1,59,57.69	1,85,10.44	(+)25,52.75
Loans & Advances Voted	2,37.36	11.15	2,48.51	2,29.04	(-) 19.47
Inter State Settlement Charged	0.01	NIL	0.01	NIL	(-) 0.01
Total					
Voted	2,92,96.28	6,06.47	2,99,02.75	2,09,24.77	(-)89,77.98
Charged	79,73.52	1,22,79.64	2,02,53.16	2,27,64.12	(+) 25,10.96
Grand Total	3,72,69.80	1,28,86.11	5,01,55.91	4,36,88.89	(-) 64,67.02

* These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure : Rs.373.75 crore and capital expenditure : Rs.101.20 crore.

The total expenditure was understated at least to the extent of Rs.6.70 crore drawn from the Contingency Fund during 2001-2002 which remained unrecouped at the close of the year as discussed in paragraph 2.3.14.

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs.6467.02 crore was the result of saving of Rs.9107.38 crore in 99 grants and appropriations offset by excess of Rs.2640.36 crore in 14 cases of grants and appropriations.

2.3.2 Supplementary provision made during the year constituted 35 *per cent* of the original provision as against 53 *per cent* in the previous year.

2.3.3 Supplementary provision of Rs.332.66 crore made in 24 cases during the year proved unnecessary and/or could have been restricted to a token amount in view of aggregate saving of Rs.2203.20 crore (Appendix-II).

2.3.4 In 13 cases against additional requirement of Rs.203.23 crore, supplementary grants and appropriations of Rs.393.04 crore were obtained resulting in savings of Rs.189.81 crore (Appendix-III).

2.3.5 The excess of Rs.87.47 crore under 10 grants and Rs.2552.89 crore under 4 appropriations require regularisation (Appendix-IV).

2.3.6 In 3 cases, supplementary provision of Rs.12,146.65 crore proved insufficient leading to excess expenditure of Rs.2613.68 crore (Appendix-V).

2.3.7 In 78 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 (Appendix-VI).

2.3.8 (a) In 13 cases there were persistent savings in excess of Rs.10 lakh in each case and 20 *per cent* or more of the provision (Appendix-VII).

2.3.8 (b) Significant excess persists in 2 cases and requires investigation for remedial action (Appendix-VIIA).

2.3.9 In 5 cases, expenditure exceeded the approved provisions by Rs.25 lakh or more and also by more than 10 *per cent* of the total provision (Appendix-VIII). In 2 cases excess expenditure was over 500 *per cent*.

2.3.10 *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 injudicious re-appropriation resulted in savings/excess by over Rs.10 lakh are given in Appendix-IX.

2.3.11(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. The Government have laid down various criteria for determining items of 'New Service'/'New Instrument of Service' under para 78 and 79 of Gujarat Budget Manual.

In 16 cases expenditure in excess of budget provision amounting to Rs.282.58 crore was incurred. These were in excess of the monetary limit prescribed in para 79 of Gujarat Budget Manual. Therefore, these cases were to be treated as “New Instrument of Service” details of which are given in Appendix-X.

2.3.11(b) Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was however, noticed that expenditure of Rs.84.17 crore was incurred in 21 cases (Appendix – XI), without provision having been made in the original estimates/supplementary demands and no reappropriation orders were issued.

2.3.12 Anticipated savings not surrendered

2.3.12 (a) According to rules framed by Government 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 grants/appropriations in which Rs.5.30 crore had not been surrendered (Appendix -XII).

In 53 cases, the amount of available savings of Rs.1 crore and above in each case not surrendered aggregated Rs.1679.84 crore (Appendix-XIIA).

2.3.12 (b) Besides, in 36 cases, Rs.1000.33 crore out of Rs.7472.80 crore were surrendered on the last two days of March 2002 (Appendix – XIII) indicating inadequate financial control over expenditure.

2.3.13 Excessive/ Injudicious Surrender

In 20 cases, against the total amount of savings of Rs.372.00 crore (Appendix-XIV), a sum of Rs.425.45 crore was surrendered, resulting in excess surrender of Rs.53.45 crore. Besides, in 8 other cases (Appendix-XV), though the expenditure exceeded the grant by Rs.26.77 crore, an amount of Rs.12.05 crore was surrendered. These indicate inadequate budgetary control.

Such budgetary irregularities are reported every year in Chapter II of the Audit Report. If precautions as mentioned in Paragraph 103 of the Gujarat Budget Manual are taken the irregularities could be minimised.

2.3.14 Advances from Contingency Fund

The Contingency Fund of the State of Gujarat was established under the Gujarat Contingency Fund Act, 1960, in terms of provisions of Articles 267(2) and 283 (2) of the Constitution of India. The Fund has a corpus of Rs.200 crore.

During the year 321 sanctions were issued for withdrawal of total amount of Rs.106.49 crore. Rs. 6.70 crore were not recouped. The closing balance of the fund as on 31 March 2002 was Rs.193.30 crore.

The Budget Manual lays down that proposals for sanctioning advances from the Contingency Fund may be made by the Administrative Departments of the State Government when they are in a position to justify the circumstances under which (a) provision could not be made in the annual or supplementary budget, (b) the expenditure could not be foreseen and (c) the expenditure could not be postponed till necessary approval of the Legislature is obtained.

A review of the operation of Contingency Fund disclosed that (i) sanctions for advances were issued when the money was not needed, (ii) more advance than necessary was sanctioned. These are discussed below :

- (a) Four sanctions amounting to Rs.23.97 crore were subsequently reduced to Rs.21.42 crore.
- (b) The actual expenditure against 5 sanctions was less than 20 per cent of the amount sanctioned (Rs.2.95 crore).
- (c) Five sanctions including one of previous year amounting to Rs.22.08 crore were subsequently increased to Rs.64.63 crore.
- (d) One hundred and ten sanctions amounting to Rs.77.15 crore were neither operated nor cancelled.

2.3.15 Trend of Recoveries and Credits

In 22 grants/appropriations the actual recoveries adjusted in reduction of expenditure exceeded the estimated recoveries by Rs.51.34 crore and in 72 grants/appropriations the actual recoveries were less than the estimated recoveries by Rs.379.49 crore (Appendix - II of Appropriation Accounts). Reasons for variations have not been intimated.

2.3.16 Overpayment of Pension

Inspection of Treasuries conducted by the Accountant General (Accounts and Entitlement), Gujarat revealed that overpayment of family pension and pension amounting to Rs.26.76 lakh was made in 116 cases by 15 Treasuries[#] due to payment at higher rate beyond the stipulated dates.

The matter was reported to Government in August 2002; reply has not been received (November 2002).

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 (Accounts and Entitlement). In respect of all the departments expenditure of Rs.305.33 crore pertaining to 2001-2002 remained unreconciled despite repeated reminders.

[#] Ahmedabad (3 cases Rs.0.34 lakh), Amreli (4 cases Rs.2.76 lakh), Banaskantha (8 cases Rs.2.43 lakh), Bharuch (10 cases Rs.2.60 lakh), Bhavnagar (19 cases Rs.2.77 lakh), Dang-Ahwa (3 cases Rs.0.77 lakh), Gandhinagar (9 cases Rs.0.99 lakh), Godhra (10 cases Rs.1.15 lakh), Junagadh (4 cases Rs.0.35 lakh), Kheda (13 cases Rs.4.14 lakh), Mehsana (10 cases Rs.4.09 lakh), Sabarkantha (6 cases Rs.0.63 lakh), Surendranagar (4 cases Rs.0.25 lakh), Vadodara (8 cases Rs.1.72 lakh) and Valsad (5 cases Rs.1.77 lakh)