

CHAPTER – II

APPROPRIATION AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2003-04 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 2003-04 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	8,541.04	192.83	8,733.87	8,124.69	(-) 609.18
	II. Capital	2,402.61	2.41	2,405.02	2,212.81	(-) 192.21
	III. Loans and Advances	229.22	110.00	339.22	2,429.82	(+) 2,090.60
Total Voted		11,172.87	305.24	11,478.11	12,767.32	(+) 1,289.21
Charged	IV. Revenue	2,261.88	0.63	2,262.51	2,157.65	(-) 104.86
	V. Capital	5.50	2.50	8.00	7.33	(-) 0.67
	VI. Public Debt	3,789.30	552.32	4,341.62	4,028.50	(-) 313.12
Total Charged		6,056.68	555.45	6,612.13	6,193.48	(-) 418.65
Grand Total		17,229.55	860.69	18,090.24	18,960.80	(+) 870.56

The resultant saving of Rs 609.18 crore under the revenue account (voted) was mainly due to savings of Rs 914.29 crore in 278 schemes and excess expenditure of Rs 279.59 crore in 105 schemes. Similarly, resultant excess under capital account was due to excess of Rs 2,471.28 crore in 30 schemes and saving of Rs 569.48 crore in 67 schemes.

The following further points emerge:

- Genuineness of expenditure of Rs 4.35 crore drawn on 390 Abstract Contingent (AC) bills during 2002-03 (one AC bill for Rs 0.01 crore) and 2003-04 (389 AC bills for Rs 4.34 crore) could not be vouchsafed as Detailed Contingent bills were not submitted (August 2004).
- Similarly, Rs 1.08 crore drawn on 155 vouchers could not be vouchsafed, 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 172.59 crore for the year 2002-03 is yet to be regularised (August 2004).

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
		Total	172.59	172.59

If explanations of un-regularised excess expenditure are not furnished by the department promptly, there is possibility of financial irregularities remaining un-examined.

Excess expenditure over provisions of 2003-04 requiring regularisation

2.1.3 The excess of Rs 0.17 crore involving two grants under revenue account and Rs 2,227.46 crore under capital account in respect of six 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
	Revenue (Voted)		(In Rupees)	
1	1-Vidhan Sabha	9,63,04,000	9,74,98,000	11,94,000
	Revenue (Charged)			
2.	1-Vidhan Sabha	18,60,000	23,23,000	4,63,000
	Total	9,81,64,000	9,98,21,000	16,57,000
	Capital (Voted)			
3.	4-Revenue	15,00,00,000	32,55,76,000	17,55,76,000
4.	7-Other Administrative Services	3,00,000	19,80,000	16,80,000
5.	10-Medical and Public Health	2,25,22,40,000	2,64,78,20,000	39,55,80,000
6.	15-Irrigation	2,69,67,10,000	3,48,04,35,000	78,37,25,000
7.	25-Loans and Advances by State Government	3,39,21,76,000	24,29,82,58,000	20,90,60,82,000
	Capital (Charged)			
8.	15-Irrigation	5,00,00,000	6,19,33,000	1,19,33,000
	Total	8,54,14,26,000	30,81,60,02,000	22,27,45,76,000

Government did not furnish reasons for excess expenditure (August 2004).

Original budget and supplementary provisions

2.1.4 The overall excess of Rs 870.56 crore was the net result of excess of Rs 2,227.63 crore (8 cases) of 6 grants/appropriations offset by saving of Rs 1,357.07 crore in 45 cases of 24 grants/appropriations. Excesses were mainly under 25-Loans and Advances by State Government-6801-Loans for Power Projects-205-Transmission and Distribution-93-Loans from NABARD for Power Projects and 6851-Loans for Village and Small Industries-102-Small Scale Industries-99-Interest free Loans in lieu of deferred sales tax (Rs 2,090.61 crore), 15-Irrigation-4701-Capital Outlay on Major and Medium Irrigation (Rs 78.37 crore) and 10-Medical and Public Health-4215-Capital Outlay on Water Supply and Sanitation (Rs 39.56 crore). The excess expenditure under the head 6801-Loans for Power Projects was mainly due to providing more loans and advances by Rs 2,091 crore to Haryana Vidyt Prasaran Nigam Limited for transmission and distribution of electricity.

Supplementary provisions made during the year constituted five *per cent* of the original provision as against 2.51 *per cent* in the previous year.

Excessive/unnecessary/inadequate supplementary provisions

2.1.5 Supplementary provisions of Rs 30.19 crore in four 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	3-Home	587.14	21.79	608.93	579.96	28.97
2	5-Excise and Taxation	48.41	1.09	49.50	45.89	3.61
3.	9-Education	1,815.36	5.00	1,820.36	1,535.87	284.49
4.	16-Industries	37.10	2.31	39.41	35.84	3.57
	Total	2,488.01	30.19	2,518.20	2,197.56	320.64

2.1.6 In seven cases, against additional requirement of Rs 385.24 crore, supplementary provisions of Rs 713.75 crore were obtained resulting in savings, in each case exceeding Rs 50 lakh, aggregating Rs 328.51 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.	2-General Administration	121.07	4.03	125.10	123.74	1.36
2.	7-Other Administrative Services	514.59	77.32	591.91	591.05	0.86
3.	11-Urban Development	56.20	5.02	61.22	57.46	3.76
4.	14-Food and Supplies	25.77	1.83	27.60	25.83	1.77
5.	21-Community Development	153.79	37.26	191.05	183.92	7.13
6.	23-Transport	530.04	35.97	566.01	565.50	0.51
Capital (Charged)						
7.	Public Debt	3,789.30	552.32	4,341.62	4,028.50	313.12
	Total	5,190.76	713.75	5,904.51	5,576.00	328.51

Substantial excesses/savings

2.1.7 In 24 cases, expenditure exceeded the original provisions by Rupees five crore or more and also by more than 10 *per cent* of the original provision indicating inadequate budgeting. Details of these are given in *Appendix IX*.

2.1.8 In 31 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 X*. In seven cases¹, the entire provision totalling Rs 119.03 crore remained unutilised.

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)		
		2001-02	2002-03	2003-04
Revenue (Voted)				
1.	18-Animal Husbandry	22 (27.39)	22 (30.28)	24 (33.21)
Capital (Voted)				
2.	8-Buildings and Roads	14 (47.99)	36 (138.67)	10 (39.22)

Persistent savings indicated that budgeting was based on inappropriate assumptions.

1 S. No. 13, 16, 24, 25, 28, 29 and 31 of *Appendix X*.

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 portion thereof as and when the savings are anticipated and latest by 1 December every year by the respective administrative department to the Finance Department.

However, against the total savings of Rs 1,357.07 crore (45 cases), Rs 1,007.54 crore (42 cases) were surrendered on the last day of financial year viz., 31 March 2004. In five cases, against the available savings of Rs 512.69 crore, savings aggregating Rs 134.57 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	284.48	239.18	45.30
2.	13-Social Welfare and Rehabilitation	25.54	24.26	1.28
3.	15-Irrigation	41.29	17.83	23.46
4.	17-Agriculture	60.22	57.73	2.49
	Revenue (Charged)			
5.	6-Finance	101.16	39.12	62.04
	Total	512.69	378.12	134.57

Though such failures had been pointed out in earlier Audit Reports, the deficiencies/shortcomings, etc. 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 10 cases, the amount surrendered was in excess of the available savings, which indicate ineffective/inefficient budgetary control. Against the actual available savings of Rs 31.82 crore, the amount surrendered was Rs 281.11 crore resulting in excess surrender of Rs 249.29 crore. Details are given in **Appendix XI**.

In three cases, Rs 42.23² crore were surrendered despite excess expenditure of Rs 118.10 crore. This indicated inadequacy in the financial and budgetary control practices in the departments.

Injudicious re-appropriation of funds

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

² Item no. 7,9 and 10 of **Appendix XI**.

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 32.95 crore was incurred in 14 cases, as detailed in **Appendix XIII**, without provision in the original estimates/supplementary demands and no re-appropriation 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 three grants³, the actual recoveries adjusted in reduction of expenditure (Rs 1,819.08 crore) exceeded the estimated recoveries (Rs 1,293.07 crore) by Rs 526.01 crore. Though no recoveries were provided in the budget estimates in three grants⁴ for the year 2003-04, recoveries of Rs 118.51 crore were made. Despite having been pointed out in earlier Audit Reports, such recoveries without budget estimates persist year after year. However, in respect of three grants⁵, the actual recoveries (Rs 17.16 crore) were less than the estimated recoveries (Rs 44.75 crore) by Rs 27.59 crore. Details of recoveries are given in Appendix of the Appropriation Accounts.

Excesses/savings without explanation

2.1.15 After the close of the accounts of the 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 (81 heads/sub-heads-44 *per cent*)/savings (102 heads/sub-heads-56 *per cent*) in respect of the Appropriation Accounts for the year 2003-04 were not received in respect of 183 heads/sub-heads (28 *per cent*) against the total 645 heads/sub-heads of accounts.

3 10-Medical and Public Health (Revenue), 14-Food and Supplies (Revenue and Capital) and 22 Co-operation (Capital).

4 15-Irrigation, 16-Industries and 17-Agriculture.

5 4-Revenue, 8-Buildings and Roads and 25-Loans and Advances by State Government.