

Chapter 7

APPROPRIATION ACCOUNTS 2000-01: INTRODUCTION

Constitutional provisions

7.1 The government introduces an Appropriation Bill to provide for appropriation out of the Consolidated Fund of India (CFI), as per provisions of Article 114 of the Constitution of India, soon after the House of the People passes the demands for grants under Article 113. The Appropriation Act passed by Parliament contains authority to appropriate the specified sums from the CFI for the specified services. Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. The Appropriation Acts include the disbursements, which have been voted by Parliament under various grants in terms of Articles 114 and 115, and the disbursements, charged on the CFI in terms of Article 112 (3) as well as Article 293 (2) of the Constitution. The government prepares Appropriation accounts every year indicating the details of gross amounts on various services actually spent by government vis-à-vis those authorised by the Appropriation Acts.

7.2 The Controller General of Accounts (CGA) prepares the appropriation accounts in respect of 95 grants and appropriation of civil ministries. The ministries of defence, post, telecommunications, and railways prepare appropriation accounts of their respective grants. The CAG submits five different Appropriation Accounts pertaining to different sectors of activities of the government, viz. civil, defence, post, telecommunications, and railways, along with his report under Article 151 of the Constitution, to the President every year, who causes them to be laid before Parliament. Details of demands for grants and appropriations of various ministries during 2000-01 were as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	95
Defence Services	5
Postal Services	1
Telecommunication Services	2
Railways	16
Total:	119

7.3 This Report contains audit observations on the appropriation accounts (civil), including an analysis of expenditure in excess of allocation requiring regularisation by Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions made without requirement by some ministries, expenditure on new instrument of service, unrealistic budgeting and detailed observations in respect of the ministries selected for in-depth examination. It also contains a brief gist of audit findings on the appropriation accounts of defence, post, telecommunications, and railways, where appropriate. The CAG's Reports No. 6, 7, 8 and 9 of 2002 contain detailed audit findings in respect of the appropriation accounts of post, telecommunications, defence, and railways respectively.

Preparation and audit of civil appropriation accounts

7.4 The controllers of accounts of the ministries prepare head-wise appropriation accounts for each grant and appropriation of the ministry according to the classification prescribed in the list of major and minor heads and the estimates as passed by Parliament. The secretary of each ministry approves the head-wise appropriation accounts of grants and appropriation administered by that ministry in his capacity as the chief accounting authority of the ministry. The CAG audits the head-wise appropriation accounts. The CGA condenses audited appropriation accounts of various grants and appropriations of civil ministries¹ in the form approved by the Public Accounts Committee and presents these to the CAG, after countersignature of the Secretary, Department of Expenditure, for submission to the President of India in accordance with Article 151 of the Constitution of India.

A summary

7.5 Appendix XI presents a summary of appropriation accounts of gross sums expended during the year ended March 2001 relative to the corresponding sums authorised in the schedules appended to the various Appropriation Acts passed by Parliament during the year 2000-01. This summary also includes figures of defence, post, telecommunications, and railways on gross basis.

¹ *In respect of the non-departmentalised grants, the Indian Audit & Accounts Department prepares the condensed accounts, which the CGA includes in the Union government's appropriation accounts.*

**The CAG's Report on
Union Government Accounts 2000-01**

Table 7.1 gives the total provision and actual disbursements under civil ministries during 2000-01.

Table 7.1: Provision and Disbursements under Civil Ministries: 2000-01

(Rs in crore)

Provision*		Disbursements	
Original	681762.62		
Supplementary	22444.36		
Total gross provision	704206.98	Total gross Disbursements	566042.09
Recoveries in reduction of disbursements			
(Estimated)	4736.83	(Actual)	8709.28
Total net provision	699470.15	Total net Disbursements	557332.81
Voted and charged provisions and disbursements			
Provision		Disbursements	
	Voted	Charged	Voted
Revenue	151875.33	153610.14	142194.21
Capital	21801.86	376919.65	18558.43
Total: gross	173677.19	530529.79	160752.64
Recoveries in reduction of disbursements	4736.60	0.23	8687.77
Total: net	168940.59	530529.56	152064.87

7.6 Out of the overall unspent provision of Rs 138164.89 crore in the grants pertaining to civil ministries/departments, Rs 72995.33 crore was on account of less than the budgeted drawal of 14, 91 and 182 days treasury bills which resulted in repayments, which were less than the budgeted amounts. Excluding this, the effective unspent provision was Rs 65169.56 crore. Out of this, Rs 286.30 crore was attributable to less interest payment on these treasury bills for the reasons stated above. If both the provision and unspent amounts for repayment of debt are ignored, the civil ministries ended with an aggregate unspent provision of Rs 52909.91 crore which exceeded the supplementary grants/appropriation of Rs 22444.36 crore and constituted more than 15 per cent of the total provision. **Appendix XII** presents the net unspent provision

* Exclusive of the figures of railways, defence and P&T

(civil ministries) in 206 sections and excess in one section of the grants/appropriations.

Charged and Voted disbursement

7.7 Appendix-XIII contains the details of the disbursements actually made against approved demands (grants and appropriations) of the civil ministries for the years 1990-91 to 2000-01. During these years, 66 to 77 *per cent* of the total disbursements for the civil ministries was charged on Consolidated Fund of India.

7.8 The total disbursements of the civil ministries increased by 204 *per cent* from Rs 186370 crore in 1990-91 to Rs 566042 crore during 2000-01. The charged disbursements increased by 208 *per cent* from Rs 131689 crore to Rs 405289 crore and voted disbursements increased by 194 *per cent* from Rs 54681 crore to Rs 160753 crore. The charged disbursements of civil ministries during 2000-01 was mainly on account of interest payments (Rs 103224 crore, i.e. 9 *per cent* higher than Rs 94593 crore for 1999-00), repayment of debt (Rs 269512 crore), transfers to State and Union Territory governments mainly on account of block grants, loans for state plan schemes, loans to States and UTs against net small savings collection, loans for rural electrification etc. excluding share of net collection of income tax (Rs 31025 crore) and others (Rs 1528 crore); and, constituted 72 *per cent* of the total disbursements.

Limited Scope of Financial Control by Parliament

7.9 Since charged disbursements are not subject to vote by Parliament, effectively the scope of financial control by Parliament is limited to about 28 *per cent* of the total disbursement in the civil ministries. However, viewed in the background of the total disbursements from the CFI (Rs 702975 crore), the percentage of charged disbursements was 58 *per cent* (Rs 405321 crore). If the disbursement on salary and allowances, which is largely inflexible, is also added to it, about 25 *per cent* of the total disbursement of the Consolidated Fund of India is effectively subject to the vote of Parliament.

Original and Supplementary Grants under Civil Ministries

7.10 The original provision of Rs 681763 crore obtained for the year 2000-01 was 6 *per cent* more than Rs 642905 crore obtained for 1999-00. The

supplementary grants of Rs 22444 crore obtained subsequently during the year were Rs 4505 crore lower than the supplementary grants of Rs 26949 crore obtained during 1999-00. **Appendix-XIV** presents the details of original and supplementary grants/appropriations for the years 1995-01. During 2000-01, the total disbursements of Rs 566042 crore were, Rs 35796 crore lower than the total disbursements of Rs 601838 crore during 1999-00. The voted disbursements increased by 8 *per cent* whereas charged disbursements decreased by 11 *per cent* over the proceeding year. 67 *per cent* of the charged disbursements pertained to repayment of debt and 25 *per cent* to interest payments. Charged disbursements were 72 *per cent* of the total disbursements under civil ministries. This included interest payments and repayment of debt, which accounted for 66 *per cent* of the total disbursements under civil ministries.

Expenditure incurred without sanction

7.11 In accordance with the provisions of Rule 6 of General Financial Rules, 'subject to the provisions of Article 266(3), 267(1) and 283(1) of the Constitution, no authority may incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from government account unless such expenditure or transfer, as the case may be, has been sanctioned by general or special order of the government or by any authority to which power has been duly delegated in this behalf'. Scrutiny of Annexure 'B' of the appropriation accounts for 2000-01 revealed that disbursements on 16 items aggregating Rs 20.15 lakh had been made by Ministry of Finance without sanction in contravention of the aforesaid rules. This amount is included in the disbursements figures of respective grants of Ministry of Finance. The CGA, while certifying the disbursements, has qualified this amount from the point of view of sanction. Details of such cases for the last five years are given in **Appendix-XV**.

Disbursements in the last quarter and last month of the financial year

7.12 As per Note 3 of Rule 69 of General Financial Rules, rush of disbursements particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided. Test checks revealed that, in spite of repeated instructions of the Ministry of Finance and despite it being pointed out in previous audit reports, no remedial

measures were taken and a large part of disbursements continued to be made in the month of March 2001/ last quarter of financial year. A few instances shown in **Appendix-XVI** would indicate that major part of disbursements on grants-in-aid to State/Union Territory governments, capital outlay and investments, were made in the month of March. Since the funds released in March/last quarter of the financial year to various organisations cannot be constructively spent during the year, it is not possible to conclude whether these funds were applied during the same year for the purpose for which they were authorised.

The Ministry of Home Affairs stated in December 2001 that rush of expenditure was due to late submission of bills by the executing agencies (CPWD), state governments etc.