

# **CHAPTER II**

## **APPROPRIATION ACCOUNTS**

## APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

### Summary of Appropriation Accounts : 2000-2001

**Appropriation Accounts: Union Territory of Pondicherry**

**Total number of demands for grants: 33**

**Total provision and actual expenditure**

(Rupees in crore)

Provision	Amount	Expenditure	Amount
<b>Original</b>	991.69	<b>Total gross expenditure</b>	1098.74
<b>Supplementary</b>	128.14		
<b>Total gross provision</b>	1119.83		
<i>Deduct – Estimated recoveries in reduction of expenditure</i>	10.54	<i>Deduct – Actual recoveries in reduction of expenditure</i>	9.02
<b>Total net provision</b>	<b>1109.29</b>	<b>Total net expenditure</b>	<b>1089.72</b>

**Voted and Charged provision and expenditure**

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
<b>Revenue</b>	851.14	87.53	833.41	87.42
<b>Capital</b>	132.90	48.26	129.65	48.26
<b>Total – Gross</b>	984.04	135.79	963.06	135.68
<i>Deduct – Recoveries in reduction of expenditure</i>	10.54	--	9.02	--
<b>Total – Net</b>	<b>973.50</b>	<b>135.79</b>	<b>954.04</b>	<b>135.68</b>

## **2.1 Introduction**

In accordance with the provisions of Section 29 of the Government of Union Territories Act, 1963 soon after the grants under Section 28 are made by the Union Territory Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the Union Territory. The Appropriation Bill passed by the Union Territory Legislature contains authority to appropriate certain sums from the Consolidated Fund of the Union Territory for the specified services. Supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 30 of the Government of Union Territories Act, 1963.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Section 29 and 30 of the Government of Union Territories Act, 1963 and also the expenditure which is required to be charged on the Consolidated Fund of the Union Territory. The Appropriation Accounts are prepared every year indicating the details of amounts spent on various specified services 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**

**2.2.1** The 33 demands for grants approved by the Union Territory Legislature comprise Voted grants (Revenue and Capital) and Charged appropriations (Revenue and Capital). The summarised position of actual expenditure during 2000-2001 against these grants and appropriations is given below :

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<b>Voted</b>	I Revenue	745.76	105.38	851.14	833.41 <sup>5</sup>	(-) 17.73
	II Capital	102.44	15.73	118.17	115.11	(-) 3.06
	III Loans and Advances	10.57	4.16	14.73	14.54	(-) 0.19
<b>Total-Voted</b>		<b>858.77</b>	<b>125.27</b>	<b>984.04</b>	<b>963.06</b>	<b>(-) 20.98</b>
<b>Charged</b>	IV Revenue	84.66	2.87	87.53	87.42	(-) 0.11
	V Capital	--	--	--	--	--
	VI Public debt	48.26	--	48.26	48.26	Nil
<b>Total-Charged</b>		<b>132.92</b>	<b>2.87</b>	<b>135.79</b>	<b>135.68</b>	<b>(-) 0.11</b>
<b>Grand Total</b>		<b>991.69</b>	<b>128.14</b>	<b>1119.83</b>	<b>1098.74<sup>6</sup></b>	<b>(-) 21.09</b>

### 2.2.2 Excess over provisions relating to previous year requiring regularisation

As per Section 30 of the Government of Union Territories Act, 1963, it is mandatory for the Union Territory (UT) Government to get the excess over a grant/appropriation regularised by the Union Territory Legislature. However, the excess expenditure of Rs 37.33 lakh for the year 1997-98 was yet to be regularised due to non-furnishing of explanation to the Public Accounts Committee by the respective departments.

Grant number and name of the grant	Amount of excess expenditure (in Rupees)
16. Public Works (Capital - Voted)	12,70,582
21. Social Welfare (Revenue - Voted)	20,36,019
29. Electricity (Capital - Voted)	4,26,233
<b>Total</b>	<b>37,32,834</b>

<sup>5</sup> This is gross figure without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue expenditure : Rs 1.77 crore and Capital expenditure : Rs 7.25 crore.

<sup>6</sup> The total expenditure stands inflated to the extent of Rs 2.29 crore being the drawals made by several Drawing and Disbursing Officers in March 2001 which were not spent before the close of the year.

## **2.3 Results of Appropriation Audit**

**2.3.1** The overall saving of Rs 21.09 crore was the result of savings in 44 grants and 8 appropriations.

**2.3.2** Supplementary provision made during the year constituted 13 *per cent* of the original provision as against 21 *per cent* in the previous year.

**2.3.3** Supplementary provision of Rs 1.67 crore made in five grants during the year proved unnecessary since the expenditure was equal to or less than the original grant as detailed in Appendix 2.

**2.3.4** In 15 grants, against additional requirement of Rs 96.03 crore, supplementary provisions of Rs 105.68 crore were obtained resulting in savings in each grant exceeding Rs 10 lakh aggregating Rs 9.65 crore. Details of these cases are given in Appendix 3.

**2.3.5** In 79 cases under 22 grants, expenditure fell short by more than Rs 10 lakh in each case and also by more than 10 *per cent* of the total provision resulting in savings of Rs 40.82 crore as indicated in Appendix 4.

**2.3.6** In 65 cases under 14 grants, expenditure exceeded the approved provisions (both original and supplementary) by more than Rs 10 lakh and also by more than 10 *per cent* of the total provision. The excess expenditure was met by re-appropriation. Details of these are given in Appendix 5. In 18 out of the 65 cases, the expenditure exceeded the approved provision by over 100 *per cent*.

**2.3.7** 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. In 49 cases under 14 grants, re-appropriation of funds proved excessive or unnecessary or inadequate by over Rs 1 lakh as given in Appendix 6.

### **2.3.8 *New service/New instrument of service***

According to rules, expenditure on a scheme/service not contemplated in the Budget Estimate constitutes New service/New instrument of service. In such cases, expenditure can be incurred only after obtaining either an advance from the Contingency Fund pending authorisation by the Legislature or provision of funds through Supplementary estimates. The Committee on Public Accounts, in October 1993, fixed the monetary limit for determining expenditure on the New service/New instrument of service as Rs 3.5 lakh for recurring expenditure and Rs 6 lakh for non-recurring and works expenditure. Besides, the General Financial Rules (GFRs) also prescribed monetary limit for release of grants, share capital and loan to Government

companies/autonomous bodies etc., without obtaining the approval of Legislature/Parliament. In the 14 cases mentioned in Appendix 7, expenditure of Rs 16.46 crore was incurred, beyond these limits on New service/New instrument of service without the approval of the Legislature.

### ***2.3.9 Anticipated savings not surrendered***

The departments surrender the grants/appropriation or portions thereof to the Finance Department whenever savings are anticipated. As against the total savings of Rs 21.09 crore in all grants/appropriations during 2000-2001, the departments surrendered Rs 13.66 crore on 31 March 2001. It was, however, seen that anticipated savings of more than Rs 10 lakh each in 13 grants amounting to Rs 7.03 crore were not surrendered (*vide* Appendix 8).

### ***2.3.10 Expenditure on Centrally Sponsored Schemes***

Out of the grants received from GOI for implementing Centrally Sponsored Schemes, the Government transferred Rs 8 crore to deposit head as this amount was received at the fag end of the year and provided Rs 14.14 crore as Final Modified Grant for implementing 77 centrally sponsored schemes during the year 2000-2001. Of this, only Rs 10.03 crore (71 *per cent*) was spent. While no expenditure was incurred in respect of 14 schemes (Total Provision : Rs 1.58 crore), the expenditure was less than 50 *per cent* of provision (provision : Rs 1.88 crore; expenditure: Rs 0.42 crore) in respect of 11 schemes.

### ***2.3.11 Drawal of funds to avoid lapse of budget grant***

Scrutiny of the records of Directorate of Accounts and Treasuries, Pondicherry (DAT) revealed that Rs 48.83 crore was pending adjustment out of advances drawn in 1470 bills by 43 Heads of Department during 1985-86 to 2000-2001. Of this, Rs 23.79 crore related to 2000-2001. Out of Rs 48.83 crore outstanding, Rs 6.17 crore related to Electricity Department which were not adjusted for want of details regarding payment made to various agencies as deposits for executing works. Test-check of such advances drawn during 2000-2001 revealed that Rs 2.29 crore were drawn as advance in 8 schemes during March 2001, without any immediate requirement as detailed in Appendix 9. The drawal of funds in advance of requirement was not in order. Besides, the expenditure for the year 2000-2001 was also inflated to that extent.

## 2.4 Comments on expenditure and budgetary control

**2.4.1 (a)** The demands for grants presented to Legislature did not include (i) Statement showing estimated strength of establishment and provision therefor (both Non-plan and Plan) in the budget (ii) Statement showing details of provision in the budget for grants-in-aid to Non-Government Bodies (iii) Works annexure indicating details of works costing Rs 10 lakh or above individually and (iv) Statement giving details of provision in the budget for New service/New instrument of service.

**(b)** According to the provision of GFRs, the reasons for savings and excess over Rs 1 lakh shall be stated in the orders sanctioning re-appropriation. It was, however, seen that specific reasons for the savings in the following units of appropriation surrendered by the respective departments were not given.

Grant Number	Head of Account	Amount Surrendered (Rupees in lakh)
9	3454.D.02.203 (2)	89.88
	3454.D.02.203 (4)	7.00
24	2401.A.109 (3) (1)	2.90
28	2851.A.800 (11) (1)	50.00
	2851.A.800 (12) (2)	30.00
	4860.AA.01.190 (2)	120.01
29	2801.A.05.800 (3) (1)	9.04
	2801.A.05.800 (4) (1)	26.00

Besides, in the following schemes, under Grant 15 - Retirement Benefits, the reasons for savings stated in the Government order were irrelevant.

Name of the scheme	Amount Surrendered (Rupees in lakh)	Reasons attributed
(1) 2071.A.01.105 Family Pensions	300.00	Savings due to less number of Government servants retired on Voluntary Retirement than anticipated.
(2) 2071.A.01.111 Pension to Legislators	1.00	

Further, the re-appropriation orders attributed the provision of Rs 1.30 crore under '2852.B.08.202 (2)' to the implementation of Voluntary Retirement Scheme by the Pondicherry Textiles Corporation Limited, whereas the

amount was actually provided to the Corporation for payment of Natural Calamity advance to its employees.

**2.4.2** A review of the budgetary procedure and control of expenditure followed by Co-operation (Grant 22), Agriculture (Grant 24) and Industries (Grant 28) departments revealed the following:

(a) The GFRs stipulate that budget estimate shall be prepared on the basis of what is expected to be paid during the year under proper sanction. These departments, however, provided funds in the budget estimates for 2000-2001 for posts not created and vacant posts though there was ban on creation of new posts and filling up of vacant posts, schemes not sanctioned and discontinued (details vide Appendix 10). They utilised the savings for incurring additional expenditure in other units of appropriation by sending modification proposals to Finance Department. It was seen that such modification proposals were sent even from the month of June 2000 and the final re-appropriation order revealed addition or withdrawals of funds in 158 out of the total 247 units of appropriation in these Grants. Thus, the inaccurate budgeting resulted in large scale transfer of funds approved by the Legislature between the units of appropriation.

(b) According to provisions of GFRs, savings in a grant are to be surrendered to Government immediately after they are foreseen without waiting till the end of the year and no savings shall be held in reserve for possible future excesses.

The Industries Department made a provision of Rs 22.30 crore under the plan head '4860.AA.01.190 (2) - Modernisation-cum-Diversification of AFT of Pondicherry Textiles Corporation, Pondicherry'. Though the department proposed in January 2001 to utilise only Rs 20.10 crore for the purpose, the balance amount was held in reserve and Rs 1 crore out of savings was utilised for releasing Share Capital contribution to Pondicherry Industrial Promotion, Development and Investment Corporation Limited (PIPDIC). The remaining Rs 1.20 crore was surrendered on 31 March 2001.

In another case, while sending Revised Estimate proposals the Industries Department surrendered the provision of Rs 50 lakh made under '2851.A.800(11)(1) - Development of Infrastructure for Industrial Promotion - Integrated Infrastructure Development Project contribution' for release to PIPDIC. When PIPDIC requested for the release of funds, the Government could not issue expenditure sanction for want of funds under the head. Consequently, Government released a share capital of Rs 50 lakh to PIPDIC under the head '4885.BB - Other Capital Outlay on Industries and Minerals - 190 - Investments in Public Sector and other undertakings'. Incidentally, it was noticed that the Government released Rs 25 lakh during 1999-2000 under the head '2851.A.800 (11)(1)' only.

(c) With a view to have an effective, real and integrated control over expenditure, the Heads of Departments (HOD) shall obtain monthly



statements of expenditure (both Plan and Non-Plan) from the sub-ordinate units and prepare a consolidated account showing the complete expenditure from the grant/appropriation to the end of the preceding month. It was seen that the Director of Industries did not obtain monthly statements of expenditure relating to Non-plan from his sub-ordinate officers. Further, the HODs of all the three departments did not prepare the consolidated account of expenditure. Besides, the Drawing and Disbursing Officers of the three outlying regions (Karaikal, Mahe and Yanam) did not reconcile the expenditure with the DAT. The HODs did not obtain liability statement which were due from the month of October 2000 to keep track of all undischarged liabilities. Thus, there was lack of integrated control over expenditure.

**2.4.3** The records of Sales Tax Department (Grant 7) revealed that the provision of Rs 160.94 lakh under the head '2040.A.101 (1) (1) - Collection charges - Pondicherry region' included the requirement for new posts and as the creation of these posts was not approved by Government, Rs 43.98 lakh was surrendered in March 2001.