

CHAPTER - II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS – 2000-2001 AT A GLANCE

Total No. of grants: 30

Total provision and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Budget	23110.29	-	20027.96
Supplementary	818.28		-
Total Gross Provision	23928.57	Total Gross Expenditure	20027.96
Deduct -Estimated recoveries in reduction of expenditure	1701.86	Deduct-Actual recoveries in reduction of expenditure	1389.40
Total provision	22226.71	Total net expenditure	18638.56

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision	Charged	Expenditure	Charged
	Voted		Voted	
Revenue	10683.64	2970.16	9706.73	2377.32
Capital	3170.28	7104.49	2712.85	5231.06
Total Gross	13853.92	10074.65	12419.58	7608.38
Deduct recoveries in reduction of expenditure	1701.86		1389.40	
Total: Net	12152.06	10074.65	11030.18	7608.38

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of budget.

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

The summarised position of actual expenditure during 2000-2001 against grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving
Voted	I. Revenue	10143.34	540.30	10683.64	9706.73	976.91
	II. Capital	2667.76	66.57	2734.33	2611.30	123.03
	III. Loans & Advances	228.33	207.62	435.95	101.55	334.40
Total Voted		13039.43	814.49	13853.92	12419.58	1434.34
Charged	IV. Revenue	2966.37	3.79	2970.16	2377.32	592.84
	V. Capital	0.04	-	0.04	0.01	0.03
	VI. Public Debt	7104.45	-	7104.45	5231.05	1873.40
Total Charged		10070.86	3.79	10074.65	7608.38	2466.27
Grand Total		23110.29	818.28	23928.57	20027.96	3900.61

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs.371.21 crore and capital expenditure Rs.1018.19 crore.

2.3 Results of Appropriation Audit

2.3.1 Savings/excess in grants/appropriations

The overall savings of Rs.3900.61 crore as mentioned in paragraph 2.2 above was the net result of savings of Rs.4467.46 crore in 68 cases of grants and appropriations offset by excess of Rs.566.85 crore in 8 cases of grant and appropriations.

2.3.2 Excess requiring regulations.

(a) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.896.55 crore for the years 1996-97 to 1999-2000 had not been regularised so far (August 2001).

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
1996-97	6	9,12,15,21,25,26	254.67	Not received
1997-98	4	1,5,12,21	312.98	Not received
1998-99	6	5,7,8,21,26,28	242.80	Not received
1999-2000	2	21,26	86.10	Not received
Total	18		896.55	

Possibility of financial irregularities remained unexamined due to failure and long delay in furnishing explanation of un-regularised excess expenditure could not be ruled out.

(b) Excess over provisions during 2000-01 requiring regularisations.

The excess of Rs.566.85 crore under 8 grant and appropriation during the year 2000-01 require regularisation under Article 205 of the Constitution. Details are given below.

Sr.No.	No. and name of Grant/appropriation	Total Grant/appropriation	Actual expenditure	Excess
<i>Amount in Rupees</i>				
Revenue (Voted)				
1.	8-Finance	27,17,89,47,000	28,33,20,29,882	1,15,30,82,882
2.	15-Irrigation & Power	8,31,65,26,000	9,33,80,44,302	1,02,15,18,302
3.	21-Public Works	5,83,11,61,000	7,12,64,43,275	1,29,52,82,275
Revenue (Charged)				
4.	07-Excise & Taxation	10,000	1,09,558	99,558
5.	14-Information & Public Relations	23,000	2,73,855	2,50,855
6.	26-State Legislature	11,66,000	12,72,836	1,06,836
7.	27-Technical Education	91,000	1,94,382	1,03,382
Capital (Voted)				
8.	15-Irrigation & Power	7,49,01,26,000	9,68,81,40,772	2,19,80,14,772
	TOTAL	48,81,80,50,000	54,48,65,08,862	5,66,84,58,862

Reasons for the excesses had not been furnished by the Government as of August 2001.

2.3.3 Original budget and supplementary provisions

Supplementary provisions obtained during this year proved unnecessary as the expenditures (Rs. 20027.96 crore) fell short of even the original budget of Rs.23110.29 crore, notwithstanding the fact that it constituted only 3.54 per cent of the original provision as against 19.82 per cent in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions.

Supplementary provisions of Rs.285.48 crore made in 21 cases during the year proved unnecessary in view of aggregate saving of Rs.1234.51 crore as detailed in Appendix-III.

In 5 cases, against additional requirement of only Rs.157.51 crore, supplementary grants and appropriations of Rs.307.23 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.149.72 crore. Details of these cases are given in Appendix-IV.

In 2 cases, supplementary provisions of Rs.222.22 crore proved insufficient by more than Rupees one crore in each case leaving an aggregate uncovered excess expenditure of Rs.349.33 crore as per details given in Appendix-V.

2.3.5 Persistent savings

In 21 cases involving 9 grants/appropriations there were persistent savings more than Rs. one crore in each case and 20 per cent or more of provisions. Details are given in Appendix-VI.

2.3.6 Persistent Excesses

Significant excesses were persistent in 6 cases involving one grant as detailed in Appendix-VII. Persistent excess requires investigation by the Government for remedial action.

2.3.7 Significant savings

In 33 cases, expenditure fell short by more than Rupees one crore in each case and also by more than 20 per cent of the total provision as indicated in Appendix-VIII. In the 4 of the above cases (Sr. No. 17, 20, 24 and 30), the entire provision totaling Rs.27.98 crore was not utilized.

2.3.8 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 savings/excess over grant by over Rs.10 lakh as detailed in Appendix IX and X respectively.

2.3.9 Anticipated savings not surrendered

(a) 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. However, at the close of the year 2000-2001, there were 27 cases in which savings above one crore in each case amounting to Rs.3332.76 crore had not been surrendered by the department. In 19 cases even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs.735.12 crore remained unsurrendered. Details are given in Appendix XI and XII respectively.

(b) Besides, in 17 cases, Rs.381.34 crore were surrendered on the last two days of March 2001 indicating inadequate financial control over expenditure. Details are given in Appendix-XIII.

2.4 Short release of Grants by Central Government - Rs.58.13 crore

Tenth Finance Commission recommended grants of Rs.103.35 crore to the State Government to enable them to supplement the resources of Panchayati Raj Institutions (PRIs). The grant was meant to finance development expenditure. As per guidelines the PRIs were required to provide suitable matching contribution. However, during 1999-2000 the contribution of PRIs/State Government was relaxed to one third. During 1996-97, the grant was to be released without pre-condition but during 1997-98 to 1999-2000, grant was to be released on the production of utilisation certificate.

Audit observed that out of total funds of Rs.45.22 crore as detailed in Appendix XIV received from Central Government, State Government did not release funds to the PRIs during 1996-2000. However, Rs.16.50 crore was released during 2000-2001 to PRIs and position regarding utilisations of these

funds was still awaited from PRIs. Due to non-release of grants by State Government to PRIs, Central Government did not release the balance grant of Rs.58.13 crore to the State Government, which obviously would have affected the development work of PRIs.

2.5 Trend of Recoveries and Credits

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude 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. In 4 grants/appropriations, the actual recoveries adjusted in reduction of expenditure (Rs.632.10 crore) fell short of the estimated recoveries (Rs.1456.41 crore) by Rs.824.31 crore. Further in 4 grants/appropriations though no recoveries were provided in budget estimates for the year 2000-2001, recoveries of Rs.18.05 crore were made. Details are given in Appendix-XV.

2.6 Explanations for saving/excess not received at all

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers requiring them to explain significant variations under the heads. During the year, Rs.566.85 crore of excess and Rs.4467.46 crore of savings were noticed under 30 grants. The explanations for variations were not received from any of the Controlling Officers (November 2001) of the State.

2.7 Unreconciled Expenditure

Departmental figures of expenditure should be reconciled with those of the Principal Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The number of Controlling Officers who did not reconcile their figures and the amounts involved were as under. During 2000-2001 out of two D.D.O.s one has partially reconciled the expenditure (66 per cent).

Year	Number of Controlling Officers who did not reconcile their figures	(Rupees in crore)
		Amounts not reconciled
1992-93	8	693.37
1993-94	31	585.03
1994-95	8	84.52
1995-96	2	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	4	27.82
2000-2001	2	1147.74
Total	90	4846.21

2.8 Defective Re-appropriation

During 2000-2001, 46 re-appropriation orders of Rs.2401.75 crore were issued by the State Government. Of which, 6 orders aggregating Rs.117.10 crore were issued on 31st March 2001, the last day of the fiscal year. 14 re-appropriation orders of the value of Rs.1872.91 crore were incorrect as indicated in Appendix-XVI and hence were excluded from the Draft Appropriation Accounts 2000-2001.

2.9 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for the 4 quarters and also for the month of March, 2001 is depicted in Appendix-XVII which shows that the expenditure incurred in March, 2001 in 10 cases ranged between 36 and 100 per cent of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.10. Expenditure and Budgetary Control

2.10.1 A review of budgetary procedure and control over expenditure in case of six grants * covering 18 offices of 16** departments revealed that budget estimates due in the month of October were sent to the Finance Department after delays ranging from 3 days to 31 days. The liability register to keep a watch over undischarged liabilities was not maintained by the Drawing and Disbursing Officers operating Grants no. 2, 25 and 29.

2.10.2 Further detailed scrutiny of two departments i.e. Animal Husbandry (Grant no. 2 Animal Husbandry and Fisheries) and Transport (29-Transport) revealed the following irregularities:

(i) Provision for sanctioned strength including vacant posts instead of actual strength.

Budget Manual prescribes that while framing estimates for sanctioned establishments whether permanent or temporary no provision should be made for vacant posts. Funds should be obtained either by supplementary grants or by re-appropriation whenever the vacant posts are filled up.

* (1) 2-Animal Husbandry and Fisheries (2) 4-Defence Service Welfare (3) 10-General Administration (4) 25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes (5) 27-Technical Education and Industrial Training (6) 29-Transport

** (1) Animal Husbandry (2) Dairy Development (3) Fisheries (4) Sainik Welfare (5) Secretary to Governor (6) Principal Secretary to Chief Minister (7) Chief Secretary to Government Punjab (8) Hospitality Department (9) Punjab Legislative Assembly (10) Public Instructions (11) Welfare of Scheduled Castes and Backward Classes (12) Social Welfare (13) Technical Education and Industrial Training (14)Transport Commissioner (15) Civil Aviation (16) State Transport

In one case (2403-Animal Husbandry) provision of Rs. 78.47 lakh for 160 vacant posts (out of 7084 sanctioned posts) was made in contravention of the rules which resulted in savings in the grant.

(ii) Provision for funds for schemes awaiting sanction.

In 10 cases, provision of funds aggregating to Rs.2.49 crore for the schemes awaiting sanction was made without prior approval of competent authority due to non-clearance/implementation of schemes by Planning/Finance Departments resulting in non-utilization of funds. Details are given in appendix-XVIII

(iii) Non-release of funds by Government

In 16 cases, there was saving of Rs.7.02 crore due to non-release of funds by the Government. Details are given in Appendix-XIX.

(iv) Unnecessary/excessive Supplementary grant.

In 8 cases, Supplementary grants sanctioned proved excessive or unnecessary as details in Appendix-XX :

In view of saving under each head, supplementary grant obtained was either excessive or unnecessary. The reasons for non-utilisation of grants were stated to be due to non-clearance of sanction of selection grade, foreign travel expenses, contingency bills and medical bills and non-release of funds by the Finance Department.

(v) Unrealistic Budgeting

Head of Department is required to prepare Budget Estimates based on actual expenditure in the two years preceding the year just closed, the last six months of previous year and first six months of current year. It was noticed in audit that Budget Estimates were not submitted by the Director, Animal Husbandry systematically as per prescribed procedure as these were framed on the basis of expenditure for one year.

2.10.3 Substantial savings in grant/appropriation.

In 22 cases savings exceeding Rs. 1 crore in each case and also by more than 10 per cent of total provision amounted to Rs.394.22 crore as detailed in Appendix-XXI. In 12 of the above cases (Sr. No. 11 to 22) the entire provision totalling Rs.28.99 crore was not utilized.

2.10.4 Persistent savings in grant/appropriation.

In 32 cases, there was persistent saving exceeding Rs.10 lakh in each case and 20 per cent or more of the provision during the last three years. Details are given in Appendix-XXII. In 11 of the above cases (Sr. No. 22 to 32) entire provision totalling Rs.39.54 crore remained unutilized.

2.10.5 Unusual excess over budget provision

In 6 cases, expenditure aggregating to Rs.6.43 crore exceeded the approved provision by Rs.25 lakh or more in each case and also by 10 percent of the

total provision. Details of these cases are given in Appendix-XXIII. It was noticed that in 4 cases (1,2,3, and 5) though grants were reduced by re-appropriation yet expenditure was incurred on the basis of original grants. Thus re-appropriation made proved injudicious.

2.10.6 Expenditure without budget provision

As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs.302.46 crore (Voted) and Rs.20.02 crore (Charged) was incurred in 21 and 10 cases respectively as detailed in Appendix-XXIV without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.