

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

2.1. Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules, regulations and instructions.

2.2. Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-2005 against the total of 30 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	(-)Saving (+) Excess
Voted	I. Revenue	15224.93	51.98	15276.91	13628.04	(-) 1648.87
	II. Capital	2755.63	423.19	3178.82	891.13	(-) 2287.69
	III. Loans & Advances	19.20	2.35	21.55	19.23	(-) 2.32
Total Voted		17999.76	477.52	18477.28	14538.40	(-) 3938.88
Charged	V. Revenue	3908.18	6.19	3914.37	4017.17	(+) 102.80
	VI. Capital	-	-	-	-	-
	VII. Public Debt	8440.13	-	8440.13	7571.57	(-) 868.56
Total Charged		12348.31	6.19	12354.50	11588.74	(-) 765.76
Grand Total		30348.07	483.71	30831.78	26127.14	(-) 4704.64

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 447.18 crore and capital expenditure Rs 52.16 crore.

The overall savings of Rs 4,704.64 crore as mentioned above were the net result of savings of Rs 5,100.15 crore in 71 cases and appropriations offset by excess of Rs 395.51 crore in five cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; these had not been received (August 2005).

2.3. Savings and Excesses

2.3.1. Appropriation by Allocative Priorities

Out of the savings of Rs 4,704.64 crore, as much as 84.18 per cent (Rs 3,960.50 crore) occurred in 11 grants as mentioned below:

(Rupees in crore)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture & Forests - Revenue (Voted)	388.79	0	388.79	299.49	89.30
05-Education - Revenue (Voted)	2715.74	0	2715.74	2096.78	618.96
05-Education - Capital (Voted)	179.87	0	179.87	16.16	163.71
08-Finance - Capital (Charged)	8440.13	0	8440.13	7571.57	868.56
09-Food & Supplies – Capital (Voted)	223.40	0	223.40	0	223.40
11-Health & Family Welfare - Revenue (Voted)	780.51	0	780.51	614.60	165.91
13-Industries - Revenue (Voted)	78.68	0	78.68	23.64	55.04
15-Irrigation & Power - Revenue (Voted)	2942.28	10.12	2952.40	2651.31	301.09
17-Local Government, Housing & Urban Development - Revenue (Voted)	92.67	0	92.67	32.60	60.07
17-Local Government, Housing & Urban Development - Capital (Voted)	215.23	77.14	292.37	70.56	221.81
19-Planning – Revenue (Voted)	292.74	0	292.74	75.23	217.51
19-Planning – Capital (Voted)	282.40	0	282.40	22.97	259.43
21-Public Works – Capital (Voted)	470.91	184.39	655.30	129.41	525.89
23-Rural Development & Panchayats – Revenue (Voted)	215.80	0	215.80	96.64	119.16
23-Rural Development & Panchayats - Capital (Voted)	127.58	99.54	227.12	156.46	70.66
Total	17446.73	371.19	17817.92	13857.42	3960.50

The Departments did not intimate reasons for savings. Areas in which major savings occurred in these 11 grants are given in *Appendix- V*.

2.3.2. Substantial savings in grant/appropriation

In 21 cases, savings exceeding Rupees two crore in each case and also by more than 10 per cent of total provisions, amounted to Rs 126.97 crore as indicated in *Appendix-VI*. In 17¹ of these cases, the entire provision totalling Rs 114.95 crore was not utilised.

2.3.3. Persistent savings

In 19 cases, involving nine grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 per cent or more of

¹ Item No. 2 to 7,10 to 18, 20, 21 in Appendix-VI.

provision. Details are given in *Appendix-VII*. Under eight Centrally Sponsored Schemes, there were savings of 100 *per cent* during the last three years.

2.3.4. Original budget and supplementary provisions

Supplementary provisions (Rs 483.71 crore) made during this year constituted 1.59 *per cent* of the original provision (Rs 30,348.07 crore) as against 7.15 *per cent* in the previous year.

2.3.5. Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 361.81 crore made in 18 cases during the year proved unnecessary in view of aggregate saving of Rs 1,765.86 crore. Details are given in *Appendix-VIII*.

In five cases, against additional requirement of only Rs 35.17 crore, supplementary grants and appropriations of Rs 113.41 crore were obtained, resulting in savings in each case exceeding Rupees 10 lakh, aggregating Rs 78.24 crore. Details are given in *Appendix-IX*.

As mentioned below, supplementary provision of Rs 5.70 crore proved insufficient leaving an uncovered excess expenditure of Rs 230.45 crore.

Sr No.	No. and name of Grant/Appropriation	Original Grant	Supplementary grant	Total	Expenditure	Excess
(Rupees in crore)						
Revenue (Voted)						
1.	21-Public Works.	662.70	5.70	668.40	898.85	230.45

2.3.6. Anticipated savings not surrendered

According to rules, the spending Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2004-05, there were 28 cases in which savings above Rupees one crore in each case amounting to Rs 3,106.74 crore had not been surrendered. In 17 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating to Rs 1,465.68 crore (88.25 *per cent* of total savings) were not surrendered. This included savings of Rs 615.92 crore (99 *per cent*) under Grant No. 5 – Education, (Revenue-voted), Rs 217.19 crore (99.8 *per cent*) under Grant No. 19 – Planning, (Revenue-voted), Rs 160.76 crore (96.9 *per cent*) under Grant No. 11-Health and Family Welfare, (Revenue-voted) and Rs 74.89 crore (83.9 *per cent*) under Grant No. 01-Agriculture and Forests (Revenue Voted). Details are given in *Appendix-X and XI* respectively.

2.3.7. Excess expenditure over provision of previous years, requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 870.54 crore for the years 2001-02 to 2003-04 had not been got regularised so far (August 2005). This was a breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
2001-2002	4	1,15,21 & 26,	386.23	Not received
2002-2003	4	15, 18, 21 & 26	289.85	Not received
2003-2004	5	11, 12, 18, 21 & 30	194.46	Not received
Total			870.54	

2.3.8. Excess expenditure over provisions of 2004-05 requiring regularisation

The excess of Rs 395.52 crore involving three grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given as follows:

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
<i>Amount in crore</i>				
Revenue (Voted)				
1.	08-Finance	4154.11	4209.38	55.27
2.	21-Public Works	668.40	898.85	230.45
Revenue (Charged)				
3.	08-Finance	3872.12	3981.50	109.38
4.	12-Home Affairs & Justice	14.83	15.23	0.40
5.	26-State Legislature	0.29	0.31	0.02
	TOTAL	8709.75	9105.27	395.52

Reasons for the excesses had not been furnished by the Government as of August 2005.

2.3.9. Persistent excesses

Significant excesses were persistent in 12 cases involving three grants as detailed in *Appendix-XII*. Persistent excesses require investigation by the Government.

2.3.10. Excessive/unnecessary re-appropriation 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 the re-appropriation of funds proved injudicious in view of final excess of Rs 57.26 crore in one grant and savings of Rs 53.43 crore in 10 grants by Rupees one crore and above are detailed in *Appendix- XIII and XIV* respectively.

2.4. Unreconciled expenditure

2.4.1. Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlements) (AG (A&E)) every month. The reconciliation, however, remained in arrears in several Departments. The number of Controlling Officers who did not reconcile their figures, the year(s) for which reconciliation was in arrears and the amounts involved were as follows:

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
1993-94	31	585.03
1994-95	08	84.52
1995-96	02	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	04	27.82
2000-01	02	1147.74
2001-02	08	1387.56
2002-03	05	31.00
2003-04	04	31.06
Total	99	5602.46

2.4.2. Break-up of the amount that was pending reconciliation for the year 2004-05 by the various Controlling Officers with the figures of AG (A&E) are given as under:

(Rupees in crore)

Sr. No.	Name of the Controlling Officers who did not reconcile their figures	Amount not reconciled
1.	Chief Engineer, B&R Public Works Patiala	61.64
2.	Chief Engineer, Punjab Chandigarh	5.78
3.	Secretary, Irrigation and Power Punjab, Chandigarh	2180.86
	Total	2248.28

Reconciliation could not be carried out as the Departmental representatives did not come for reconciliation and this fact had been brought to the notice of the Finance Department.

2.5. Defective Re-appropriation

During 2004-05, 44 re-appropriation orders of Rs 1,570.37 crore were issued. Of these, 38 orders aggregating Rs 1,485.36 crore were issued on 31st March 2005, the last day of the fiscal year. Nineteen re-appropriation orders of the value of Rs 896.08 crore (57.06 per cent) were not considered in accounts as per details given in *Appendix- XV*.

2.6. Rush of Expenditure

The financial rules require that Government funds should be evenly spent throughout the year. The rush of expenditure, towards the end of the financial year, is regarded as a breach of financial rules. Scrutiny revealed that Rs 2,338.63 crore i.e. 13 per cent of the total expenditure (Rs 17,959 crore) was incurred in March 2005. Expenditure on the last day of the year was Rs. 531.21 crore. It was also noticed that in 12 cases, expenditure incurred during the fourth quarter of the year ranged between 50 and 100 per cent of total expenditure under those Heads of Accounts. Expenditure incurred during

March 2005 was 47.09 *per cent* of the total expenditure in these cases. Details are given in *Appendix-XVI*.

2.7. Budgetary Control

2.7.1. A review of budgetary procedure and control over expenditure in case of five grants (02-Animal Husbandry and Fisheries, 03-Co-operation, 06-Elections, 24-Science, Technology and Environment and 28-Tourism and Cultural Affairs) covering 11 offices and eight Departments revealed that budget estimates for the year 2004-05 due as on 31 October 2003 were sent by the Administrative Departments to the Finance Department late and in some cases even after the 2004-05 budget had been formulated by the State Government.

The Departments were to maintain Liability Register to keep watch over the undischarged liabilities. It was noticed that but for one Department² no such register was maintained by the Drawing and Disbursing Officers operating the Grants. As a result, the Budget Estimates were prepared by the Controlling Officers without considering the liabilities of the Department.

2.7.2. In 13 cases (Animal Husbandry and Fisheries, Co-operation, Science, Technology and Environment and Tourism and Cultural Affairs), there were persistent savings exceeding Rs 20 lakh in each case and 20 *per cent* or more of the provision during the last three years. Details are given in *Appendix-XVII*. In nine of the above cases, entire provision totalling Rs 123.87 crore remained unutilised.

2.7.3. A detailed scrutiny of records of the Secretary to Government of Punjab, Science, Technology and Environment Department (Grant No. 24) and the Director, Cultural Affairs, Archaeology and Museums (Grant No. 28) revealed the following irregularities:

- In 30 cases, there were savings of Rs 5.13 crore due to non-release of funds by the State Government. Details are given in *Appendix-XVIII*.
- In three cases, there was saving of Rs 14 lakh due to non-passing of bills by the Treasuries. Details are given in *Appendix-XIX*.
- In two cases in the Cultural Affairs Archaeology and Museums Department, supplementary grants sanctioned proved unnecessary or excessive in view of the saving under each head as detailed in *Appendix-XX*. Supplementary grant obtained was either excessive or unnecessary. The reasons for non-utilisation of grants were stated to be non-passing of bills by treasury and non-sanction or non-finalisation of projects by the Government.

² Animal Husbandry Department.