

CHAPTER II APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

2.1.1 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.

2.1.2 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.

2.1.3 The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation 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.

2.2 Summary of Appropriation Accounts

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

**Total number of Grants : 76 (73 Grants and 3 Appropriations)
Total Provision and Actual Expenditure**

Provision	Amount	Expenditure	Amount
Original	2185.95	Revenue	1432.32
Supplementary	528.77	Capital ¹	930.83
Total gross provision	2714.72	Total gross expenditure	2363.15
Deduct estimated recoveries in reduction of expenditure	16.19	Deduct actual recoveries in reduction of expenditure	5.22
Total net provision	2698.53	Total net expenditure	2357.93

¹ Capital includes Loans and Advances and Public Debt.

Voted and Charged Provision and Expenditure

Table No.2.2 *(Rupees in crore)*

	Provision		Expenditure	
	<i>Voted</i>	<i>Charged</i>	<i>Voted</i>	<i>Charged</i>
Revenue	1353.02	229.47	1227.41	204.91
Capital ¹	435.86	696.37	242.16	688.67
Total Gross	1788.88	925.84	1469.57	893.58
Deduct recoveries in reduction of expenditure	16.19	---	5.22	---
Total : Net	1772.69	925.84	1464.35	893.58

2.2.2 The summarised position of actual expenditure, excess and savings during 2001-2002 against grants/appropriation was as follows:-

Table No.2.3 *(Rupees in crore)*

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure ²	Saving (-) Excess (+)
Voted	I Revenue	1521.02	57.73	1578.75	1227.41	(-) 351.34
	II Capital	275.87	133.26	409.13	236.76	(-) 172.37
	III Loans and Advances	26.73	---	26.73	5.40	(-) 21.33
	Total Voted	1823.62	190.99	2014.61	1469.57	(-) 545.04
Charged	IV Revenue	3.74	---	3.74	204.91	(+) 201.17
	V Capital	---	---	---	---	---
	VI Public Debt.	358.59	337.78	696.37	688.67	(-) 7.70
Total Charged	362.33	337.78	700.11	893.58	(+) 193.47	
	Appropriation to Contingency Fund	---	---	---	---	
Grand Total		2185.95	528.77	2714.72	2363.15	(-) 351.57

Source: Appropriation Accounts

2.2.3 The overall saving of Rs.351.57 crore was the net result of excess of Rs.27.98 crore in 16 cases of grants and saving of Rs.323.59 crore in 59 cases of grants and 5 cases of appropriations.

2.3 Result of Appropriation Audit

Saving or excess over provisions

2.3.1 The excess of Rs.24.15 crore under Revenue Section and Rs.3.83 crore under Capital Section as detailed in Appendix-III requires regularisation under Article 205 of the Constitution.

Excess over grants in previous years not regularised

2.3.2 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.1061.61 crore reported during 1991-92 to 2000-2001 except 1992-93 had not been regularised. No action had been taken by the Government (Finance

² These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz. Revenue expenditure Rs.5.22 crore and Capital expenditure NIL.

Department) for regularisation of the excess as of December 2002. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

Table No.2.4 (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.	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31,35,43,53,62,72	32.86
3.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
4.	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
5.	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
6.	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
7.	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
8.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42,45,46,51,58,60,64,67,68,69,74,75,76	167.14
9.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
		Total:-		1061.61

Source: Appropriation Accounts

2.3.3 Supplementary provision made during the year constituted 24 per cent of the original provision as against 28 per cent in the previous year.

Unnecessary/excessive/insufficient supplementary grants

2.3.4 Supplementary provision of Rs.505.31 crore made in 28 cases of grants/appropriations during the year proved unnecessary in view of aggregate savings of Rs.181.81 crore as detailed in Appendix—IV.

2.3.5 In 25 cases of grants/appropriations, against additional requirement of Rs.308.21 crore, supplementary grants and appropriation of Rs.467.11 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.158.90 crore. Details of these cases are given in Appendix-V.

2.3.6 In 6 cases of grants supplementary provisions of Rs.22.30 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.24.20 crore as per details given in Appendix—VI.

Persistent savings

2.3.7 In 6 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—VII.

Significant excess/savings

2.3.8 In 7 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—VIII. In 2 out of above 7 grants, the expenditure exceeded the approved provision by 57 *per cent* and 300 *per cent*.

2.3.9 In 66 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—IX.

Anticipated savings not surrendered

2.3.10 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 34 cases of grants/appropriation, the amount of available savings of Rs.1 crore and above in each grants/appropriation not surrendered aggregated Rs.143.16 crore. Details are given in Appendix—X.

Surrender in excess of savings

2.3.11 In 26 grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.49.98 crore, the amount surrendered was Rs.70.06 crore resulting in excess surrender of Rs.20.08 crore. Details are given in Appendix—XI.

Trend of Recoveries and Credits

2.3.12 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.

2.3.13 During 2001-2002, the actual recoveries (Rs.5.22 crore) were less than the estimated recoveries (Rs.16.19 crore) by Rs.10.97 crore. This was the net result of less recoveries of Rs.11.42 crore in 10 grants, and excess recovery of Rs.0.45 crore in one grant. Details are given in Appendix to the Appropriation Accounts.

Non-reconciliation of departmental figures of expenditure

2.3.14 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). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud and defalcation etc. Out of 76 controlling officers, in the case of 8 controlling

officers, expenditure of Rs.116.13 crore remained unreconciled till December 2002.

2.3.15 The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 10 per cent to 5 per cent of the total expenditure in the last three accounting years (1999-2000 to 2001-02), as shown below:-

Table No.2.5 *(Rupees in crore)*

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
1999-2000	76	06	10	174.00
2000-2001	76	02	5	88.56
2001-02	76	8	5	116.13

Source: Appropriation Accounts

SECTION-B-AUDIT PARAGRAPHS

POWER DEPARTMENT

2.4 Diversion of State Plan Funds

State Plan funds of Rs.33.70 lakh was unauthorisedly diverted to meet non-Plan expenditure

2.4.1 The following amounts were provided by the Finance Department to the Executive Engineer, Likimro Electrical Construction Division, for payment of salary to regular staff, works expenditure etc. under State Plan with an instruction that the amount should not be diverted for any other purpose

<i>Rupees in lakh</i>			
Salary for regular staff from 3/96 to 10/96	Establishment charges	Works	Total
16.94	4.50	235.50	256.94

2.4.2 During the course of scrutiny (November-December 2001) of records of the Executive Engineer, Likimro Electrical Construction Division, Likimro for the period from May 1992 to November 2001, it was noticed that contrary to Finance Department's instruction, the division diverted funds of Rs.33.70 lakh from State Plan funds towards the cost of printing of forms etc. for use in the division with the approval of the Chief Engineer. But the expenditure was debited to the head 4801-Capital outlay in Power Projects-01-Hydel Generation-800 (2)-Likimro Hydel Electric Project (Plan) instead of 2801-Power-01-Hydel Generation 001-Direction and Administration (Non-Plan).

2.4.3 The payment was made to the supplier/printer through bankers cheques on November 1996.

2.4.4 Thus, utilisation of Plan funds for non-Plan purposes was irregular and un-authorised affecting the development works adversely.

2.4.5 The matter was reported to the Government in May 2002. Government admitted the fact (September 2002).