

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS, 2001-02, AT A GLANCE

Total number of grants/appropriations : 99

Total provision and actual expenditure

(Rupees in crore)

Provision		Expenditure	
Original	20011.40		
Supplementary	8760.11		
Total gross provision	28771.51	Total gross expenditure	23439.63
Deduct- Estimated recoveries in reduction of expenditure	716.81	Deduct- Actual recoveries in reduction of expenditure	259.98
Total net provision	28054.70	Total net expenditure	23179.65

Voted and Charged provisions and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	15708.49	2574.67	12242.40	2352.09
Capital	3461.32	7027.03	2102.20	6742.94
Total Gross	19169.81	9601.70	14344.60	9095.03
Deduct- Recoveries in reduction of expenditure	716.44	0.37	259.98	----
Total Net	18453.37	9601.33	14084.62	9095.03

2.1 Introduction

The Appropriation Accounts prepared every year provide details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act(s) in respect of both Charged as well as Voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants/appropriations 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 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 2001-02 against various grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Variation Saving (-)/ Excess (+)
Voted	I- Revenue	12626.09	3082.40	15708.49	12242.40	(-)3466.09
	II- Capital	1582.43	1189.57	2772.00*	1503.62*	(-)1268.38
	III- Loans and Advances	237.07	452.25	689.32	598.58	(-)90.74
Total Voted		14445.59	4724.22	19169.81	14344.60	(-)4825.21
Charged	IV- Revenue	2549.34	25.33	2574.67	2352.09	(-)222.58
	V- Capital	2.03	0.01	2.04	1.28	(-)0.76
	VI- Public Debt	3014.44	4010.55	7024.99	6736.10	(-)288.89
	VII- Inter State Settlement	Nil	Nil	Nil	5.56 [⊗]	(+)5.56
Total Charged		5565.81	4035.89	9601.70	9095.03	(-)506.67
Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil	Nil
Grand total		20011.40	8760.11	28771.51	23439.63	(-)5331.88

* Includes provision of Rs.131.57 crore and expenditure of Rs.33.61 crore being grants-in-aid to local bodies/institutions incorrectly classified and accounted for under Capital instead of Revenue section.

The table presents a picture of defective preparation of budget estimates of the State Government, evidenced by significant savings under Voted section of Revenue budget (22.1 per cent) and Capital budget including Loans and Advances (39.3 per cent). As the actual expenditure under Voted section was less than even the original provision, supplementary grants of Rs. 4724.22 crore proved unnecessary. Detailed comments on the expenditure and budgetary control systems in the case of some test-checked grants are contained in paragraph 2.4.

The following further points emerge:

(a) The expenditure was overstated as follows:

- By transfer of unspent amount of Rs.458.55 crore (Revenue section: Rs.370.54 crore and Capital section: Rs.88.01 crore) to Major Head 8443-Civil Deposits, 800-other deposits, through Nil payment vouchers.
- By transfer of amount Rs.434.03 crore (Deposits: Rs.664.48 crore less Disbursements therefrom: Rs.230.45 crore) to Major Head 8443-Civil

[⊗] Represents settlement of balances as on 31 October 2000 of composite State of Madhya Pradesh between successor States of Madhya Pradesh and Chhattisgarh.

Deposits, 106-Personal Deposits Accounts, in respect of government and semi-government institutions. Out of Rs.664.48 crore deposited during the year, Rs 139.80 crore were credited through Nil payment vouchers.

- Genuineness of expenditure of Rs 1.64 crore drawn on Abstract Contingent bills could not be vouchsafed as Detailed Contingent bills were not submitted.

(b) The overstatement of the total expenditure was partly offset by its understatement:

The expenditure was understated to the extent of Rs.1.76 crore spent under various heads for which vouchers were not received from the Treasuries during the year; the amount accordingly remained unaccounted for and was kept under objection in the books of the Accountant General (A&E).

2.3 Results of appropriation audit

2.3.1 Regularisation of excess expenditure

(a) Excess expenditure relating to previous years

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess expenditure over a grant or appropriation regularised by the State Legislature. However, excess expenditure of Rs.5137.99 crore for the years 1990-91 to 2000-01 was yet to be regularised (November 2002). The details are as follows:

<i>(Rupees in crore)</i>			
Year	Number of grants/ appropriation	Amount of excess	Amount for which explanations not furnished to PAC
1990-91	22	119.51	Furnished
1991-92	16	258.58	Furnished
1992-93	21	189.32	Furnished
1993-94	21	258.11	2.05
1994-95	15	407.46	0.39
1995-96	21	251.59	Furnished
1996-97	18	224.17	0.91
1997-98	13	302.79	9.80
1998-99	17	1276.45	1.84
1999-2000	17	1584.94	1.42
2000-01	07	265.07	265.07
Total		5137.99	281.48

Possibility of financial irregularities remaining unexamined/undetected due to inordinate delay in furnishing explanations for unregularised excess expenditure cannot be ruled out.

(b) Excess expenditure during 2001-02

The excess of Rs.6,25,60,594 under 3 appropriations during the year 2001-02 also requires regularisation under Article 205 of the Constitution, as follows:

Numbers and name of appropriation	Total appropriation (Rs.)	Actual expenditure (Rs.)	Amount of excess (percentage of excess) (Rs.)
A-Revenue- Charged			
20-Public Health Engineering	20,00,000	83,79,955	63,79,955 (319)
B-Capital- Charged			
23- Water Resources Department	20,00,000	25,73,333	5,73,333 (28.7)
06- Expenditure pertaining to Finance Department (Inter State Settlement)	Nil	5,56,07,306	5,56,07,306
Total	40,00,000	6,65,60,594	6,25,60,594

Reasons for excess in respect of appropriations no. 20 and 23 were not furnished by Government as of November 2002.

2.3.2 Supplementary provision of Rs.8760.11 crore obtained during the year constituted 43.8 per cent of the original provision as against 13 per cent in the previous year.

2.3.3 The overall saving of Rs.5331.88 crore was the result of saving of Rs.5338.14 crore in 199 cases of grants and appropriations marginally offset by excess of Rs.6.26 crore in 3 cases of appropriations. Out of a total of 1062 sub-heads commented upon in Appropriation Accounts, explanations for savings/excesses in respect of 850 sub-heads (80 per cent) were either not received or were not to the point.

2.3.4 Supplementary provision of Rs.719.85 crore made in 81 cases during the year proved unnecessary as saving in each case was either equal to or exceeded the supplementary provision as detailed in **Appendix II**.

2.3.5 In 33 cases, against additional requirement of only Rs.6346.13 crore, supplementary grants of Rs.7911.85 crore were obtained resulting in savings in each case exceeding Rs.10 lakh, aggregating to Rs.1565.72 crore. Details of these cases are given in **Appendix III**.

2.3.6 In 120 cases, expenditure fell short by more than rupees one crore in each case and also by more than 10 per cent of the total provision as indicated in **Appendix IV**. In 6 of these cases (serial numbers 51,61,70,71,76 and 110), the entire provision totalling Rs.194.28 crore remained unutilised.

2.3.7 In 32 cases, the entire budget provision of rupees one crore and more in each case totalling Rs.163.06 crore, provided under various Central schemes remained unutilised, as detailed in **Appendix V**.

2.3.8 In 29 cases, there were persistent savings of rupees one crore or more and also 20 per cent or more of the provision in each case. Details are given in **Appendix VI**.

2.3.9(a) In 5 schemes, expenditure in each case exceeded the approved provisions by Rs.5 crore or more and also by more than 100 per cent of the total provision, aggregating to Rs.128.69 crore. Details are given in **Appendix VII**.

2.3.9(b) In 63 schemes, substantial saving of Rs.5 crore or more and also more than 80 per cent of the provision in each case, aggregating to Rs.2385.45 crore was noticed. In 34 of these schemes, the entire provision remained unutilised. The details are given in **Appendix VIII**.

2.3.10 Excessive/ unnecessary re-appropriation/surrender of funds

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 re-appropriation/surrender of funds of more than rupees one crore in each case proved injudicious due to (a) withdrawal of funds from heads where excess expenditure had already occurred, (b) withdrawal of funds in excess of available saving, (c) unnecessary augmentation of funds despite saving, and (d) augmentation of funds by more than the amount required to cover the excess, are given in **Appendix IX**.

2.3.11 Non-surrender of savings and surrender on last day of financial year

2.3.11(a) According to rules, the spending departments are required to surrender the grants/ appropriations or portions thereof to the Finance Department as and when any savings are anticipated. However, at the close of the financial year 2001-02 there were 160 cases of grants/ appropriations in which large savings had not been surrendered by the departments; the amount involved was Rs.2922.72 crore. In 56 cases, significant amounts of available savings (of Rs.5 crore and above in each case), aggregating to Rs.2840.30 crore, were not surrendered as per details given in **Appendix X**.

2.3.11(b) In 126 cases, Rs.2252.64 crore (92.2 per cent) were surrendered on the last day of March 2002 out of total surrender of Rs.2444.17 crore, indicating inadequate lack of control over expenditure.

2.3.12 Injudicious surrender of funds

In 13 cases, the amount surrendered was in excess of the available saving, which indicated inefficient budgetary control. As against the total available savings of Rs.647.37 crore, the amount surrendered was Rs.676.11 crore, resulting in excess surrender of Rs.28.74 crore. Details are given in **Appendix XI**.

Though similar instances of budgetary irregularities are reported year after year in Chapters II of the successive Audit Reports, no remedial measures are taken by the Government/departments for minimising these irregularities.

2.3.13 Unreconciled expenditure

Financial rules require the Departmental Controlling Officers to reconcile periodically the departmental figures of expenditure with those booked by the Accountant General (A&E). In respect of 16 major heads, expenditure of Rs.2343.02 crore, representing 10 per cent of the total expenditure during the year, remained unreconciled by various controlling officers. Details are given in **Appendix XII**.

2.3.14 Defective sanctions for re-appropriation/surrenders

As per instructions (August 1996) of State Government and financial rules, (i) all sanctions for re-appropriations/surrenders should be issued before the end of the financial year; (ii) budget provision under the head "office expenses" should not be increased by re-appropriation in any circumstances; (iii) no amount can be reappropriated from one grant to another grant; (iv) reappropriation beyond Rs.10 lakh is not permissible without prior approval of Finance Department; (v) budget provision should be available under the heads from which reappropriations/surrenders are sanctioned; and (vi) proper details of schemes should be furnished from which surrenders/ reappropriations are sanctioned. An aggregate amount of Rs.257.62 crore was re-appropriated/surrendered during the year in violation of these instructions as per details given in **Appendix XIII**.

2.3.15 Rush of expenditure

Uniform flow of expenditure in the year is a primary requirement of budgetary control. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. It was, however, noticed that in 10 cases, the expenditure incurred during March 2002 ranged between 52 per cent and 100 per cent of the total expenditure during the year. The departments failed to maintain uniform flow of expenditure, though the position of expenditure in each case for the quarter ending December 2001, was brought to the notice of Finance Department through monthly appropriation accounts by the Accountant General (A&E), Madhya Pradesh. The tendency to utilise the budget provision by controlling officers at the fag end of the financial year raises questions about the genuineness of and justification for the expenditure. The details are given in **Appendix XIV**.

2.3.16 Expenditure without budget provision

Expenditure should not be incurred on any scheme/service without provision of funds by budget. It was however, noticed that expenditure of Rs.10.08 lakh was incurred in 3 cases without the provision having been made in the original estimates/supplementary demands as per details given in **Appendix XV**.

2.4 Review of expenditure and budgetary control mechanisms

2.4.1 Budgetary procedure and practices

The budget estimates are required to be prepared by each of the subordinate units on the basis of actual requirement and sent to the controlling officers for preparation and sanction of consolidated budget estimates. Immediately after the

approval of the budget by the Legislature, Finance Department intimates the final allotments to the controlling authority of the department, who in turn allocates them to the Directing Offices (Commissioners/Directors/Chief Engineers, etc.) for further distribution among the field units through the respective Divisional/Circle level officers. The expenditure at every stage is required to be restricted to these allocations.

Each department of the Government on whose behalf a grant or appropriation is authorised by the Legislature is responsible for control over expenditure against the sanctioned grant or appropriation placed at its disposal through the Head of the Department, other controlling officers and disbursing officers subordinate to them and also control mechanisms such as submission of periodical reports on expenditure and maintenance of various registers at each level to control the expenditure. The departmental figures of the expenditure are required to be reconciled periodically with those booked in the office of the Principal Accountant General (A&E), Madhya Pradesh, before close of accounts for the year. Further, no money should be drawn from the treasury unless required for immediate disbursement, nor shall it be drawn for credit to Civil Deposits in order to avoid lapse of budget grant. Regular flow of expenditure is another primary requirement of budgetary control.

Contrary to above requirements/provisions, test-check of the records pertaining to grants number 21-Expenditure pertaining to Housing and Environment Department, 24-Public Works-Roads and Bridges, 25- Expenditure pertaining to Mineral Resources Department, 28-State Legislature, 40- Expenditure pertaining to Command Area Development Department, 51-Religious Trusts and Endowments, and 80- Financial Assistance to Three Tier Panchayati Raj Institutions, for the year 2001-02, revealed the following :

(a) Monthly statements of expenditure were not received regularly by the Controlling Officers of Grants number 24, 25, 40 and 80 from their subordinate units. Expenditure control registers were also not maintained in any of these offices. Thus the controlling officers could not work out the upto-date progressive totals of monthly expenditure. This was indicative of absence of proper control and monitoring of expenditure which led to (a) heavy excesses/large savings over the provisions under certain sub-heads, (b) inadequate/unnecessary/ excessive supplementary provisions, and (c) irregular re-appropriations and non-surrender of funds thereof, as discussed earlier.

(b) The procedure followed in test-checked grants number 21,24,25,28,40,51 and 80 and the Appropriation Accounts, 2001-02, revealed that demands for budget estimates instead of being prepared on realistic basis, were prepared on adhoc basis. The poor quality of budget preparation and budgetary operations led to:

- (i) Excess provision to the extent of Rs.10.25 crore, Rs.34.02 crore, Rs.1.82 crore, Rs.4.66 crore, Rs.3.90 crore, Rs.2.13 crore and Rs.120.21 crore under Revenue (Voted) section of Grants number 21, 24, 25,28, 40, 51 and 80 respectively and Rs.14.84 crore, Rs.178.20 crore, Rs.3.11 crore and Rs.1.38 crore under Capital (Voted) section of Grant number 21, 24, 40 and 80.

- (ii) Substantial savings of Rs.2 crore or more and also more than 50 per cent of the provision in each case aggregating to Rs.351.64 crore under 29 schemes of test-checked grants as per details given in **Appendix XVI**. In 8 of these schemes (serial numbers 1, 2, 3, 4, 21, 23, 24 and 26), the entire provisions totalling Rs. 40.10 crore remained unutilised, while under 11 schemes, substantial excesses of more than Rs.1 crore in each case totalling Rs.113.74 crore, were noticed as per details given in **Appendix XVII**.
- (c) In nine schemes of test-checked Grants, supplementary provisions totalling Rs.39.52 crore remained unutilised and proved unnecessary, while in another nine schemes, the supplementary provision were excessive by Rs.60.57 crore as per details given in **Appendix XVIII**.
- (d) Surrender of Rs.38.58 crore, Rs.3.95 crore and Rs.3.12 crore respectively under Grants number 24, 40 (Revenue-Voted) and 40 (Capital-Voted) was in excess of the available savings of Rs.34.02 crore, Rs.3.90 crore and Rs.3.11 crore respectively. This indicated that surrenders were made without properly assessing the available savings.
- (e) Rupees 18 crore drawn under Gwalior Counter Magnet Development Project in Grant number 21 and Rs.170.24 crore under Residual Balance of Grant to Gram Panchayats (Rs.47.16 crore), Lump sum Grant to Gram Panchayats for Basic Services (Rs.120 crore) and Prime Minister's Gramodaya Yojana (Rs.3.08 crore) in Grant number 80 were credited to Major Head 8443-Civil Deposits -800-Other Deposits on 30 March 2002. Thus a total amount of Rs.188.24 crore was drawn on 30 March 2002 and shown as expenditure in accounts to avoid lapse of budgetary provisions. This also resulted in undue inflation of expenditure to that extent.
- (f) The expenditure during March 2002 under the schemes, Construction and Extension of Air Strips in Grant no.24 constituted 62.7 per cent of the total expenditure under the Grant, while in Grant number 40, the expenditure during February/March 2002, under 6 Minor Heads of Major Heads 2705 and 4705 ranged between 39.6 per cent and 93.7 per cent. This indicated absence of planning and proper utilisation of available funds.
- (g) Reconciliation of expenditure figures were not carried out by the Controlling Officers of Grants number 21, 24, 40 and 51 resulting in ineffective control over expenditure.
- (h) As against the total budgetary allotment of Rs.100 crore under the scheme 5054-03-337-0801-8716- Central Road Fund in Grant number 24, the expenditure incurred was only Rs.43.25 crore which resulted in lapse of as much as 57 per cent of the total provision.

Test-check of records of Chief Engineer, Rajdhani Project, Bhopal, revealed mismatch between allotments and letters of credit (LOCs) as under:

- No LOCs were issued in favour of 4 (out of 6) divisions for this work, which contributed to lapsing of allotment of Rs.19.08 crore,

- In two cases, LOCs were issued in excess of the allotment (Rs.19.32 lakh), and
- The nature of wide and uncontrolled variations among original district-wise budget provision, final allotments, LOCs and expenditure indicated total mismatch and slack expenditure control resulting in lapse of large budgetary provisions, as detailed in **Appendix XIX**.

Test-check further revealed that instead of proportionate monthly LOCs (1/12th of the allotment) the Chief Engineers had been issuing piecemeal LOCs on adhoc basis for a number of heads like, CRF, NABARD, OTHERS etc., at a time, rendering the maintenance of the monthly detailed head-wise expenditure control against budgetary provisions difficult, if not impossible.