CHAPTER II: APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Introduction

- **2.1** In accordance with the provisions 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 certain 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.
- **2.2** 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-a-vis* those authorised by the Appropriation Act.
- **2.3** 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 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.
- **2.4** The summarised position of actual expenditure during 2000-2001 against 56 grants/appropriations is as follows:

Summary of Appropriation Accounts – 2000-2001

APPROPRIATION ACCOUNTS: Appropriation Accounts for

the year 2000-2001

Total No. of grants: 56 Grants/Appropriations

Total provision and actual expenditure:

Provision	Amount	Amount Expenditure	
	(Rs. in crore)		(Rs. in crore)
Original	2532.37		2330.17
Supplementary	120.75		
Total gross provision	2653.12	Total gross expenditure	2330.17
Deduct -Estimated	170.02	<i>Deduct</i> -Actual	151.84
recoveries in		recoveries in reduction	
reduction of expenditure		of expenditure	
Total net provision	2483.10	Total net expenditure	2178.33

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	1883.20	209.37	1600.76	230.00
Capital	509.30	51.25	406.17	93.24
Total Gross	2392.50	260.62	2006.93	323.24
Deduct -recoveries in reduction of expenditure	170.02	-	151.84	-
Total : Net	2222.48	260.62	1855.09	323.24

Total provision and actual expenditure classified according to nature of expenditure:

(Rupees in crore)

	Nature of expenditure	Original grant/ Appro- priation	Supple- mentary grant/ appro- priation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I.Revenue	1790.97	92.23	1883.20	1600.76*	(-) 282.44
	II.Capital	478.06	22.05	500.11	401.97 *	(-) 98.14
	III.Loans and Advances	9.14	0.05	9.19	4.20	(-) 4.99
Total Voted		2278.17	114.33	2392.50	2006.93	(-) 385.57
Charged	IV.Revenue	209.20	0.17	209.37	230.01	(+) 20.64
	V Capital	-	-	-	-	-
	VI.Public Debt	45.00	6.25	51.25	93.23	(+)41.98
Total Charged		254.20	6.42	260.62	323.24	(+) 62.62
Appropriation to Contingent Fund (if any)		-	-	-	-	-
Grand Total		2532.37	120.75	2653.12	2330.17*	(-)322.95

Excess over provision relating to previous years requiring regularisation

2.5 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.289.17 crore for the years from 1996-97 to 2000-2001 was yet to be regularised (November 2001).

(Rupees in crore)

Year	Number of grants	Number of Appropriation	Amount of excess	Amount for which explanations not furnished to PAC
1996-97	14	4	26.17	26.17
1997-98	8	7	44.07	44.07
1998-99	11	3	113.06	113.06
1999-2000	7	5	23.95	23.95
2000-2001	5	7	81.92	81.92
		Total	289.17	289.17

^{*} These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (under revenue expenditure: Rs. 96.72 crore; capital expenditure:Rs. 55.13 crore).

In addition to the above, the excess expenditure amounting to Rs.466.15 crore for the period from 1987-88 to 1995-96 was not regularised (November 2001).

Results of Appropriation Audit

- **2.6** The overall savings of Rs. 322.95 crore was the result of saving of Rs.404.87 crore in 56 grants and appropriations, offset by excess of Rs. 81.92 crore in 5 grants and 4 appropriations.
- **2.7** Supplementary provision of Rs. 55.53 crore made during the year in 30 cases proved unnecessary in view of aggregate savings of Rs. 220.55 crore in these cases as detailed in **Appendix I.**
- **2.8** In 16 cases, additional requirement of Rs. 36.06 crore, supplementary grants and appropriations of Rs. 53.99 crore were obtained resulting in savings of Rs. 10 lakh and above in each case, aggregating Rs. 17.93 crore. Details of these cases are given in **Appendix II.**
- **2.9** The excess of Rs. 16.80 crore in 5 grants and Rs. 65.12 crore in 4 appropriations require regularisation under Article 205 of the constitution. Details of these are given in **Appendix III.**
- **2.10** In 2 cases, supplementary provision of Rs. 3.85 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs. 16.43 crore as per details given in **Appendix IV**.
- **2.11** In 45 cases, expenditure fell short by more than Rs. 10 lakh and above in each case and also by more than 10 *per cent* of the total provision as indicated in **Appendix V**. Out of 45 cases, in 2 cases (Sl. Nos. 42 and 44), 100 *per cent* of the provision was not utilised.
- **2.12** In 4 cases, there were persistent savings in excess of Rs. 10 lakh in each case and 10 *per cent* of the total provision during last three years ending 2000-2001 as detailed in **Appendix VI**.
- **2.13** In 8 cases, expenditure exceeded the approved provisions by more than Rs. 50 lakh and also by more than 10 *per cent* of the total provision. Details are given in **Appendix VII**.

Excessive/unnecessary re-appropriation of funds

2.14 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. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs. 10 lakh in each case under 20 grants and appropriations are indicated in **Appendix – VIII**.

Expenditure without provision

2.15 As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds thereof. It was, however, noticed that expenditure of Rs. 59.45 crore was incurred in 9 cases under 6 grants/appropriations as detailed in **Appendix-IX**, although no budget

provisions were made in the original estimates/supplementary demands, and no re-appropriation orders were issued.

Anticipated savings not surrendered

2.16 According to Financial 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 51 cases in which savings amounting to Rs. 164.91 crore had not been surrendered. In 35 cases out of 51, the available savings for surrender of Rs. 50 lakh and above in each case were not surrendered, which aggregated to Rs. 160.73 crore. Details are given in **Appendix** – **X**.

Surrender in excess of actual savings

2.17 The amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.98.31 crore in 3 grants, the amount surrendered was Rs.102.48 crore, resulting in excess surrender of Rs.4.17 crore. Details are given in **Appendix-XI**.

Trend of recoveries and credits

- **2.18** Under the system of gross budgeting followed by the 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 estimate.
- **2.19** In 7 grants/appropriations, the actual recoveries adjusted in reduction of expenditure of Rs. 151.84 crore (Revenue: Rs. 96.72 crore; Capital: Rs. 55.12 crore) against the estimated recoveries of Rs. 170.02 crore (Revenue: Rs. 108.00 crore; Capital: Rs. 62.02 crore) were less by Rs. 18.18 crore. The details are given in **Appendix** to the Appropriation Accounts 2000-2001.

Non-receipt of explanations for savings/excesses

2.20 For the year 2000-2001, explanations for savings/excesses were not received in respect of 41 grants/appropriations out of 56. In other words in respect of 73 *per cent* of grants/appropriations, explanations were not received.

Unreconciled expenditure

2.21 Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General (Accounts and Entitlement). Out of 61 Controlling Officers, only one Controlling Officer (Secretary, Rural Development Department) did not reconcile expenditure of Rs. 49.95 crore pertaining to the year 2000-2001.

Rush of expenditure

2.22 The Financial Rules require that Government expenditure be evenly phased out throughout the years as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. In 7 cases, the expenditure in March 2001 was found to have been 10 *per cent* and above of the total expenditure for the year. Details are given in **Appendix - XII**.