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.

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 the Government *vis-a-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.

Summary of expenditure

2.1.1 The summarised position of actual expenditure during 2002-03 against 56 grants/appropriations is as follows:

Summary of Appropriation Accounts – 2002-2003

APPROPRIATION ACCOUNTS: 2002-03

Total number of grants: 56 Grants/Appropriations

Total provision and actual expenditure: (Rupees in crore)

Provision	Amount	Expenditure	Amount
		Expenditure	
Original	2920.23		2895.13
Supplementary	272.51		
Total gross provision	3192.74	Total gross expenditure	2895.13
<i>Deduct</i> -Estimated		<i>Deduct</i> -Actual	
recoveries in	181.52	recoveries in reduction	155.03
reduction of expenditure		of expenditure	
Total net provision	3011.22	Total net expenditure	2740.10

Voted and Charged provision and expenditure:

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1871.12	338.91	1769.40	296.10
Capital	919.60	63.11	509.72	319.91
Total Gross	2790.72	402.02	2279.12	616.01
<i>Deduct</i> -recoveries in	181.52	-	155.03	-
reduction of expenditure				
Total : Net	2609.20	402.02	2124.09	616.01

Total provision and actual expenditure classified according to nature of expenditure: (Rupees in crore)

expenditure:					(Hupees	in crorc)
	Nature of expenditure	Original grant/ Appro- priation	Supple- mentary grant/ appro- priation	Total	Actual expenditure	Saving(-) Excess(+)
Voted	I.Revenue	1722.15	148.97	1871.12	1769.40	(-) 101.72
	II.Capital	787.17	119.16	906.33	501.48	(-) 404.85
	III.Loans and Advances	13.22	0.05	13.27	8.24	(-) 5.03
Total Voted		2522.54	268.18	2790.72	2279.12	(-) 511.60
Charged	IV.Revenue	338.87	0.04	338.91	296.10	(-) 42.81
	V Capital	-	-	-	-	-
	VI.Public Debt	61.93	1.18	63.11	319.91	256.80
Total Charged		400.80	1.22	402.02	616.01	213.99
Appropriation to Contingent Fund (if any)		1	-	-	-	ı
Grand Total		2923.34	269.40	3192.74	2895.13	(-) 297.61

Excess over provision relating to previous years requiring regularisation

2.1.2 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. 1297.66 crore for the years from 1987-88 to 2002-2003 was yet to be regularised (September 2003).

(Rupees in crore)

Year	Number of grants	Number of Appropriation	Amount of excess	Amount for which explanations not
	g			furnished to PAC
1987-88 to			536.39	536.39
1997-98				
1998-99	11	3	113.06	113.06
1999-2000	7	5	23.95	23.95
2000-01	5	7	81.92	81.92
2001-02	10	4	275.57	275.57
2002-03	6	4	266.77	266.77
Total 129				

Results of appropriation audit

2.1.3 The overall savings of Rs.297.61 crore were the result of savings of Rs.564.38 crore in 53 grants and appropriations, offset by excess of Rs.266.77 crore in seven grants and three appropriations.

Supplementary provision of Rs.113.88 crore made during the year in 37 cases proved unnecessary or excessive in view of aggregate savings of Rs. 374.36 crore in these cases as detailed in **Appendix** – **I.**

In 14 cases, against additional requirement of Rs.22.25 crore, supplementary grants of Rs. 43.95 crore were obtained resulting in savings of Rs.10 lakh and above in each case, aggregating Rs.22.29 crore. Details of these cases are given in **Appendix – II.**

The excess of Rs. 266.77 crore in 10 grants/appropriations require regularisation under Article 205 of the constitution. Details of these are given in **Appendix – III.**

In five cases, supplementary provision of Rs.18.34 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs. 266.83 crore as per details given in **Appendix – IV.**

In 42 cases, saving was more than Rs. 10 lakh and above in each case and also over 10 *per cent* of the total provision as indicated in **Appendix** – **V**.

In eight 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 2002-2003 as detailed in **Appendix** – **VI**.

In two 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

2.1.4 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 31 grants and appropriations are indicated in **Appendix – VIII.**

Expenditure without provision

2.1.5 As envisaged in the Budget Manual, expenditure should not be incurred on a scheme /service without provision of funds thereof. It was noticed that expenditure of Rs.222.23 crore was incurred in nine cases under three 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

2.1.6 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. At the close of the year 2002-03, there were 60 cases in which savings amounting to Rs. 320.24 crore had not been surrendered. In 45 cases out of 60, the available savings of Rs. 50 lakh and above for surrender in each case were not surrendered, which aggregated to Rs. 316.75 crore. Details are given in **Appendix** – **X**.

Surrender in excess of actual savings

2.1.7 The amount surrendered in excess of actual savings indicates inadequate budgetary control. As against the total amount of actual savings of Rs.10.69 crore in 10 cases, the amount surrendered was Rs.12.97 crore, resulting in excess surrender of Rs. 2.28 crore. Details are given in **Appendix-XI.**

Trend of recoveries and credits

2.1.8 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.

In seven grants/appropriations, the actual recoveries of Rs.155.06 crore (Revenue: Rs.104.79 crore; Capital: Rs.50.27 crore) against the estimated recoveries of Rs.181.52 crore (Revenue: Rs.131.00 crore; Capital: Rs.50.52 crore) were less by Rs. 26.46 crore. The details are given in **Appendix** to the Appropriation Accounts 2002-03.

Non-receipt of explanations for savings/excesses

2.1.9 For the year 2002-03, explanations for savings/excess were not received in respect of any of the 56 grants/appropriations.

Unreconciled expenditure

2.1.10 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, two Controlling Officers {Secretary, Revenue and Secretary, Public Works (Roads and Bridge)} who carried out partial reconciliation did not reconcile expenditure of Rs.10.92 crore {Revenue: Rs.10,91,82,000; Public Works (Roads and Bridges): Rs.55,310} pertaining to the year 2002-03.

Rush of expenditure

2.1.11 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 28 cases, the expenditure in March 2003 was found to have been 20 *per cent* and above of the total expenditure for the year. Details are given in **Appendix – XII**.