

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 2005-2006 against the total of 30 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/appropriation	Supplementary grant/appropriation	Total	Expenditure	(-)Saving (+) Excess
Voted	I. Revenue	15253.39	1101.46	16354.85	14852.56	(-)1502.29
	II. Capital	2519.19	341.77	2860.96	1596.41	(-)1264.55
	III. Loans & Advances	13.53	0	13.53	13.51	(-)0.02
Total Voted		17786.11	1443.23	19229.34	16462.48	(-)2766.86
Charged	V. Revenue	4111.20	5.45	4116.65	3755.02	(-)361.63
	VI. Capital	0	0	0	0	0
	VII. Public Debt	5654.90	0	5654.90	1663.82	(-)3991.08
Total Charged		9766.10	5.45	9771.55	5418.84	(-)4352.71
Grand Total		27552.21	1448.68	29000.89	21881.32	(-)7119.57

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 400.85 crore and capital expenditure Rs 59.55 crore.

The overall savings of Rs 7,119.57 crore as mentioned above were the net result of savings of Rs 7,185.22 crore in 74 cases and appropriations offset by excess of Rs 65.65 crore in two 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 2006).

2.3. Savings and Excesses

2.3.1. Appropriation by allocative priorities

Out of the savings of Rs 7,119.57 crore, as much as 38.78 per cent (Rs 2,761.08 crore) occurred in 11 grants as mentioned below:

(Rupees in crore)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture and Forests-Revenue (Voted)	704.72	0	704.72	299.78	404.94
03-Cooperation-Revenue (Voted)	180.59	0	180.59	50.34	130.25
05-Education-Revenue (Voted)	2495.45	31.83	2527.28	2255.78	271.50
05-Education-Capital (Voted)	100.58	0	100.58	18.29	82.29
08-Finance-Revenue (Charged)	4073.26	0	4073.26	3715.16	358.10
11-Health and Family Welfare-Revenue (Voted)	745.67	58.22	803.89	713.04	90.85
15-Irrigation and Power-Revenue (Voted)	1558.53	675.79	2234.32	2181.28	53.04
15-Irrigation and Power-Capital (Voted)	730.24	27.12	757.36	404.64	352.72
17-Local Government, Housing and Urban Development-Capital (Voted)	205.09	146.95	352.04	182.12	169.92
21-Public Works Revenue (Voted)	907.31	4.46	911.77	793.19	118.58
21-Public Works-Capital (Voted)	648.47	45.37	693.84	511.60	182.24
22-Revenue and Rehabilitation-Revenue (Voted)	509.86	0	509.86	304.13	205.73
23-Rural Development and Panchayats-Capital (Voted)	174.76	23.36	198.12	44.96	153.16
24-Science, Technology and Environment-Capital (Voted)	196.77	0	196.77	9.01	187.76
Total	13231.30	1013.10	14244.40	11483.32	2761.08

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

2.3.2. Persistent savings

In 13 cases, involving eight grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 per cent or more of provision. Details are given in *Appendix-VIII*. Under six Centrally Sponsored Schemes, there were savings of 100 per cent during the last three years.

2.3.3. Original budget and supplementary provisions

Supplementary provisions (Rs 1,448.68 crore) made during this year constituted 5.26 per cent of the original provision (Rs 27,552.21 crore) as against 1.59 per cent in the previous year.

2.3.4. Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 377.34 crore made in 13 cases during the year proved unnecessary in view of aggregate saving of Rs 1,463.84 crore. Details are given in *Appendix-IX*.

In 14 cases, against additional requirement of only Rs 861.13 crore, supplementary grants and appropriations of Rs 1,060.27 crore were obtained,

resulting in savings in each case exceeding Rupees 10 lakh, aggregating Rs 199.14 crore. Details are given in **Appendix-X**.

As mentioned below, supplementary provision of Rs 8.76 crore proved insufficient leaving an uncovered excess expenditure of Rs 8.88 crore.

Sr No.	No. and name of Grant/Appropriation	Original Grant	Supplementary Grant	Total	Expenditure	Excess
(Rupees in crore)						
Capital (Voted)						
1.	19-Planning	270.10	8.76	278.86	287.74	8.88

2.3.5. 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 2005-06, there were 23 cases in which savings above Rupees one crore in each case amounting to Rs 1,081.37 crore had not been surrendered. In 16 cases, even after partial surrender, savings of Rupees one crore and above and in two cases Rs.50 lakh and above in each case aggregating to Rs 1,623.72 crore (78.51 per cent of total savings) were not surrendered. This included savings of Rs 124.38 crore (95 per cent) under Grant No. 03-Cooperation (Revenue-voted), Rs.269.19 crore (99 per cent) under Grant No. 05-Education, (Revenue-voted), Rs.287.60 crore (80 per cent) under Grant No. 08-Finance, (Revenue-charged), Rs 340.13 crore (96 per cent) under Grant No. 15-Irrigation and Power (Capital voted) and Rs 167.32 crore (98 per cent) under Grant No. 17-Local Government, Housing and Urban Development (Capital Voted). Details are given in **Appendix-XI and XII** respectively.

2.3.6. 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 1,266.06 crore for the years 2001-05 had not been got regularised so far (August 2006). 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
2004-2005	4	8, 12, 21, 26	395.52	Not received
Total			1266.06	

2.3.7. Excess expenditure over provision of 2005-06 requiring regularization

The excess of Rs 65.65 crore involving two grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given as follows:

(Rupees in crores)

Sr.No.	No. and name of Grant/appropriation	Total Grant/appropriation	Actual expenditure	Excess
Revenue (Voted)				
1.	17-Local Government, Housing and Urban Development	224.44	281.22	56.77
Capital (Voted)				
2.	19-Planning	278.86	287.74	8.88
	TOTAL	503.30	568.96	65.65

Reasons for the excesses had not been furnished by the Government as of August 2006.

2.3.8. Persistent excesses

Significant excesses were persistent in 15 cases involving three grants as detailed in *Appendix-XIII*. Persistent excesses require investigation by the Government.

2.3.9. 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 141.37 crore in three grant and savings of Rs 472.57 crore in nine grants by Rupees one crore and above are detailed in *Appendix- XIV and XV* respectively.

2.4. Defective Re-appropriation

During 2005-06, 42 re-appropriation orders of Rs 5,501.05 crore were issued. Of these, 38 orders aggregating Rs 5,133.42 crore were issued on 31st March 2006, the last day of the fiscal year. Seventeen re-appropriation orders of the value of Rs 353.79 crore (6.43 *per cent*) were not considered in accounts as per details given in *Appendix- XVI*.

2.5. 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 2,751.28 crore i.e. 13.95 *per cent* of the total expenditure (Rs 19,723.62 crore¹) was incurred in March 2006. Expenditure on the last day of the year was Rs. 322.51 crore. It was also noticed that in 25 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 2006 was 54.49 *per cent* of the total expenditure in these cases. Details are given in *Appendix-XVII*.

¹ Rupees 19723.62 crore excludes recoveries (Rs 460 crore), Ways and Means Advances (Rs 553 crore), Public Debt (Rs 1111 crore) and Loans and Advances (Rs 33 crore).

2.6. Expenditure on New Service/New Instrument of Service Rs.22.71 crore

Punjab Budget Manual lays down that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by the Appropriation Act for a financial year, except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Test check of records revealed that the State Government incurred an expenditure of Rs.22.71 crore on four new schemes as detailed in the *Appendix- XVIII* without budget provision in contravention of the provisions of the Punjab Budget Manual.

2.7 Awaited DC Bills of Rs.1.67 crore

As per records of the office of the Accountant General (A&E) Punjab, Chandigarh, Detailed Contingent (DC) Bills in respect of three Abstract Contingent (AC) bills drawn from September 2002 to January 2006 aggregating to Rs.1.67 crore were awaited as on 31 March 2006.

2.8. Budgetary Control

2.8.1. A review of budgetary procedure and control over expenditure in case of five grants (09-Food and Supplies, 10-General Administration, 13-Industries, 25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes, and 29-Transport) covering 14 offices of 12 departments revealed that budget estimates for the year 2005-06 due as on 1 November 2004 were sent by these Administrative departments to the Finance Department late and in some cases even after the 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 no such register was maintained by the Drawing and Disbursing Officers operating these grants. As a result, the Budget Estimates were prepared by the Controlling Officers without considering the liabilities of the department.

2.8.2. In 23 cases (Food and Supplies, General Administration, Industries, Social Welfare and Transport), 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-XIX*. In seven of the above cases, entire provision aggregating Rs 27.26 crore in last three years remained unutilized.

2.8.3. A detailed scrutiny of records of the Secretary to Government of Punjab, Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes (Grant No. 25) and the Transport (Grant No. 29) revealed the following irregularities:

- † In 80 cases, there were savings of Rs 45.35 crore mainly due to non-release of funds by the State Government and non-submission of claims by the beneficiaries. Details are given in *Appendix-XX*.

† In seven cases, there was saving of Rs 1.06 crore due to non-passing of bills by the treasuries. Details are given in *Appendix-XXI*.

† In eight cases, there was substantial excess over grants amounting to Rs.3.36 crore as per detail given in *Appendix-XXII*.

2.9 Retention of funds outside budgetary control of State Legislature

Rules provides that all receipts of the State should be credited to the Consolidated Fund of the State and withdrawal of money therefrom should be regulated by law made by the Legislature of the State. Accordingly, fee/cess levied through Acts of Legislature of the State and sale proceeds of government land should be credited into the Consolidated Fund of the State.

Scrutiny of Cattle Fair Fund accounts maintained by the Rural Development and Panchayat Department revealed that a sum of Rs.11.05 crore was realized as Cattle Fair fee during 2005-06. From 9 August 2002, the receipts under Cattle Fair Fund were deposited into the personal saving bank account. Status of accounts as on 31 March 2006 has been given below:

(Rupees in crore)

Year	Opening Balance	Funds collected during the year	Interest earned	Total	Expenditure	Closing Balance
2005-06	4.82	11.05	0.23	16.10	10.78	5.32

The receipts and disbursements were credited/debited to the said fund rather than into the Consolidated Fund of the State. This resulted in irregular retention of government money outside the government accounts and also irregular expenditure without budgetary control of the State Legislature.

Reasons for irregular transactions were called for. Reply has not been received (August 2006).

2.10 Personal Deposit Account Balances as on March 2006–8443–Civil Deposits–106–Personal Deposits

Government decided (September 2004) that all the existing Personal Ledger Accounts (PLA) stand closed effective on 31 July 2004 by debit to the concerned PLA and contra-credit to the receipt head of the department concerned, by which the amount was drawn from its expenditure head originally.

Contrary to the instructions of September 2004, the following amounts were lying in PLA account. Year-wise detail is as under:

(Rupees in crore)

Year	Opening Balance	Receipt	Payment	Closing Balance
2003-04	44.28	28.64	31.68	41.24
2004-05	41.24	34.82	44.88	31.18
2005-06	31.18	595.46	587.65	38.99

Retention of money in PLA contrary to Punjab Government instructions referred to above was irregular.