

CHAPTER - II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2. Introduction

In accordance with the provision of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate sums 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 Article 205 of the Constitution of India.

The Appropriation Act, includes the expenditure which has been voted by the Legislature on various grants, in terms of Articles 204 and 205 of the Constitution of India, 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 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 ensure 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.

2.1 The summarised position of original and supplementary grants/appropriations and expenditure thereagainst is given below:-

Summary of Appropriation Accounts 1999-2000

Appropriation Accounts : 1999-2000

Total number of Grants : 76 (73 Grants and 3 Appropriations)

Total Provision and Actual Expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	1529.22		
Supplementary	252.31		
Total Gross Provision	1781.53	Total gross expenditure	1781.22
Deduct estimated recoveries in reduction of expenditure	17.25	Deduct actual recoveries in reduction of expenditure	8.13
Total net Provision	1764.28	Total net expenditure	1773.09

Voted and Charged Provision and expenditure

Rupees in crore

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1055.32	166.76	992.79	155.85
Capital	236.37	323.08	189.84	442.74
Total Gross	1291.69	489.84	1182.63	598.59
Deduct recoveries in reduction of expenditure	17.25	---	8.13	---
Total : Net	1274.44	489.84	1174.50	598.59

2.2 The summarised position of actual expenditure, excess and savings during 1999-2000 against grants/appropriation was as follows:-

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
Voted	I Revenue	933.08	122.24	1055.32	992.79	(-) 62.53
	II Capital	156.50	68.10	224.60	179.63	(-) 44.97
	III Loans and Advances	10.10	1.67	11.77	10.21	(-) 1.56
Total Voted		1099.68	192.01	1291.69	1182.63	(-) 109.06
Charged	IV Revenue	158.90	7.86	166.76	155.85	(-) 10.91
	V Capital	---	---	---	---	---
	VI Public Debt.	270.64	52.44	326.08	442.74	(+) 119.66
Total Charged		429.54	60.30	489.84	598.59	(+) 108.75
	Appropriation to contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil
Grant Total		1529.22	252.31	1781.53	1781.22	(-) 0.31

The overall saving of Rs.0.31 crore was the net result of excess of Rs.167.14 crore in 25 cases of grants and 2 cases of appropriations, and saving of Rs.167.45 crore in 61 cases of grants and 4 cases of appropriations.

2.3 Result of Appropriation Audit

2.3.1 Saving or excess over provisions

The excess of Rs.37.89 crore under Revenue Section and Rs.129.26 crore under Capital Section as detailed in *Appendix-II* requires regularisation under Article 205 of the Constitution.

2.3.2 Excess over grants in previous years not regularised

Cases of excess expenditure over the budget provision reported in the Report of the Comptroller and Auditor General of India (Civil), Government of Nagaland are required to be regularised under Article 205 of the Constitution of India. However, it was noticed that excess expenditure of Rs.1213.68 crore reported during 1991-92 to 1998-99 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of February 2001. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

(Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	Amount involved
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63,65,69,70,35,36,72	152.27
2.	1992-93	08	18,22,37,44,66,64,57,73	371.02
3.	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31,35,43,53,62,72	32.86
4.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01,10,31,57,73	76.66
5.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47,48,49,50,51,52,55,59,61,64,65,66,68,72 31,54	42.55
6.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40,46,47,50,51,52,53,55,62,64,65,66,67,69,73,41,48,60	33.43
7.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48,55,60,64,65,67,71,74,76,36,53,62,68,75	241.09
8.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43,44,46,47,49,55,57,58,60,62,64,66,76	263.80
			Total:-	1213.68

2.3.3 Supplementary provision made during the year constituted 16 *per cent* of the original provision and remained same as in the previous year.

2.3.4 Unnecessary/excessive/insufficient supplementary grants

(a) Supplementary provision of Rs.15.60 crore made in 13 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs.31.52 crore as detailed in *Appendix-III*.

(b) In 31 cases of grants/appropriations, against additional requirement of Rs.53.56 crore, supplementary grants and appropriation of Rs.155.82 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.102.26 crore. Details of these cases are given in *Appendix-IV*.

(c) In 15 cases of grants/appropriations, supplementary provisions of Rs.84.02 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.158.03 crore as per details given in *Appendix-V*.

2.3.5 Persistent savings

In 13 cases of grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in *Appendix-VI*.

2.3.6 Significant excess/savings

(a) In 14 grants, the expenditure exceeded the approved provision by more than Rs.50 lakh in each case, and also by more than 10 *per cent* of the total provision. Details are given in *Appendix-VII*. In 2 out of above 14 grants, the expenditure exceeded the approved provision by 309 *per cent* and 1366 *per cent*.

(b) In 32 cases of grants, expenditure fell short by more than 50 lakh in each case, and also by more than 10 *per cent* of the total provision as detailed in *Appendix-VIII*. In one of the above cases (Sl.No.24) the entire provision totaling Rs.68.10 lakh was not utilised.

2.3.7 Expenditure without provision

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that, expenditure of Rs.3.07 crore was incurred in 7 cases as detailed in *Appendix-IX*, without the provision having been made in the original estimate/supplementary demands, and no reappropriation orders were issued.

2.3.8 Anticipated saving not surrendered

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 6 cases of grants, the amount of available savings of Rs.1 crore and above in each grants not surrendered aggregated Rs.32.85 crore. Details are given in *Appendix-X*.

2.3.9 Surrender in excess of savings.

In 17 grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual saving of Rs.18.25 crore, the amount surrendered was Rs.24.34 crore resulting in excess surrender of Rs.6.09 crore. Details are given in *Appendix-XI*.

2.3.10 Trend of Recoveries and Credits

Under the systems of gross budgeting followed by Government, the demands for grants presented to the legislature are for gross expenditure, all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

During 1999-2000, the actual recoveries (Rs.8.13 crore) were less than the estimated recoveries (Rs.17.25 crore) by Rs.9.12 crore. This was the net result of less recoveries of Rs.11.18 crore in 10 grants, and excess recovery of Rs.2.06 crore in one grant. Details are given in *Appendix* to the Appropriation Account.

2.3.11 Unreconciled Expenditure

Financial rules require that the Departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). In respect of 6 controlling officers, expenditure of Rs.174 crore pertaining to 1999-2000 remained unreconciled till February 2001.

The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 67 *per cent* to 10 *per cent* of the total expenditure in the last three accounting years (1997-98 to 1999-2000), as shown below:-

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved (Rupees in crore)
1997-98	76	47	67	947.07
1998-99	76	25	23	405.00
1999-2000	76	06	10	174.00

Out of the above, controlling officers in respect of 2 grants mentioned in *Appendix-XII* persistently failed to reconcile a total expenditure Rs.210.99 crore (Rs.68.23 in 1997-98, Rs.52.34 crore in 1998-99 and Rs.90.42 crore in 1999-2000) year after year, from 1997-98 to 1999-2000.

2.4 Rush of expenditure

The Financial Rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory, or ill-planned expenditure. Notwithstanding this, expenditure was found to be substantial in the month of March. The controlling officers of 47 grants had incurred expenditure of Rs.340.91 crore (30.32 *per cent*) during the month of March 2000 alone out of their total expenditure of Rs.1124.34 crore during the year 1999-2000. The details are given in *Appendix-XIII*.

2.5 Abstract Contingent Bills

According to the Treasury Rules, the Detailed Countersigned Contingent (DCC) Bills in respect of any amount drawn on Abstract Contingent (AC) Bills are required to be submitted to the Controlling Authority within one month of the drawal of the bills, who shall submit the same with his countersignature to the Accountant General within another month. Every drawing and disbursing officer will furnish a certificate to every fresh abstract contingent bill to the effect that detailed countersigned contingent bills have been submitted to the controlling officer in respect of abstract contingent bills drawn more than a month before the date of that bill.

Information collected (January 2000) from the Sr.Deputy Accountant General (A&E) revealed that 8 DDOs of 3 Departments had drawn Rs.4.98 crore on AC bills during the period from April 1999 to November 1999 which were lying outstanding as of January 2001. Details are shown in *Appendix-XIV*.

Thus, non-observance of rules by the DDOs resulted in non-adjustment of Rs.4.98 crore drawn in AC bills due to non-submission of DCC bills.

The matter was reported to the Government in January 2001; their reply had not been received (February 2001).

SOIL AND WATER CONSERVATION DEPARTMENT

2.6 Non-submission of Detailed Countersigned Contingent Bills against amounts drawn on AC bills

As per the Receipt and Payment Rules, Detailed Countersigned Contingent (DCC) Bills in support of drawals, made in Abstract Contingent (AC) Bills are to be submitted within one month of the drawal for onward transmission to the Senior Deputy Accountant General (Accounts & Entitlement), Nagaland.

Non-submission of DCC Bills for Rs.4.22 crore.

During audit (May 2000) of the records of the Director of Soil and Water Conservation, Nagaland, Kohima, for the period April 1995 to March 2000, it was noticed that, DCC Bills for Rs.4.22 crore drawn in 8 AC Bills by the Director during the years 1989-90, 1994-95 and 1995-96, had not been submitted by the Director even after a lapse of 6 to 11 years. In all these cases, the amounts drawn were shown as final expenditure by the Department. Moreover, due to non-submission of DCC bills by the Department, it could not be ensured that the funds had been utilised for the purposes for which these had been drawn. Thus, possibility of misappropriation of funds could not be ruled out in the absence of any detailed contingent bills.

The matter was reported to the Government in June 2000; replies had not been received (February 2001).

WORKS AND HOUSING (ROADS AND BRIDGES) DEPARTMENT

2.7 Fictitious booking of expenditure (Rs.434.05 lakh) to avoid lapse of budget grant

Rule 290 of the Central Treasury Rules (CTRs), as adopted by Government of Nagaland, stipulates that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury in anticipation of demands, or to prevent lapse of budget grants.

CE, PWD projected a fictitious liability of Rs.434.lakh for the purpose of withdrawing the amount from the treasury

Test check (April-May 1999) of the records of the Chief Engineer (CE) Public Works Department (PWD), Roads and Bridges (R&B), Kohima (January 1997 to March 1999) revealed that, the CE had drawn Rs.668.74 lakh on 31 March 1997 for clearance of past liabilities incurred on account of development of State Highways (Rs.615.64 lakh), and for acquisition of stone quarries (Rs.53.10 lakh), through 4 Abstract Contingent (AC) bills, on the strength of Letters of Credit (which do not constitute expenditure sanction) from the Finance Department. Though the entire amount was retained (31 March 1997) in the form of Banker's Cheque (Rs.615.64 lakh) and Deposit at Call receipt (Rs.53.10 lakh) at the State Bank of India (SBI), Kohima, this was shown as disbursed (31 March 1997) to various PW Divisions, by debiting '4059-Capital Outlay on Public Works'. None of the Divisions had ever acknowledged receipt of funds. However, since at the time of drawal there were pending liabilities of Rs.234.69 lakh only, the projection of liabilities at Rs.668.74 lakh was highly exaggerated, and hence fictitious.

No Detailed Countersigned Contingent (DCC) bills in support of expenditure had been furnished as required, to the Senior Deputy Accountant General (Accounts & Entitlement) as of March 2000, thereby violating Rule 312 (Note 4) of the CTRs.

Thus, drawal of money much in excess of immediate requirement at the end of the year, without expenditure sanction of the Government, and without legitimate charge for atleast Rs.434.05 lakh (Rs.668.74 lakh-Rs.234.69 lakh, (Executive Engineers, (EEs) PWD, Mokokchung (Rs.139.79 lakg), Mongkolemba (Rs.31.73 lakh), Changtongya (Rs.42.47 lakh) and Tuli (Rs.20.70 lakh). violated Financial Rules and inflated the expenditure for the year 1996-97.

The matter was reported to the Government and the Department in February 2000; replies have not been received (February 2001).