



Chapter-II

Appropriation Audit and Control over Expenditure

2.1 Introduction

In accordance with the provisions of Section 81 of the Constitution of Jammu and Kashmir, soon after the grants under Sections 79 and 80 are made by the State Legislature, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate sums of money 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 Section 82 of the Constitution of the Jammu and Kashmir.

The Appropriation Act indicates the expenditure which has been voted by the Legislature on various grants 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-à-vis those authorised by the Appropriation Acts.

The objective of Appropriation Audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts 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 The summarised position of original and supplementary grants and expenditure thereagainst in respect of 27 grants and appropriations was as follows.

Summary of Appropriation Accounts 1999-2000

Appropriation Accounts 1999-2000

Total number of grants 27

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original:	7729.67		12884.65
Supplementary:	609.52		
Total gross provision:	8339.19	Total gross expenditure:	12884.65
Deduct-Estimated recoveries in reduction of expenditure	1439.84		418.53
Total net provision	6899.35	Total net expenditure	12466.12

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	5370.25	828.95	5236.50	854.78
Capital	1879.32	260.67	1183.93	5609.44
Total Gross:	7249.57	1089.62	6420.43	6464.22
Deduct-recoveries in reduction of expenditure	1439.84	-	418.53	-
Total Net:	5809.73	1089.62	6001.90	6464.22

The summarised position of the actual expenditure during 1999-2000 against 27 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/Appropriation	Supplementary grant/Appropriation	Total	Actual expenditure [#]	Saving (-)/Excess (+)
Voted						
	Revenue	4868.36	501.89	5370.25	5236.50	(-) 133.75
	Capital	1713.67	106.55	1820.22	1093.29	(-) 726.93
	Loans and Advances	59.10	-	59.10	90.64	(+) 31.54
Total voted:		6641.13	608.44	7249.57	6420.43	(-) 829.14
Charged						
	Revenue	827.87	1.08	828.95	854.78	(+) 25.83
	Capital	-	-	-	-	-
	Public Debt	260.67	-	260.67	5609.44	(+) 5348.77
Total Charged:		1088.54	1.08	1089.62	6464.22	(+) 5374.60
Grand Total:		7729.67	609.52	8339.19	12884.65**	(+) 4545.46

The overall excess of Rs 4545.46 crore was due to net effect of saving of Rs 1305.62 crore (Revenue: Rs 511.35 crore; Capital: Rs 794.27 crore) and excess of Rs 5851.08 crore (Revenue: Rs 403.43 crore; Capital: Rs 5447.65 crore) in respect of 25 grants and 6 appropriations and 10 grants and 2 appropriations respectively.

2.3 Results of Appropriation Audit

2.3.1 Excess expenditure requiring regularisation

In the Revenue section there was an excess expenditure of Rs 403.43 crore in 6 grants and 2 appropriations while in the Capital section excess amounted to Rs 5447.65 crore in 5 grants and one appropriation as detailed below:

- [#] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue : Rs 36.13 crore and Capital: Rs 382.40 crore
- **** The total expenditure stands inflated at least to the following extent:
- At the end of March 2000, detailed contingent bills were not received as required under rules from 251 drawing and disbursing officers in support of Rs 171.87 crore drawn on abstract contingent bills. In absence of detailed contingent bills, the genuineness of expenditure could not be vouchsafed.
 - Rupees 5.53 crore for which vouchers were not received from the treasuries during the year and remained unaccounted for in the books of Accountant General (A&E).
 - Expenditure of Rs 21.45 lakh booked under Suspense (Departmental Adjusting Account) for want of vouchers/supporting details.
 - Expenditure of Rs 3.24 lakh met out of contingency fund during 1999-2000 and was not recouped.
 - Excess payment of Rs 33 thousand made by way of incorrect calculation by 5 treasury officers to 13 pensioners during 1999-2000.
 - Amount of Rs 12.77 crore drawn in March 2000 by credit to civil deposits.

S.No	Name of grant/appropriation	Total grant or appropriation	Expenditure	Excess (Percentage of excess)
		(Rupees in crore)		
I. Revenue (Voted)				
1.	2-Home	799.32	830.58	31.26 (4)
2.	3-Planning	11.67	50.26	38.59 (331)
3.	6-Power Development	958.82	1250.70	291.88 (30)
4.	12-Agriculture	247.09	251.48	4.39 (2)
5.	18-Social Welfare	75.13	83.99	8.86 (12)
6.	24-Estates, Hospitality and Protocol	4.49	5.31	0.82 (18)
II. Revenue (Charged)				
7.	8-Finance	816.98	844.60	27.62 (3)
8.	9-Parliamentary Affairs	0.23	0.24	0.01 (4)
	Total Revenue Section:	2913.73	3317.16	403.43
III. Capital (Voted)				
9.	6-Power Development	257.47	335.18	77.71 (30)
10.	17-Health and Medical Education	44.88	47.44	2.56 (6)
11.	20-Tourism	21.45	33.56	12.11 (56)
12.	23-Public Health Engineering	94.43	99.71	5.28 (6)
13.	26-Fisheries	2.50	3.71	1.21 (48)
IV. Capital (Charged)				
14.	8-Finance	260.66	5609.44	5348.78 (2052)
	Total Capital Section:	681.39	6129.04	5447.65
	Grand Total:	3595.12	9446.20	5851.08

The excess expenditure of Rs 5851.08 crore over the provision in these 14 cases, which was mainly due to clearance of overdraft obtained by the State Government from Jammu and Kashmir Bank Limited for meeting its ways and means requirements and for purchase of power by the Power Development Department, requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

In the case of 10 grants (*Appendix-2*) there was excess expenditure of Rs 474.68 crore despite obtaining supplementary grants of Rs 177.44 crore. This reflected the failure of the departments not only to assess the requirement of additional funds even at the fag end of the year but also inadequacy of the system of monitoring the trend of expenditure under various heads of account.

2.3.2 Excess over grants in previous years not regularised

As per section 82 of the Constitution of the Jammu and Kashmir it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs 22767.36 crore for the years 1980-81 to 1998-99, as per

details given below was pending with the Finance Department for regularisation.

Year	No. of Grants/ Appropriation	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23.	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26, 27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16, 17,18,20,21,23,24,25,26,27	2936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4189.21
1998-99	6	4,5,6,8,23,27	4185.25
Total			22767.36

2.4 Savings under various grants/appropriations

2.4.1 Unnecessary/excessive supplementary provisions

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances under which and the purpose for which the original grant or appropriation was provided.

In 16 cases, relating to 14 grants and one appropriation (*Appendix-3*), supplementary provisions of Rs 150.28 crore were obtained in anticipation of higher expenditure. However, the final expenditure of Rs 1701.26 crore was even less than the original grant of Rs 1875.63 crore. The savings of Rs

324.65 crore thus, exceeded the entire supplementary provision amounting to Rs 150.28 crore indicating unnecessary allotment of additional funds in these cases.

In 8 other cases, relating to 6 grants and 2 appropriations, supplementary grants aggregating Rs 281.48 crore were obtained against the requirement of Rs 138.56 crore resulting in savings of Rs 142.92 crore (*Appendix-4*).

Apart from these cases, savings in 17 grants exceeded 10 *per cent* of the budget provision and were more than Rs 50 lakh in each case as detailed in *Appendix-5*. Large-scale savings indicated over estimation of requirement of funds.

2.5 *Flow of expenditure*

Financial rules require that expenditure should evenly be distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is to be regarded as breach of financial rules. Quarter-wise expenditure (net) during 1999-2000 as also expenditure in the month of March 2000 under revenue and capital sections incurred by the State Government is detailed below:

(Rupees in crore)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	816.65	12.07
Second quarter	1192.31	17.62
Third quarter	942.55	13.93
Fourth quarter	3814.53 (1726.93)	56.38 (26)
Total	6766.04	100.00

(Figures in brackets represent expenditure in the month of March)

As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, in spite of issue of warning slips by the Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2000 constituted 26 *per cent* of the total expenditure.

2.6 *Persistent excesses/savings*

2.6.1 *Persistent excesses*

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 1997-98, 1998-99 and 1999-2000 in the following grants/appropriations:

S.No.	Name of grant/ appropriation	Amount of excess (Rupees in crore)		
		1997-98	1998-99	1999-2000
I. Capital- Voted				
1.	23-Public Health Engineering	13.10	16.50	5.28
2.	26-Fisheries	1.38	0.72	1.22
II. Capital- Charged				
3.	8-Finance	3695.78	3917.71	5348.78

2.6.2 *Persistent savings*

Persistent savings of 10 *per cent* and above were noticed during the years 1997-98, 1998-99 and 1999-2000 in the grants/appropriations detailed in *Appendix-6*.

2.7 *Budgetary Control*

2.7.1 *Expenditure without budget provision*

No expenditure is to be incurred unless it has been provided in the budget estimates. However, during the year 1999-2000, expenditure of Rs 451.59 crore was incurred under 45 major heads of account (20 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (September 2000). Expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the concerned departments/controllers/officers. Details of cases covered under this category are given in *Appendix-7*.

2.8 *Unutilised provisions and surrender thereof*

Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen given the trend of expenditure. Savings should also not be held in reserve for possible future excess.

In the accounts for the year 1999-2000, it was noticed that against final savings of Rs 1305.62 crore relating to 25 grants and 6 appropriations no amount was surrendered during the year though the savings in 23 grants and 1 appropriation had exceeded more than Rs 1 crore in each case. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.9 *Recoveries as reduction of expenditure*

The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of expenditure to other concerning departments. These anticipated recoveries and credits are separately shown in budget estimates and actuals adjusted in the

accounts as reduction of expenditure. Appropriation Audit, however, is done by comparing gross expenditure with gross amount of grant.

In the Revenue Section against the estimated recoveries of Rs 733.88 crore, actual recoveries were Rs 36.13 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs 705.96 crore, actual recoveries were Rs 382.40 crore. The shortfall occurred mainly under Grants No 6-Power Development Department (Rs 660.60 crore), 16-Public Works Department (Rs 28.99 crore), 22-Irrigation and Flood Control Department (Rs 1.2 crore) and 23-Public Health Engineering Department (Rs 4.03 crore) in Revenue Section and Grants No 6-Power Development Department (Rs 7.36 crore), 12-Agriculture Rural Development and Co-operative Department (Rs 5.71 crore), 15-Food Supplies and Transport Department (Rs 308.18 crore) and 22-Irrigation and Flood Control (Rs 1.48 crore) under Capital Section. Grant-wise details of deviations from the original estimates are given in the *Appendix-2* to the Appropriation Accounts 1999-2000.

2.10 Non-reconciliation of departmental figures of expenditure

Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Accountant General (Accounts and Entitlement). Such reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 2000, 160 controlling officers out of 222 had not completed the reconciliation in respect of expenditure of Rs 5277.02 crore, which constituted 78 *per cent* of the total revenue and capital expenditure.