

## **Chapter-II**

### **Appropriation audit and control over expenditure**

#### ***Introduction***

**2.1** 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 Jammu and Kashmir.

**2.2** 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.

**2.3** 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.

**2.4** The summarised position of original and supplementary grants and expenditure thereagainst in respect of 29 grants and appropriations is as follows.

### Summary of Appropriation Accounts 2001-02

**Appropriation Accounts      2001-02**

**Total number of grants      29**

**Total provision and actual expenditure:**

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
<b>Original:</b>	<b>9413.75</b>		<b>14668.86</b>
<b>Supplementary:</b>	<b>738.39</b>		
<b>Total gross provision:</b>	<b>10152.14</b>	<b>Total gross expenditure:</b>	<b>14668.86</b>
<b>Deduct-Estimated recoveries in reduction of expenditure</b>	<b>1897.15</b>		<b>355.52</b>
<b>Total net provision</b>	<b>8254.99</b>	<b>Total net expenditure</b>	<b>14313.34</b>

Voted and Charged provision and expenditure

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
<b>Revenue</b>	<b>6218.96</b>	<b>1099.25</b>	<b>5814.48</b>	<b>1059.04</b>
<b>Capital</b>	<b>2399.14</b>	<b>434.79</b>	<b>1577.13</b>	<b>6218.21</b>
<b>Total Gross:</b>	<b>8618.10</b>	<b>1534.04</b>	<b>7391.61</b>	<b>7277.25</b>
<b>Deduct-recoveries in reduction of expenditure</b>	<b>1897.15</b>		<b>355.52</b>	-
<b>Total: Net</b>	<b>6720.95</b>	<b>1534.04</b>	<b>7036.09</b>	<b>7277.25</b>

**2.5** The summarised position of the actual expenditure during 2001-02 against 29 grants/appropriations was as follows:

Table No. 2.1

(Rupees in crore)

	Nature of expenditure	Original grant/Appropriation	Supplementary grant/Appropriation	Total	Actual expenditure# @	Saving (-)/ Excess (+)
<b>Voted</b>	Revenue	5896.23	322.73	6218.96	5814.48	(-) 404.48
	Capital	2123.34	274.20	2397.54	1530.01	(-) 867.53
	Loans and Advances	1.60	-	1.60	47.12	(+) 45.52
<b>Total voted:</b>		<b>8021.17</b>	<b>596.93</b>	<b>8618.10</b>	<b>7391.61</b>	<b>(-) 1226.49</b>
<b>Charged</b>	Revenue	972.42	126.83	1099.25	1059.04	(-) 40.21
	Capital	-	-	-	-	-
	Public Debt	420.16	14.63	434.79	6218.21	(+) 5783.42
<b>Total Charged</b>		<b>1392.58</b>	<b>141.46</b>	<b>1534.04</b>	<b>7277.25</b>	<b>(+) 5743.21</b>
<b>Grand Total:</b>		<b>9413.75</b>	<b>738.39</b>	<b>10152.14</b>	<b>14668.86<sup>S</sup></b>	<b>(+) 4516.72</b>

2.6 The overall excess of Rs 4516.72 crore was due to net effect of saving of Rs 1876.69 crore (Revenue: Rs 636.93 crore; Capital: Rs 1239.76 crore) and excess of Rs 6393.41 crore (Revenue: Rs 192.24 crore; Capital: Rs 6201.17 crore) in respect of 28 grants and 7 appropriations and 14 grants and 3 appropriations, respectively.

### **Results of Appropriation Audit**

#### **Excess expenditure requiring regularisation**

2.7 In the Revenue section there was an excess expenditure of Rs 192.24 crore in 7 grants and 2\* appropriations while in the Capital section, excess expenditure amounted to Rs 6201.17 crore in 8 grants and one appropriation as detailed below:

Table No. 2.2

(Rupees in crore)

S.No	Name of grant/appropriation	Total grant/appropriation	Expenditure	Excess (Percentage of excess)
<b>I. Revenue (Voted)</b>				
1.	3-Planning and Development Department	12.27	39.61	27.34 (223)
2.	5-Ladakh Affairs Department	120.83	216.30	95.47 (79)
3.	18-Social Welfare Department	89.54	96.06	6.52 (7)

# These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs 50 crore) and Capital (Rs 305.52 crore).

@ The expenditure stands inflated at least to the following extent:

- (i) At the end of March 2002, detailed contingent bills were not received as required under rules from 277 drawing and disbursing officers in support of expenditure of Rs 277.91 crore drawn on abstract contingent bills.
- (ii) Amount of Rs 7.40 crore drawn by 18 drawing and disbursing officers in March 2002 by debit to service heads and credited to deposits.

<sup>S</sup> The expenditure was understated to the extent of (i) Rs 5.35 crore for which vouchers were not received from the treasuries during the year and remained unaccounted for in the books of the Accountant General (A&E) and (ii) Rs 4.08 lakh due to non-recoupment of Contingency Fund during 2001-02.

\* Includes one appropriation (2-Home Department) involving negligible excess expenditure of Rs 176.

4.	21-Forest Department	153.60	185.44	31.84 (21)
5.	25-Labour, Stationery and Printing Department	22.84	27.35	4.51 (20)
6.	28-Rural Development Department	62.47	70.53	8.06 (13)
7.	29-Transport Department	11.06	29.55	18.49 (167)
<b>II. Revenue (Charged)</b>				
8.	21-Forest Department	-	0.01	0.01 (100)
	<b>Total Revenue Section:</b>	<b>472.61</b>	<b>664.85</b>	<b>192.24</b>
<b>III. Capital (Voted)</b>				
9.	5-Ladakh Affairs Department	64.38	185.85	121.47(189)
10.	6-Power Development Department	252.50	439.58	187.08 (74)
11.	11-Industries and Commerce Department	29.97	35.27	5.30 (18)
12.	17-Health and Medical Education Department	22.32	43.27	20.95 (94)
13.	20-Tourism Department	24.44	31.55	7.11 (29)
14.	23-Public Health Engineering Department	107.53	175.48	67.95 (63)
15.	26-Fisheries Department	2.50	6.02	3.52 (141)
16.	27-Higher Education Department	15.85	20.22	4.37 (28)
<b>IV. Capital (Charged)</b>				
17.	8-Finance Department	434.79	6218.21	5783.42 (1330)
	<b>Total Capital Section</b>	<b>954.28</b>	<b>7155.45</b>	<b>6201.17</b>
	<b>Grand Total:</b>	<b>1426.89</b>	<b>7820.30</b>	<b>6393.41</b>

**2.8** The excess expenditure of Rs 6393.41 crore over the provision in these 17 cases, was mainly due to (a) part clearance of overdraft (Rs 5783.42 crore) obtained by the State Government from Jammu and Kashmir Bank Limited, (b) excess expenditure on generation, transmission and distribution of power and grant of loan of Rs 35 crore to a power project without any provision and (c) transfer of Rs 209.84 crore to Ladakh Autonomous Hill Development Council Fund also without any provision. The excess expenditure requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

**2.9** In the case of 11 grants and one appropriation (*Appendix-2*) there was excess expenditure of Rs 6147.14 crore despite obtaining supplementary grants of Rs 139.96 crore. This was because of the failure of the departments not in assessing the requirement of additional funds even at the end of the year and also because of the inadequacy of the system of monitoring the trend of expenditure under various heads of account.

### ***Excess over grants in previous years not regularised***

**2.10** 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 34928.69 crore for the years 1980-81 to 2000-01 as per details given below was pending with the Finance Department for regularisation.

**Table No. 2.3**

<b>Year</b>	<b>No. of Grants/ Appropriations</b>	<b>Grant/Appropriation No.</b>	<b>Amount (Rupees in crore)</b>
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
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5851.08
2000-01	11	1,6,8,9,12,16,18,23,25, 26 and 27	6310.25
<b>Total</b>			<b>34928.69</b>

### ***Savings under various grants/appropriations***

#### ***Unnecessary/excessive supplementary provisions***

**2.11** 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.

**2.12** In 15 cases, relating to 13 grants and 2 appropriations (*Appendix-3*), supplementary provision of Rs 69.19 crore was obtained in anticipation of higher expenditure. However, the final expenditure of Rs 1487.66 crore was

even less than the original grant of Rs 1678.05 crore. The savings of Rs 259.58 crore thus, exceeded the entire supplementary provision amounting to Rs 69.19 crore indicating unnecessary allotment of additional funds in these cases.

**2.13** In 14 other cases, relating to 9 grants and 4 appropriations, supplementary grants aggregating Rs 529.05 crore were obtained against the requirement of Rs 268.97 crore resulting in saving of Rs 260.08 crore (*Appendix-4*).

**2.14** Apart from these cases, savings in 14 cases 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.

### ***Flow of expenditure***

**2.15** Financial rules require that expenditure should be evenly 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 2001-02 as also expenditure in the month of March 2002 under revenue and capital sections incurred by the State Government is detailed below:

Table No. 2.4

(Rupees in crore)

	<b>Total expenditure (Revenue and Capital)</b>	<b>Percentage of total expenditure</b>
First quarter	1167.00	14.50
Second quarter	1506.63	18.72
Third quarter	1550.24	19.26
Fourth quarter	3824.15 (2617.35)	47.52 (32.52)
<b>Total</b>	<b>8048.02</b>	<b>100</b>

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

**2.16** As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2002 constituted 32.52 *per cent* of the total expenditure.

### ***Persistent excesses/savings***

#### ***Persistent excesses***

**2.17** Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 1999-2000, 2000-01 and 2001-02 in one grant (26-Fisheries) and one appropriation (8-Finance) as detailed below:

Table No. 2.5

S.No.	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		1999-2000	2000-01	2001-02
<b>I. Capital-Voted</b>				
1.	26-Fisheries Department	1.21	1.55	3.52
<b>II. Capital-Charged</b>				
2.	8-Finance Department	5348.78	5695.58	5783.42

### ***Persistent savings***

**2.18** Persistent savings of 10 *per cent* and above were noticed during the years 1999-2000, 2000-01 and 2001-02 in 14 grants as detailed in *Appendix-6*.

### ***Budgetary control***

#### ***Expenditure without budget provision***

**2.19** No expenditure is to be incurred, unless it has been provided in the budget estimates. However, during the year 2001-02, expenditure of Rs 669.74 crore was incurred under 56 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 2002). 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*.

### ***Unutilised provisions and surrender thereof***

**2.20** 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. It was, however, noticed that in 35 cases against the available savings of Rs 1778.49 crore (involving savings of Rs one crore and above in each case), savings aggregating Rs 1169.32 crore were either not fully surrendered or not surrendered at all. In 2 cases, the amount surrendered exceeded the overall savings (Rs 95.21 crore) by Rs 2.44 crore. Further, in one case Rs 2.93 crore were surrendered although expenditure exceeded the grant and no savings were available for surrender. Relevant details are indicated in *Appendix-8*. Non-surrendering of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

### ***Recoveries as reduction of expenditure***

**2.21** 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.

**2.22** In the Revenue Section against the estimated recoveries of Rs 1052.07 crore, actual recoveries were Rs 50 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs 845.08 crore, actual recoveries were Rs 305.52 crore. The shortfall occurred mainly under Grants No 6-Power Development Department; (Rs 931.41 crore), 16-Public Works Department (Rs 12.64 crore) and 5-Ladakh Affairs Department (Rs 3.81 crore) in Revenue Section and under Grants No 15-Food, Supplies and Transport Department (Rs 509.51 crore), 12-Agriculture, Rural Development and Co-operative Department (Rs 4.46 crore) and 5-Ladakh Affairs Department (Rs 95 lakh) under Capital Section. Reasons for the shortfall though called for, were awaited. Grant-wise details of deviations from the original estimates are given in the *Appendix-II* to the Appropriation Accounts.

### ***Non-reconciliation of departmental figures of expenditure***

**2.23** 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 2002, 103 controlling officers, out of 222 had not completed the reconciliation in respect of expenditure of Rs 4948.48 crore, which constituted 61 *per cent* of the total revenue and capital expenditure.