

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of the amount on various specified services spent by Government vis-a-vis those authorised by the Appropriation Act, in respect of both 'Charged' as well as 'Voted' items of the 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.

#### **SUMMARY OF APPROPRIATION ACCOUNTS 2000-2001**

##### **Appropriation Accounts :2000-2001**

**Total Number of grants : 95**

##### **Total provision and actual expenditure**

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original	28407.44		
Supplementary	4107.50		
Total gross provision	32514.94	Total gross expenditure	38391.99
Deduct-Estimated recoveries in reduction of expenditure	362.79	Deduct-Actual recoveries in reduction of expenditure	419.08
Total net provision	<b>32152.15</b>	Total net expenditure	<b>37972.91</b>

##### **Voted and charged provision and expenditure**

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	18037.53	5720.98	17003.59	5376.93
Capital	4221.90	4534.53	3573.42	12438.05
Total Gross:	22259.43	10255.51	20577.01	17814.98
Deduct- recoveries in reduction of expenditure	362.79	-	419.08	-
<b>Total: Net</b>	<b>21896.64</b>	<b>10255.51</b>	<b>20157.93</b>	<b>17814.98</b>

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2000-2001 against 95 grants/appropriations was as follows :

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure <sup>1</sup>	Saving(-)/ Excess(+)
		( R u p e e s i n c r o r e )				
Voted	I Revenue	15457.56	2579.97	18037.53	17003.59	(-) 1033.94
	II Capital	1575.93	384.02	1959.95	1464.39	(-) 495.56
	III Loans and Advances	1474.15	787.80	2261.95	2109.03	(-) 152.92
<b>Total Voted</b>		<b>18507.64</b>	<b>3751.79</b>	<b>22259.43</b>	<b>20577.01</b>	<b>(-) 1682.42</b>
Charged	IV Revenue	5387.63	333.35	5720.98	5376.93	(-) 344.05
	V Capital	0.08	1.96	2.04	0.42	(-) 1.62
	VI Public Debt	4511.79	20.40	4532.19	12437.33	(+) 7905.14
	VII Loans and Advances	0.30	-	0.30	0.30	-
<b>Total Charged</b>		<b>9899.80</b>	<b>355.71</b>	<b>10255.51</b>	<b>17814.98</b>	<b>(+) 7559.47</b>
<b>Grand Total</b>		<b>28407.44</b>	<b>4107.50</b>	<b>32514.94</b>	<b>38391.99</b>	<b>(+) 5877.05</b>

## 2.3 Results of Appropriation Audit

2.3.1 The overall excess of Rs 5877.05 crore was the result of saving of Rs 2668.47 crore in 86 grants and 20 appropriations, offset by excess of Rs 8545.52 crore in 12 grants and 3 appropriations. The excess under Public Debt was mainly on account of repayment of Ways and Means Advances and overdraft (Rs 7732.12 crore).

2.3.2 Supplementary provision made during the year constituted 14 per cent of the original provision as against 9 per cent in the previous year.

2.3.3 Supplementary provision of Rs 490.98 crore made in 53 cases during the year proved unnecessary in view of the aggregate saving of Rs 885.59 crore as detailed in Appendix 3.

2.3.4 In 23 cases against additional requirement of Rs 1508.55 crore, supplementary grants and appropriations of Rs 2153.70 crore were obtained resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 645.15 crore. Details of these cases are given in Appendix 4.

2.3.5 In 4 cases, expenditure though exceeded budget provision by Rs 8.22 crore, no supplementary grant was provided. Details of these cases given in Appendix 5.

2.3.6 The excess of Rs 640.34 crore under 11 grants and Rs 7905.18 crore under 3 appropriations require regularisation under Article 205 of the Constitution of India. Details of these are given in Appendix 6.

<sup>1</sup> These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure : Rs 277.07 crore and capital expenditure : Rs 142.01 crore The total expenditure stands inflated at least to the extent of the following (I) Rupees 33.43 crore (Transfer credited from Consolidated Fund) and Rs 633.98 crore (Deposits : Rs 1654.34 crore, Disbursements : Rs 1020.36 crore) under 8443 – Civil Deposit – 106 – Personal Deposit and 8448-Deposits of Local Funds – 109 – Panchayat Bodies Funds respectively (II) Rupees 6.84 crore drawn on AC Bills during 2000-2001 for which DC Bills were not received as of 31 March 2001.

Rupees 12114.51 crore of expenditure (32 per cent of the total expenditure) remained unreconciled during the year,

2.3.7 In 10 cases, supplementary provision of Rs 1422.55 crore proved insufficient by more than Rs 10 lakh each, leaving an aggregate uncovered excess expenditure of Rs 8537.29 crore as per details given in Appendix 7.

2.3.8 In 67 cases, expenditure fell short by more than Rs 1 crore in each case and also by more than 10 *per cent* of the total provision as indicated in Appendix 8.

2.3.9(a) In 13 cases there were persistent savings in excess of Rs 10 lakh in each case and in excess of 20 *per cent* or more of the provision made. Details are given in Appendix 9.

2.3.9(b) Significant excess was persistent in 3 cases as detailed in Appendix 10.

Persistent excess requires investigation by the Government for remedial action.

2.3.10 In 7 cases, expenditure exceeded the approved provisions by Rs 25 lakh or more and also by more than 10 *per cent* of the total provision. Details of these are given in Appendix 11. In one out of above 7 cases the expenditure exceeded the approved provision by 174 *per cent*.

### **2.3.11 Excess/unnecessary re-appropriation of funds**

Reappropriation 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 injudicious reappropriation of funds proved excessive or resulted in savings by over Rs 10 lakh are given in Appendix 12.

Principal Accountant General (A&E) requested (March 2001) Secretaries of all departments to furnish the statements of re-appropriation of funds, surrender of savings, etc. to or from different heads/sub-heads within a grant along with relevant concurrence of Finance Department. But in a number of cases items of surrenders/re-appropriations/revocations relating to following departments (amount noted against each) could not be incorporated due to inordinate delay in receipt of the same.

<b>Name of the Department</b>	<b>Amount (Rupees in crore)</b>
Finance	95.51
Fisheries	30.59
Judicial	26.43
Labour	15.98
Municipal Affairs	2.23
Transport	3.41
Urban Development	3.01
<b>Total</b>	<b>177.16</b>

### **2.3.12(a) New Service/New Instrument of Service**

Article 205 of the Constitution provides that expenditure on a 'New Service' not contemplated in the Annual Financial Statement (Budget) can be incurred only after its specific authorisation by the Legislature.

In 20 cases, expenditure totalling Rs 684.26 crore which should have been treated as 'New Service'/'New Instrument of Service' was met by reappropriation without obtaining the requisite approval of the Legislature. Details of these cases are given in Appendix 13.

**2.3.12(b) 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, excess expenditure amounting to Rs 13762.30 crore for the years from 1999<sup>2</sup> to 2001 was yet to be regularised for want of explanation from the Government.

Year	Number of grants/appropriations	Grant/ Appropriation number(s)	Amount of excess	Amount for which explanations not furnished to PAC
			(Rupees in crore)	
1999-2000	18	16, 21, 25, 28, 30, 32, 34, 35, 42, 44, 46, 52, 66, 73, 80, 82, 87, 98	5216.78	5216.78
2000-2001	13	1, 14, 21, 25, 28, 30, 34, 38, 40, 51, 66, 79, 98	8545.52	8545.52

Possibilities of financial irregularities remained unexamined due to failure and long delays in furnishing explanation of unregularised excess expenditure.

**2.3.12(c) Expenditure without provision**

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 150.53 crore was incurred in 26 cases as detailed in Appendix 14, without provision in the original estimates/supplementary demands and no reappropriation orders were issued.

**2.3.13 Large savings not surrendered**

In 69 cases, the amount of available savings of Rs 1 crore and above in each case not surrendered aggregated to Rs 1332.19 crore. Details are given in Appendix 15.

**2.3.14 Surrender in excess of actual savings**

In 15 cases, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total savings of Rs 346.80 crore, the amount surrendered was Rs 416.75 crore resulting in excess surrender of Rs 69.95 crore.

<sup>2</sup> Excess expenditure for the years 1985-95 awaiting consideration by the PAC. Explanations of Government for the years 1995-99 received in July/September 2000/April 2001.

In 2 cases Rs 10.13 crore were surrendered in spite of the fact that expenditure in those cases exceeded the approved provision by Rs 7906.14 crore.

Details are given in Appendix 16.

### ***2.3.15 Advances from Contingency Fund***

The Contingency Fund of the State of West Bengal was established under the Contingency Fund Act, 1956, in terms of provision of Articles 267(2) and 283(2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable.

The Fund is in the nature of an imprest and its corpus is Rs 20 crore.

As on 1 April 2000, the balance in the fund was Rs 19.65 crore. During the year advances drawn but unrecouped totalled Rs 0.07 crore. Of the balance of Rs 0.35 crore on account of advances drawn during 1999-2000, entire amount stood recouped during 2000-2001. Thus the closing balance of the fund as on 31 March was Rs 19.93 crore.

During the year 2000-2001, 19 sanctions were issued for withdrawal of total amount of Rs 0.80 crore.

### ***2.3.16 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 estimate.

In 10 grants/appropriations the actual recoveries adjusted in reduction of expenditure (Rs 408.94 crore) exceeded the estimated recoveries (Rs 232.31 crore) by Rs 176.63 crore and in 11 grants/appropriations the actual recoveries (Rs 10.14 crore) were less than the estimated recoveries (Rs 130.47 crore) by Rs 120.33 crore. More details are given in Appendix 17.

### ***2.3.17 Non-receipt of explanations for savings/excesses***

For the year 2000-2001, explanations for savings/excesses were either not received or were received incomplete in respect of 1230 heads of Accounts which formed 95 per cent of the number of heads.

### ***2.3.18 Unreconciled Expenditure***

Financial rules require that the Departmental Controlling Officers should reconcile every month the departmental figures of expenditure with those booked

by the Principal Accountant General (Accounts and Entitlements) before the close of the accounts of the year.

During the year, out of the 184 Controlling Officers, 72 did not reconcile their figures for 2000-2001, while 24 completed reconciliation for periods ranging up to 11 months. Thirty one Controlling Officers did not reconcile their figures for varying months from April 1998 onwards.

The total amount remaining unreconciled during 2000-2001 was Rs 12114.51 crore (32 per cent of the total expenditure).

#### ***2.4 Huge amounts drawn on Abstract Contingent (AC) Bills remaining outstanding for years on end***

Amounts drawn by the Drawing and Disbursing officers (DDOs) in advance on Abstract Contingent (AC) bills are required to be adjusted by the submission of Detailed Contingent (DC) bills in the prescribed form with counter signature of the Controlling Officer within a period not exceeding 60 days from their dates of drawal or within one month from the date of expenditure.

Mention was made in paragraph 2.4 of the Report of the Comptroller and Auditor General of India for the year ended March 2000 Volume-I (Civil) – Government of West Bengal regarding large sums of money (Rs 118.39 crore) remaining pending for adjustment for years together.

Records of 112 Offices test-checked between April 2000 and March 2001 disclosed advance drawal of Rs 81.54 crore (as of March 2001) in AC bills which included drawal of Rs 8.04 crore (185 bills) during 2000-2001. Out of total drawals the detail records in support of Rs 12.94 crore were not made available.

#### ***Scrutiny of AC/DC Bills revealed the following :***

i) The Drawing and Disbursing officers of the test-checked offices were not monitoring the submission of DC bills. This was evident from the fact that the DDOs had not maintained any separate register to record the particulars of drawal of AC bills showing GO number and date, Bill number and date, amount, purpose and time to time progress of expenditure and submission of DC bills thereof with bill number and dates together-with remittance details of unutilised balance, if any, as required under the rules. The Treasury voucher numbers under which the adjustment bills were accepted by the concerned Treasury Officer were not on record.

ii) Of the total amount of Rs 73.50 crore drawn between April 1982 and March 2000 adjustment against Rs 41.85 crore (57 per cent) relating mainly to DM, Dakshin Dinajpur (Rs 9.88 crore); DM, Purulia (Rs 2.41 crore); DM, Murshidabad (Rs 2.38 crore) and SP, North 24 Parganas (Rs 2.29 crore) had not been submitted till March 2001. Due to long pendency, it is doubtful whether DC bills could be submitted at all. Possibility of misuse of Government funds and

misappropriation in such cases can not be ruled out. Out of Rs 8.04 crore drawn between April 2000 and March 2001 Rs 6.84 crore are also pending adjustment.

iii) Against Rs 7.72 crore drawn by eight DDOs without Government order, in 80 AC bills between 1998 and 2001, Rs 3.08 crore remained pending for adjustment up to one year and half.

iv) Fourteen DDOs<sup>3</sup> spent Rs 1.29 crore towards purchase of office equipment, EPABX system, Furniture, Metal detector, Refrigerator, Colour Televisions, Vaccum Cleaner, Cordless Telephone, AC Machines, Computer and accessories, etc. by diverting funds from election/other funds drawn through AC bills in contravention of Financial Rules and Orders.

v) One hundred fifty (150) AC bills amounting to Rs 8.78 crore were drawn by 22 DDOs at the fag end of the financial years ended March 1997 to March 2001 to avoid the lapse of budget grant. Of this, a sum of RS 4.76 crore was drawn by SDO, Berhampore (Rs 3.07 crore); DM, Uttar Dinajpur (Rs 1.12 crore) and SP, Bardhaman (Rs 0.57 crore). Further, Rs 8.84 lakh drawn in AC Bills (11) by the Deputy CMOH-III<sup>4</sup>, Malda as on 31 March 2000 towards purchase of drugs, equipments and implementation of Family Welfare Programme were retained in Current Account in banks. The utilisation of fund (August 2000) could not be ascertained in absence of analysis of closing cash balance.

vi) District Magistrate (DM), Murshidabad withdrew Rs 5 crore<sup>5</sup> in 1 AC Bill during March 1999 for disbursement of house building grant among flood affected people of 1998. The entire amount was transferred to DM's PL Account out of which Rs 35.94 lakh remaining unused were refunded to Treasury after 9 months. Again during 1996-97 the DM withdrew Rs 16.53 lakh in 2 AC Bills for conducting Summary Revision of Electoral Rolls, 1996. This amount was also transferred to PL Account and subsequently Rs 14.10 lakh was refunded to the Treasury after periods as long as 3 years and 2 months.

vii) Of the DC bills (440) for Rs 32.85 crore submitted as of March 2001, the incidence of delay in submission of DC bills for Rs 10 crore against 193 bills could not be ascertained in Audit for want of relevant records. DC bills (244) for Rs 21.50 crore<sup>6</sup> were submitted after delays of up to 13 years.

<sup>3</sup> IG Police (Telecom), Commandant 11<sup>th</sup> Bn., SDO Kalyani, SDO Khatra, DM Murshidabad, SP Jalpaiguri, SP Kolkata Air Port Police, SP North 24 Parganas and SP Medinipur, SP Birbhum, Sp Hooghly, SP Darjeeling, SP Bardhaman and SP Malda.

<sup>4</sup> Deputy CMOH-III : Deputy Chief Medical Officer of Health - III

<sup>5</sup> Against sanction of Rs 16.53 lakh for conducting Summary Revision of Electoral Rolls 1996

<sup>6</sup> Period of delayed submission of detailed bills (year-wise break up)

Period of delay	No. of DDOs	No. of bills	Amount drawn (Rupees in lakh)	Amount adjusted (Rupees in lakh)	Amount unadjusted (Rupees in lakh)
Up to 1 year	60	194	2369.65	1731.98	637.67
1 to 2 year	9	14	242.76	242.76	Nil
2 to 5 year	10	18	146.82	146.82	Nil
Above 5 years	6	18	28.91	28.91	Nil
		244	2788.14	2150.47	637.67

Retention of huge public money by the DDOs without valid reasons is violation of Financial Rules are fraught with the risk of serious financial irregularities/misappropriation. The matter requires immediate attention of Government and necessary investigation to ascertain the utilisation of these funds.

**2.5 *Budgetary and Expenditure Control under Grant Nos. 5- Elections, 39-Labour and Employment and 40-Social Security and Welfare (Rehabilitation)***

A review of expenditure and budgetary control revealed persistent savings ranging from Rs 466.53 lakh to Rs 1621.44 lakh under grant *No 5-Elections*; from Rs 713.13 lakh to Rs 1524.93 lakh under grant *No 39-Labour and Employment* and Rs 911.12 lakh to Rs 3116.48 lakh under Grant *No. 40-Social Security and Welfare (Rehabilitation)* during the years 1995-2000.

***Defective Budget preparation***

In terms of provisions of West Bengal Financial Rules and Budget Manuals the Departmental Budget Estimates were required to be prepared by the respective Departments of Government after obtaining budget proposals from subordinate offices.

The Departmental Controlling Officer or a Disbursing Officers is to keep constant watch over the progress of expenditure under different units of appropriation separately for voted and charged items and to maintain separate records of all liabilities and to monitor the progress of the expenditure incurred by the various Drawing and Disbursing Officers (DDOs) subordinate to them by obtaining monthly statements of expenditure (SOE) from the later. The Departmental Controlling Officers should also maintain Departmental Consolidated Accounts (DCA) and arrange for their verification month by month with those maintained by the Principal Accountant General (Accounts and Entitlement), West Bengal.

The Home (Constitution and Election) Department prepared Budget Estimates without obtaining proposals from any of the 87 units/offices under its control. Monthly SOE were also not obtained by the Department from most of the DDOs for preparation DCA.

In respect of *Grant No. 39-Labour and Employment* the Labour Department prepared the Budget Estimates on the basis of budget proposals received from different Directorates. The Department and most of their Directorates, however, had not obtained monthly SOE from the DDOs under their control for preparation of DCA. As such, the Budget Estimates prepared by the Department were not based on the trend of actual expenditure. Besides, the Labour Department did not also maintain records of sanctioned strength and men-in-position under its Directorates. As a result Budget Estimates on pay and allowances of staff were not realistically prepared.



Refugee, Relief and Rehabilitation Department and School Education Department covered under *Grant No.-40-Social Security and Welfare (Rehabilitation)* did not obtain monthly SOE from the DDOs. As such, the Budget Estimates prepared by the Department were not based on the basis of actual expenditure.

In no case reconciliation of departmental expenditure with that of the books maintained by the Principal Accountant General (Accounts and Entitlement), West Bengal was done by the Departments.

There was no system to control and monitor the progress of expenditure against Budget Estimates/Allotments and there was no designated officer for this purpose in the Home (C&E) Department, Labour Department, Refugee Relief and Rehabilitation Department and School Education Department.

### ***Reasons for Excess/Savings of expenditure over Budget Grant***

Scrutiny revealed that reasons for excess/savings of expenditure were that the Budget Estimates were not made after assessing actual requirement of fund and as a result the estimates were not realistic.

Thus, due to failure of the Departmental Controlling Officers to prepare realistic Budget Estimates by keeping constant watch over the progress of expenditure incurred by the DDOs under their control and to reconcile Departmental Expenditure during 1995-2000 with the figures booked in the accounts of Principal Accountant General (Accounts and Entitlement), West Bengal, the possibility of fraudulent drawals, defalcation, misappropriation remaining undetected by the Controlling Officer can not be ruled out.

### ***Re-appropriation***

The Departments did not set off the excess expenditure under Grant No. 5 and 39 during 1995-2000 though savings of Rs 11367.92 lakh (Grant No.-5 Rs 4068.62 lakh and Grant No. 39-Rs 7299.30 lakh) were available under those grants.

## ***2.6 Other topics of interest***

### ***2.6.1 System deficiencies in maintenance of records and irregularities in payment of pension***

#### ***a) Irregularities in maintenance of Allotment Register***

In terms of Government of West Bengal, Finance Department Memo No 4405 (63) F dated 31-05-1977 an Allotment Register is to be maintained in respect of each DDO for ensuring necessary checks as regards drawal of funds within the allotment of fund placed in favour of the DDO under each detailed Head of account.

During inspection of records of 35 Treasuries it was seen that the Allotment Register was not maintained properly and the DDOs had been allowed to draw funds in excess over allotment in all the Treasuries.

**b) Irregularities in payment of pension**

**i) Non-recovery of excess payment of pension**

In course of inspection of records of the Treasuries it was observed that even after the death of pensioners, monthly pension were credited to the pensioners special bank accounts. The amount thus paid in excess was to be recovered from the concerned Bank. Due to non-recovery of the said amount from the concerned Bank/Postal Authority, State Government is losing considerable Government money year after year which ultimately affects the financial position of the State Government. The inspection of the records of 45 Treasuries revealed that Rs 24.44 lakh is yet to be recovered from the Banks on account of excess payment of pension due to pension disbursement even after the death of 719 pensioners.

**ii) Overpayment / Unauthorised and doubtful payment of pension**

During inspection of Treasuries it was revealed that due to wrong calculation of pension/relief, non-reduction of commuted amount from original pension and payment of pension without obtaining Life Certificate/Re-marriage and Re-employment declarations by the pensioners in 36<sup>7</sup> treasuries an amount of Rs 3.75 lakh was overpaid and payment of pension of Rs 6.41 lakh was doubtful to 132 pensioners as detailed below.

No of Treasuries	No of Pensioners	Amount overpaid/ amount of doubtful payment (Rs in lakh)	Remarks
22	47	3.19	Pension was paid in excess to the pensioners due to wrong calculation of pension paid on re-marriage, etc. and relief paid on re-employment.
20	37	0.59	Committed amount of pension was not reduced from the original pension in due time.
5	48	6.41	Monthly pensions were paid without obtaining Life Certificate in contravention of the rule.

The matter was referred to Government in November 2001, reply had not been received (January 2002)

<sup>7</sup> Jangipur, Bankura, Purulia, Raghunathpur, Jhargram, Arambagh, Berhampore-I, Asansol-I, Kalyani, Durgapur, Kharagpur, Darjeeling, Baruipur, Malda-I, Balurghat-I, DTA, Alipurduar, Barasat-II, Kurseong, Birbhum, Lalbag, Khatra, Rauiganj, Medinipur, Alipore-I, Kandi, Tamluk, Canning, Dinhata, Siliguri-I, Bongaon, Kalimpong, Diamond Harbour, Jalpaiguri-II, Coochbehar-I, Uluberia,