

CHAPTER – II

APPROPRIATION AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2004-05 AT A GLANCE

Introduction

2.1 The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by the Government vis-à-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

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

Summary of Appropriation Accounts

2.1.1 The summarised position of actual expenditure during 2004-05 against 26 grants/appropriations was as follows:

Nature of expenditure		Original grants/ appropriations	Supplementary grants/ appropriations	Total	Actual expenditure	Saving(-) / Excess(+)
(Rupees in crore)						
Voted	I. Revenue	9,202.38	365.05	9,567.43	9,278.52	(-) 288.91
	II. Capital	2,456.80	103.04	2,559.84	2,327.71	(-) 232.13
	III. Loans and Advances	236.24	32.84	269.08	208.65	(-) 60.43
Total Voted		11,895.42	500.93	12,396.35	11,814.88	(-) 581.47
Charged	IV. Revenue	2,561.48	2.36	2,563.84	2,304.92	(-) 258.92
	V Capital	7.00	2.00	9.00	4.35	(-) 4.65
	VI Public Debt	5,020.13	-	5,020.13	3,014.27	(-) 2,005.86
Total Charged		7,588.61	4.36	7,592.97	5,323.54	(-) 2,269.43
Grand Total		19,484.03	505.29	19,989.32	17,138.42	(-) 2,850.90

The following further points emerge:

➤ Genuineness of expenditure of Rs 1.42 crore drawn on 79 Abstract Contingent (AC) bills during 2003-04 (four AC bills for Rs 0.01 crore) and 2004-05 (75 AC bills for Rs 1.41 crore) could not be verified as Detailed Contingent bills were not submitted (August 2005).

➤ Similarly, Rs 2.22 crore drawn on 128 vouchers could not be verified as the vouchers in support of amounts drawn were not submitted.

Excesses and savings

Excess expenditure over provisions of previous years requiring regularisation

2.1.2 As per 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, excess expenditure amounting to Rs 2400.21 crore for the years 2002-03 and 2003-04 was yet to be regularised (August 2005).

Year	Number of Grants/Appropriations	Grant/Appropriation No.(s)	Amount of excess	Amount for which explanations not furnished to PAC
			(Rupees in crore)	
2002-03	5	1, 6, 10, 15 and 25	172.59	172.59
2003-04	6	1, 4, 7, 10, 15 and 25	2,227.62	2,227.62
		Total	2,400.21	2,400.21

Excess expenditure over provisions of 2004-05 requiring regularisation

2.1.3 The excess of Rs 128.15 crore involving three grants under revenue account and Rs 98.65 crore under capital account in respect of three grants/appropriations required regularisation under Article 205 of the Constitution. Details are given below:

Sr. No	Number and name of grants/appropriations	Total grants/appropriations	Actual expenditure	Excess
(In Rupees)				
Revenue (Voted)				
1.	6-Finance	9,02,37,22,000	9,26,71,18,000	24,33,96,000
2.	8-Buildings and Roads	2,14,47,33,000	2,80,66,64,000	66,19,31,000
3.	15-Irrigation	16,70,12,00,000	17,07,73,66,000	37,61,66,000
	Total	27,86,96,55,000	29,15,11,48,000	1,28,14,93,000
Capital (Voted)				
4.	4-Revenue	15,00,00,000	39,82,68,000	24,82,68,000
5.	10-Medical and Public Health	2,28,09,70,000	2,53,02,45,000	24,92,75,000
6.	15-Irrigation	4,02,99,10,000	4,51,88,41,000	48,89,31,000
	Total	6,46,08,80,000	7,44,73,54,000	98,64,74,000

Government did not furnish reasons for excess expenditure (August 2005).

Original budget and supplementary provisions

2.1.4 The overall saving of Rs 2,850.90 crore was the net result of saving of Rs 3,077.69 crore (46 cases) of 24 grants/appropriations offset by excess of Rs 226.79 crore in six cases of five grants/appropriations. Savings were mainly under Finance Rs 253.44 crore, Food and Supplies Rs 229.26 crore and Education Rs 203.18 crore.

Supplementary provisions made during the year constituted two *per cent* of the original provision as against five *per cent* in the previous year.

Excessive/unnecessary/inadequate supplementary provisions

2.1.5 Supplementary provisions of Rs 51.73 crore in three cases proved unnecessary as the expenditure in each case was less than the original provision as detailed below:

Sr. No.	Number and name of grant	Original grant	Supplementary provision	Total	Expenditure	Saving
(Rupees in crore)						
Revenue (Voted)						
1	10-Medical and Public Health	722.32	5.19	727.51	701.11	26.40
2	17-Agriculture	270.97	13.70	284.67	261.81	22.86
3.	25-Loans and Advances by State Government	236.24	32.84	269.08	208.65	60.43
Total		1,229.53	51.73	1,281.26	1,171.57	109.69

2.1.6 In eight cases, against additional requirement of Rs 135.49 crore, supplementary provisions of Rs 220.01 crore were obtained resulting in savings (in each case exceeding Rs 50 lakh) aggregating Rs 84.52 crore. Details of these cases are given below:

Sr. No.	Number and name of grants/ appropriations	Original grants/ appropriations	Supplementary provision	Total	Expenditure	Saving
(Rupees in crore)						
Revenue (Voted)						
1.	5-Excise and Taxation	48.64	5.21	53.85	51.47	2.38
2.	11-Urban Development	60.23	7.89	68.12	61.29	6.83
3.	12-Labour and Employment	62.79	48.26	111.05	73.04	38.01
4.	13-Social Welfare and Rehabilitation	545.31	55.61	600.92	582.01	18.91
5.	14-Food and Supplies	27.48	2.14	29.62	28.26	1.36
6.	16-Industries	38.72	18.76	57.48	50.97	6.51
7.	21-Community Development	206.67	54.14	260.81	251.44	9.37
8	23-Transport	592.14	28.00	620.14	618.99	1.15
Total		1,581.98	220.01	1,801.99	1,717.47	84.52

Substantial savings/excesses

2.1.7 In 28 cases, expenditure fell short by more than Rs 10 crore in each case and also by more than 10 *per cent* of the original provision as indicated in **Appendix IX**. In eight cases¹, the entire provision totalling Rs 2,136.30 crore remained unutilised.

2.1.8 In 39 cases, expenditure exceeded the original provisions by Rupees five crore or more and also by more than 10 *per cent* of the original

1 Sr. No. 3, 15, 16, 22, 23, 24, 26 and 28 of **Appendix IX**.

provision indicating inadequate budgeting. Details of these are given in *Appendix X*.

Persistent savings

2.1.9 In two cases, there were persistent savings of Rs 10 lakh and more and 10 per cent or more of the provisions in the last three years. Details are given below:

Sr. No.	Number and name of grants/appropriations	Percentage of saving to total provision (amount of savings - Rupees in crore)		
		2002-03	2003-04	2004-05
	Revenue (Voted)			
1.	18-Animal Husbandry	22 (30.28)	24 (33.21)	13 (18.28)
	Capital (Voted)			
2.	8-Buildings and Roads	36 (138.67)	10 (39.22)	20 (85.87)

Persistent savings indicated that budgeting was based on inappropriate assumptions.

Entire savings surrendered only on the last day of the year

2.1.10 According to rules, the spending departments are required to surrender the grants/appropriations or portions thereof as and when the savings are anticipated and latest by 1 December every year to the Finance Department.

However, against the total savings of Rs 3,077.69 crore (46 cases), Rs 2,867.05 crore (45 cases) were surrendered on the last day of the financial year viz., 31 March 2005. In 11 cases, against the available savings of Rs 2,485.03 crore, savings aggregating Rs 450.66 crore (savings of more than Rs one crore in each case) were not surrendered as detailed below:

Sr. No.	Name of the grants/appropriations	Saving	Surrender	Saving remained un-surrendered
				(Rupees in crore)
	Revenue (Voted)			
1.	9-Education	203.18	152.49	50.69
2.	10-Medical and Public Health	26.41	10.41	16.00
3.	12-Labour and Employment	38.01	35.37	2.64
4.	13-Social Welfare and Rehabilitation	18.91	17.33	1.58
5.	15-Irrigation	37.62	17.37	20.25
6.	17-Agriculture	22.86	17.51	5.35
7.	18-Animal Husbandry	18.28	14.84	3.44
8.	25-Loans and Advances by State Government	60.43	10.30	50.13
	Capital (Voted)			
9.	15-Irrigation	48.89	34.31	14.58
	Revenue (Charged)			
10.	3-Home	4.58	0.75	3.83
11.	Public Debt	2,005.86	1,723.69	282.17
	Total	2,485.03	2,034.37	450.66

Though such failures had been pointed out in earlier Audit Reports, the deficiencies/shortcomings continue to persist year after year. This indicated that expenditure control mechanism and State level budgetary control process were ineffective.

Injudicious surrender of funds

2.1.11 In 12 cases, the amount surrendered was in excess of the available savings, which indicate ineffective budgetary control. Against the actual available savings of Rs 175.31 crore, the amount surrendered was Rs 651.87 crore resulting in excess surrender of Rs 476.56 crore. Details are given in **Appendix XI**.

In such five cases, Rs 66.25² crore were surrendered despite excess expenditure of Rs 201.87 crore. This indicated inadequacy in the financial and budgetary control practices in the departments.

Injudicious reappropriation of funds

2.1.12 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. Cases where injudicious reappropriation of funds resulted in excess/savings by over Rs 50 lakh in each case, are as given in **Appendix XII**.

Expenditure without provision

2.1.13 As envisaged in the Budget Manual, expenditure should not be incurred on any scheme/service without provision of funds therefor. It was noticed, however, that expenditure of Rs 257.60 crore was incurred in 15 cases, as detailed in **Appendix XIII**, without provision in the original estimates/ supplementary demands and no reappropriation orders were issued.

Trend of recoveries

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

In two grants³, the actual recoveries adjusted in reduction of expenditure (Rs 31.48 crore) exceeded the estimated recoveries (Rs 30.47 crore) by Rs 1.01 crore. Though no recoveries were provided in the budget estimates in two grants⁴ for the year 2004-05, recoveries of Rs 117.82 crore were made. Further, in respect of six grants⁵, the actual recoveries (Rs 1,415.06 crore) were less than the estimated recoveries (Rs 1,712.65 crore) by Rs 297.59 crore. Details of recoveries are given in Appendix of the Appropriation Accounts. Huge variation between the estimated recoveries and actual realisation, indicated faulty budgeting.

² Item no. 3,5,7,9 and 11 of **Appendix XI**.

³ 10-Medical and Public Health (Revenue) and 14-Food and Supplies (Revenue).

⁴ 15-Irrigation and 17-Agriculture.

⁵ 4-Revenue, 8-Buildings and Roads, 14-Food and supplies, 17-Agriculture, 22-Co-operation and 25-Loans and Advances by State Government.

Excesses/savings without explanation

2.1.15 After the close of accounts of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those under important heads/sub-heads in particular.

Explanations for excesses and savings in respect of the Appropriation Accounts for the year 2004-05 were not received in respect of 164 heads/sub-heads against the total of 651 heads/sub-heads of account.