

CHAPTER – II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

SUMMARY OF APPROPRIATION ACCOUNTS – 2001-2002

Appropriation Accounts

Total number of grants: 46

Total number of appropriations: 9

Total provision and actual expenditure

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original	7174.10		
Supplementary	1263.82		
Total gross provision	8437.92	Total gross expenditure	6066.96
Deduct-Estimated recoveries in reduction of expenditure		Deduct-Actual recoveries in reduction of expenditure	
Total net provision	8437.92	Total net expenditure	6066.96

Voted and Charged provision and expenditure

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
	(Rupees in crore)			
Revenue	5623.96	802.73	4225.86	574.26
Capital	1770.87	240.36	1061.68	205.16
Total Gross	7394.83	1043.09	5287.54	779.42
Deduct-recoveries in reduction of expenditure				
Total Net	7394.83	1043.09	5287.54	779.42

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

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 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 grants/ appropriations was as follows:

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<i>(Rupees in crore)</i>						
Voted	I. Revenue	4752.12	871.84	5623.96	4225.86	(-)1398.10
	II. Capital	1039.03	358.70	1397.73	925.85	(-) 471.88
	III. Loan and advances	343.20	29.94	373.14	135.83	(-) 237.31
Total Voted		6134.35	1260.48	7394.83	5287.54	(-) 2107.29
Charged	IV. Revenue	799.72	3.01	802.73	574.26	(-) 228.47
	V. Capital	--	--	--	--	--
	VI. Public Debt	240.03	0.33	240.36	205.16	(-) 35.20
Total Charged		1039.75	3.34	1043.09	779.42	(-) 263.67
Grand Total		7174.10	1263.82	8437.92	6066.96	2370.96

The expenditure was understated at least to the extent of Rs 19.96 crore, vouchers for which were not received by the Principal Accountant General and the amount remained unaccounted for in the Consolidated Fund of the State.

The total expenditure is inflated at least to the extent of Rs 222.47 crore which were drawn from the treasuries by various Drawing and Disbursing Officers

on Abstract Contingent Bills during 2001-2002 but Detailed Contingent Bills for Rs 1.38 crore only were submitted.

The total expenditure is inflated at least to the extent of Rs 67.81 crore drawn on the 15th March (Rs 0.80 crore) and 31st March 2002 (Rs 67.01 crore) and kept in the form of Bank Drafts without making payment immediately (Rs 14.56 crore) and drawal and transfer of funds to Bank Account (Rs 0.80 crore) and to Jharkhand Police Building Construction Corporation (Rs 52.45 crore) for prosecution of works completion of which takes considerable time with a view to prevent lapse of grant vide Note (i) below Grant No. 22.

2.3 Results of Appropriation Audit

2.3.1 The overall saving of Rs 2370.96 crore (28 per cent of the total provision) was the net result of saving in 46 cases of grants and 6 cases of appropriations in Revenue section and 18 cases of grants and one case of appropriation in Capital section and excess in 2 cases of grant and one case of appropriation in Revenue section and 2 cases of grants in Capital section. Out of the total savings, Rs 1626.57 crore (19 per cent) pertained to Revenue and Rs 744.39 crore (9 per cent) pertained to Capital. It is noticeable that both under voted and charged the actual expenditure was even less than the original grant/appropriation. Most of the savings occurred in the voted section of Revenue and Capital section as shown below:

	Total Provision	(Original + Supplementary)	Savings	Per cent
	Voted Section			
	(Rupees in crore)			
1.	Revenue	5623.96	1398.10	25
2.	Capital	1397.73	471.88	34
3.	Loans and Advances	373.14	237.31	64

Scrutiny revealed that the major savings on Revenue Account (Rs 1398 crore) pertained to Secondary, Primary and Public Education Department (Rs 224 crore), Home Department (Rs 207 crore), Rural Development Department (Rs 149 crore), Welfare Department (Rs 127 crore), Health Department (Rs 123 crore), Forest and Environment Department (Rs 98 crore), Building Construction and Housing Department (Rs 55 crore), Industries Department (Rs 52 crore), Road Construction Department (Rs 51 crore), Science & Technology Department (Rs 31 crore) and Labour and Employment (Rs 25 crore). Under Capital and Loans and Advances major savings pertained to Rural Development Department (Rs 248 crore) Water Resources Department (Rs 159 crore) Public Health & Engineering Department (Rs 80 crore) Road Construction Department (Rs 80 crore), Urban Development Department (Rs 60 crore) and Minor Irrigation Department (Rs 28 crore).

Under charged section, saving pertained mainly to Revenue section under Appropriation No. 13 - Interest payment (Rs 221 crore).

2.3.2 Supplementary provision obtained during the year constituted 18 per cent of the original budget provision.

2.3.3 Supplementary provision of Rs 399.45 crore obtained in 40 cases (Appendix-VI) was wholly unnecessary, as the expenditure did not come up in these cases even to the level of the original provision. In 11 more cases (Appendix-VII), additional funds required were only Rs 133.31 crore, while the supplementary grant of Rs 558.24 crore was obtained resulting in saving in each case exceeding Rs 10 lakh.

2.3.4 There was excess expenditure of Rs 7,44,40,455; but the excess of Rs 3,60,369 only requires regularisation under article 205 of the Constitution of India. The excess of Rs 7,40,80,086 under Grant no. 3 Building Construction Department over the voted grant in Capital Section does not require regularisation as the excess is covered by the provision of Rs 35.54 crore relating to the Capital head '4059' wrongly included in Revenue Section in the Schedule of Demands and consequently also in the Schedule of Grants and Appropriations appended to the Appropriation Act passed under article 204 of the Constitution. (Appendix VIII)

2.3.5 In 41 cases expenditure fell short by Rs 2 crore or more and also by more than 10 per cent of the total provisions as indicated in Appendix-IX.

2.3.6 In 39 cases, there were persistent savings in excess of Rs 2 crore in each case vide Appendix-X.

2.3.7 *Expenditure on new service/new instrument of service*

Expenditure on 'New Service' not contemplated in the Annual Financial Statement (i.e. the Budget) for that year and 'New Instrument of Service' needs authorisation by the Legislature. According to the criteria laid down by the Legislature, cases (other than expenditure on staff etc., expenditure on increase in staff and additional works, grants and contributions for existing purposes, Loans and Advances carrying interest not covered by the provisions in the budget, committee constituted by Government from time to time and

revision of scale of pay for which separate criteria has been prescribed) in respect of which the increase over the grant previously voted exceeds two times the previous grant or Rs 2 lakh whichever is more are to be treated as “New Service”. In 4 cases, expenditure totaling Rs 15.70 crore in excess of the provision by more than two times of provision which were to be treated as “New Service”/ “New Instrument of Service” was incurred. Details of these cases are given in Appendix-XI. In 7 cases expenditure totaling Rs 6.15 crore was incurred without budget provision vide Appendix XII.

2.3.8 Anticipated savings not surrendered

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 17 grants and 2 appropriation in Revenue section and 10 grants and one appropriation in Capital section in which large savings of Rs 1739.46 crore, exceeding Rs 10 lakh in each case, had not been surrendered by the Departments vide Appendix-XIII.

Against the total savings of Rs 2370.96 crore, only Rs 1337.15 crore was surrendered and that too, on the last day of the financial year. This indicated that the Departmental Officers failed to exercise proper budgetary control.

2.3.9 Surrender in excess of actual savings

In 5 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 20.03 crore, the amount surrendered was Rs 86.37 crore resulting in excess surrender of Rs 66.34 crore. Details are given in Appendix-XIV.

2.3.10 Unjustified/ excessive surrender

Rule 135 of the Bihar Budget Manual lays down that when need for surrender manifests itself, the controlling officer should carefully estimate the amount that he can surrender. The aim should be to keep the expenditure just within the modified grant. In 5 cases, the actual expenditure far exceeded the modified grant rendering surrenders of Rs 2.07 crore unjustified/ excessive vide Appendix-XV. If the precautions envisaged in Rule 135 of the Bihar Budget Manual were exercised by all the departments, these could have been minimised to a great extent.

2.3.11 55 per cent of expenditure was not reconciled

Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. During the year 2001-2002 expenditure under 1736 units of appropriation was not reconciled by 117 Controlling Officers for a total amount of Rs 3324.83 crore approximately up to the final closure of the accounts for the year in spite of repeated reminders at the highest level. The un-reconciled expenditure accounted for 55 per cent of the total expenditure. Department-wise break-up of details of the amounts that remained unreconciled during 2001-2002 were as in Appendix-XVI.

It was seen that Rs 2753.01 crore out of the total amount of Rs 3324.83 crore pertained to Human Resources Department, Finance Department, Panchayati Raj Department, Transport Department, Medical and Public Health Department, Rural Development Department and Revenue and Land Reforms Department. Controlling Officers were requested time to time for reconciliation of departmental figures with those booked in accounts as laid down in the financial rules. The fact of non-reconciliation was also mentioned in the Appreciation Notes sent with the Monthly Civil Accounts to Finance Commissioner (by name) by the Principal Accountant General (A&E). In spite of reminders huge expenditure remained un-reconciled.

Non reconciliation of expenditure by the Controlling Officers of various departments was fraught with the risk of serious irregularities like embezzlement, frauds and defalcations remaining undetected.

2.4 Expenditure and budgetary control

2.4.1 Calamity Relief Fund-Non-observance of accounting procedure for budgeting.

(i) Grant No. 39 – Relief and Rehabilitation Department Eleventh Finance Commission recommended the continuance of “Calamity Relief Assistance Scheme” till 2002-05 with certain modifications. Contribution totalling Rs 56.69 crore (Government of India’s contribution : Rs 42.52 crore released on 23 March 2001 plus State Government’s contribution : Rs 14.17 crore) was made during 15.11.2000 to 31.03.2001. As the contribution was not invested, interest at one and a half time the rate applicable to overdraft from RBI amounting to Rs 754.84 lakh for the year 2001-02 calculated at 12.75 per cent on half yearly basis was to be credited to the fund, but it was not done. During 2001-02 Government of India’s contribution amounting to Rs 44.65 crore was released on 20 Maarch 2002. But no budget provision for transfer of Government of India’s contribution (Rs 44.65 crore, being 75 per cent) and State Government’s contribution (14.88 crore, being 25 per cent) to the

“Reserve Fund” was made. Nor was any amount invested in the manner prescribed in the scheme.

(ii) Net Budgeting: The grants and appropriations should be for gross amount required for expenditure. Under the scheme for modernisation of police force and building construction a total provision of Rs 90,00.00 lakh under two minor heads, viz. minor head 115-Modernisation of Police Force: Rs 31,40.00 lakh and minor head 796- Tribal Area Sub-Plan: Rs 58,60.00 lakh was made. Out of this Rs 35,00.00 lakh was deducted as being share of Central Government. As the grants from Central Government is credited to the receipt head ‘1601-Grants-in-aid’ from Central Government; its deduction from the budget estimates and obtaining Vote of Legislature for the net amount required for expenditure was not correct. Moreover while the budget provision was made separately under the above mentioned two minor heads deduction was made lump sum. The actual expenditure on the scheme has been accounted for under the sub-heads concerned under the above mentioned two minor heads.

(iii) According to general principle of budgeting, demand for grants/ appropriation are to be made for gross amount under the relevant service head (Revenue and Capital) and recoveries indicated as “Deduct-Receipts and Recoveries treated as reduction of expenditure” below the head separately. The budget of Government of Jharkhand, however did not follow this principle and as a result the extent of recoveries made out of the expenditure was not ascertainable.