

## CHAPTER-II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### Summary of Appropriation Accounts-2002-2003

**Total number of grants/ appropriations: 28**

**Total provision and expenditure:**

| Provision   | Amount (Rupees in crore) | Expenditure  | Amount (Rupees in crore) |
|---|--------------------------|--|--------------------------|
| Original  | 5840.02                  | ---  | ---                      |
| Supplementary   | 590.14                   | ---  | ---                      |
| Total gross provision                                   | 6430.16                  | Total gross expenditure                              | 6647.24                  |
| Deduct-Estimated recoveries in reduction of expenditure | 387.30                   | Deduct-Actual recoveries in reduction of expenditure | 662.73                   |
| <i>Total net provision</i>                              | <b>6042.86</b>           | <b>Total net expenditure</b>                         | <b>5984.51</b>           |

#### Voted and Charged provision and expenditure :

|   | Provision (Rupees in crore) |                | Expenditure (Rupees in crore) |                |
|---|-----------------------------|----------------|-------------------------------|----------------|
|   | Voted                       | Charged        | Voted                         | Charged        |
| Revenue                                       | 4249.27                     | 631.19         | 3072.88                       | 1089.83        |
| Capital                                       | 933.00                      | 616.70         | 609.78                        | 1874.75        |
| Total Gross                                   | 5182.27                     | 1247.89        | 3682.66                       | 2964.58        |
| Deduct recoveries in reduction of expenditure | 387.30                      | ---            | 662.73                        | ---            |
| <b>Total Net</b>                              | <b>4794.97</b>              | <b>1247.89</b> | <b>3019.93</b>                | <b>2964.58</b> |

### 2.1 Introduction

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 Act 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 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.

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during the period 1 April 2002 to 31 March 2003 against 28 grants/appropriations is given below:

**(Rs. in crore)**

|                      | Nature of expenditure  | Original grants/ Appropriations | Supplementary grants/appropriation | Total Provision | Actual expenditure | Saving(-) Excess(+) |
|----------------------|------------------------|---------------------------------|------------------------------------|-----------------|--------------------|---------------------|
| Voted                | I-Revenue              | 3841.76                         | 407.52                             | 4249.28         | 3072.88            | (-)1176.40          |
|                      | II-Capital             | 741.96                          | 178.03                             | 919.99          | 993.95             | (+)73.96            |
|                      | III-Loans and Advances | 13.00                           | -                                  | 13.00           | 95.88              | (+)82.88            |
| <b>Total Voted</b>   |                        | <b>4596.72</b>                  | <b>585.55</b>                      | <b>5182.27</b>  | <b>4162.71</b>     | <b>(-)1019.56</b>   |
| Charged              | IV-Revenue             | 626.62                          | 4.57                               | 631.19          | 609.78             | (-) 21.41           |
|                      | V-Capital              |                                 |                                    |                 |                    |                     |
|                      | VI-Public Debt         | 616.68                          | 0.02                               | 616.70          | 1874.75            | (+)1258.05          |
| <b>Total Charged</b> |                        | <b>1243.30</b>                  | <b>4.59</b>                        | <b>1247.89</b>  | <b>2484.53</b>     | <b>(+)1236.64</b>   |
| <b>Grand Total</b>   |                        | <b>5840.02</b>                  | <b>590.14</b>                      | <b>6430.16</b>  | <b>6647.24</b>     | <b>(+) 217.08</b>   |

The total expenditure was understated at least to the extent of the following:

- (i) Expenditure of Rs.46.04 crore was incurred but had remained unaccounted for in the books of Accountant General (Uttaranchal) due to non receipt of vouchers from the treasuries during the period from 1 April 2002 to 31 March 2003 under various Major Heads.
- (ii) Rs.0.75 crore drawn under 4 Major Heads from the State Contingency Fund during 1 April 2002 to 31 March 2003 remained unrecouped at the end of the year.

## **2.3 Results of Appropriation Audit**

**The following results emerge broadly from Appropriation Audit:**

**2.3.1** There was an overall excess of Rs. 217.08 crore as a result of excess of Rs. 1414.91 crore in grants/ appropriations partly offset by saving of Rs. 1197.83 crore. Substantial excess reflected upon the failure of the departments to assess their requirement of funds realistically as also the inadequacy of the monitoring system.

**2.3.2** In 26 out of 28 grants the expenditure fell short by more than Rs.one crore and also by more than 10 *per cent* of the provision. Details are indicated in *Appendix I*. This indicated that inflated demands for funds were placed by Controlling Officers for inclusion in budget estimates and requirements of funds had not been assessed correctly.

### ***Excess expenditure over provision relating to current and previous years requiring regularisation***

**2.3.3** As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over grant/appropriation regularized by the State Legislature. However, excess expenditure amounting to Rs.582.75 crore in three voted Grants and Rs. 1260.71 crore in ten appropriation during 2002-03 and Rs. 127.56 crore in 12 grants/ appropriation during 2000-01 and Rs. 1299.64 crore in four grants/appropriation during 2001-02 was yet to be regularised. Details of excess expenditure during 2002-03 are given in *Appendix II*.

**2.3.4** In two cases, Grants No. 7 and 25, expenditure exceeded the approved provision by Rs.500 crore or more and also by more than 200 *per cent* of the total provision. It was noticed that the excess under these grants occurred in the previous year also. Details are given in *Appendix III*.

### ***Anticipated savings not surrendered***

**2.3.5** As per financial rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2002-2003, out of the savings of Rs.1518.64 crore only Rs.529.60 crore had been surrendered. Details of the savings of Rs. 989.04 crore which had not been surrendered are given in *Appendix IV*.

The explanation for savings as given above, had not been furnished by the concerned departments as of April 2004.

Persistent savings ranging from 10 to 64 *per cent* of the provision were noticed in the Revenue-voted and 15 to 87 *per cent* in the Capital-voted in the following grants as given on the next page:

| Sl.No. | Grant Number | Description of the Grants/ Appropriation                 | Percentage of saving |         |
|--------|--------------|--|----------------------|---------|
|        |              |  | 2001-02              | 2002-03 |
|        |              | <b>Revenue Voted</b>                                     |                      |         |
| 1      | 1            | Legislative Assembly                                     | 69                   | 34      |
| 2      | 4            | Administration of Justice                                | 26                   | 49      |
| 3      | 5            | Election   | 40                   | 52      |
| 4      | 6            | Revenue & General Administration                         | 40                   | 20      |
| 5      | 7            | Finance, Taxes, Planning, Secretariat & General Services | 77                   | 50      |
| 6      | 11           | Education Sports, Youth Welfare & Culture.               | 13                   | 10      |
| 7      | 12           | Medical & Family Welfare                                 | 24                   | 28      |
| 8      | 13           | Water Supply, Housing & Urban Development                | 27                   | 41      |
| 9      | 14           | Information & Broadcasting                               | 69                   | 35      |
| 10     | 15           | Welfare Schemes  | 34                   | 44      |
| 11     | 16           | Labour & Employment                                      | 41                   | 39      |
| 12     | 17           | Agricultural Work & Research                             | 30                   | 32      |
| 13     | 18           | Co-operation   | 43                   | 38      |
| 14     | 19           | Rural Development  | 50                   | 29      |
| 15     | 20           | Irrigation & Flood Control                               | 17                   | 20      |
| 16     | 21           | Power  | 65                   | 40      |
| 17     | 22           | Public Works   | 14                   | 20      |
| 18     | 23           | Industry   | 39                   | 23      |
| 19     | 24           | Transport  | 81                   | 64      |
| 20     | 25           | Food   | 35                   | 30      |
| 21     | 26           | Tourism  | 61                   | 60      |
| 22     | 27           | Forest   | 33                   | 27      |
| 23     | 28           | Animal Husbandry   | 40                   | 28      |
|        |              | <b>Capital Voted</b>                                     |                      |         |
| 24     | 6            | Revenue & General Administration                         | 100                  | 15      |
| 25     | 7            | Finance, Taxes, Planning, Secretariat & General Services | 87                   | 87      |
| 26     | 11           | Education Sports, Youth Welfare & Culture.               | 34                   | 20      |
| 27     | 12           | Medical & Family Welfare                                 | 48                   | 52      |
| 28     | 15           | Welfare Schemes  | 73                   | 70      |
| 29     | 18           | Co-operation   | 48                   | 36      |
| 30     | 19           | Rural Development  | 73                   | 65      |
| 31     | 21           | Power  | 24                   | 56      |
| 32     | 23           | Industry   | 50                   | 36      |

The Government needed to investigate the matter and fix responsibility for persistent excesses.

### ***Trend of recoveries and credits***

**2.3.6** Under the system of gross budgeting followed by Government, the demands for grants are placed 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.

During the year 2002-03, such recoveries were anticipated at Rs. 387.30 crore, while the actual recoveries were Rs. 662.71 crore (*Appendix V*).

Some of the important cases where there were wide variations from the estimates are detailed below:

| (Rs. in crore) |                                   |                        |                   |                           |
|----------------|-----------------------------------|------------------------|-------------------|---------------------------|
| Sl. No.        | Grant number and name             | Estimate of recoveries | Actual recoveries | Shortfalls (-) Excess (+) |
| 1.             | 17-Agricultural Work and Research | 7.30                   | 2.49              | (-)4.81                   |
| 2.             | 20-Irrigation and Food Control    | -                      | 26.11             | (+)26.11                  |
| 3.             | 22-Public Works                   | -                      | (+)38.74          | (+)38.74                  |
| 4.             | 25-Food                           | 380.00                 | 595.36            | (+)215.36                 |

### *Expenditure without provision*

2.3.7 Budget Manual provides that for having control over expenditure, a Disbursing Officer, before incurring any expenditure must ensure that the conditions preliminary to the incurring of expenditure are satisfied, namely, the sanction of the competent authority exists and that the funds to cover the charge fully have been placed at his disposal. It was noticed that expenditure of Rs.637.32 crore was incurred in 11 cases without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued. In case of Major Head of Account 4408 (Grant no.25) this amount was Rs.579.77 crore which indicates gross violation of financial rules in incurring the expenditure (*Appendix VI*).

### *Surrenders more than the available savings inspite of overall excess*

2.3.8 In the following cases, surrenders were more than savings. The surrender of funds in excess of the anticipated savings indicated poor monitoring and control over expenditure by the controlling officers. The resultant excess would require regularization.

| (Rs. in crore)                |         |            |
|-------------------------------|---------|------------|
| Number and Name of grants     | Savings | Surrenders |
| <b>Revenue charged</b>        |         |            |
| 1-Legislative Assembly        | 0.04    | 0.25       |
| <b>Capital Voted</b>          |         |            |
| 20-Irrigation & Flood Control | 3.47    | 22.17      |
| 22-Public Works               | 100.10  | 147.46     |

In grant No. 25 Food and 17 Agricultural Work and Research (Capital voted), surrender of Rs. 69.60 crore and Rs. 1.26 crore were made inspite of overall excess expenditure.

### ***Unwarranted drawal of Rs. 0.74 crore from State Contingency Fund***

**2.3.9** The Contingency Fund of the State of Uttaranchal was created with a corpus of Rs.30 crore in the year 2002-2003. Advances from the fund were to be made only for meeting expenditure of an unforeseen and emergency character, the postponement of which till authorization by the Legislature would have been undesirable.

A sum of Rs.0.74 crore had been drawn from the fund under 3 major heads without any immediate necessity or requirement as there were already substantial savings of Rs. 24.77 crore under these major heads as detailed below:

**(Rs. in crore)**

| <b>Major Head</b>                                   | <b>Savings</b> | <b>Drawal from SCF</b> |
|---|----------------|------------------------|
| 2029- Land Revenue                                  | 13.64          | 0.07                   |
| 2235- Social Security & Welfare                     | 10.27          | 0.50                   |
| 2853- Non-Ferrous Mining & Metallurgical Industries | 0.86           | 0.17                   |
| <b>Total</b>  | <b>24.77</b>   | <b>0.74</b>            |

**2.3.10** Supplementary provision of Rs. 359.31 crore obtained in 32 cases during 2002-03 proved entirely unnecessary since the savings in these grants amounting to Rs. 1254.72 crore were more than the supplementary provision as detailed in **Appendix VII**.