

## Chapter 6

### APPROPRIATION ACCOUNTS 2004-05: INTRODUCTION

#### Constitutional provisions

**6.1** Soon after the Lok Sabha passes the demands for grants under Article 113 of the Constitution of India, the Government introduces an Appropriation Bill under Article 114 to provide for appropriations out of the Consolidated Fund of India (CFI). The Appropriation Act passed by Parliament authorises the Government to appropriate specified sums from the CFI for specified services. Parliament can also sanction supplementary or additional grants by the 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.

**6.2** The Controller General of Accounts (CGA) prepares the Appropriation Accounts in respect of 98 grants and appropriations of civil ministries. The Ministries of Defence, Railways and the Department of Posts prepare the Appropriation Accounts of their respective grants. The Comptroller and Auditor General of India submits four different Appropriation Accounts pertaining to different sectors of activities of the government, viz. Civil, Defence, Posts 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 2004-05 are as follows:

Sector of activity	Number of demands for grants/appropriations
Civil	98
Defence Services	6
Postal Services	1
Railways	16
<b>Total:</b>	<b>121</b>

**6.3** This Report contains audit observations on the Appropriation Accounts (Civil, Postal and Defence Services), 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, unrealistic budgeting and detailed observations in respect of the Ministries

selected for in-depth examination. For facility of better appreciation of the sectoral features, all grants relating to Civil departments, Posts and Defence appropriation have been dealt with comprehensively. References to Railway appropriations have been made, wherever necessary, in order to cover the appropriation process in totality. Audit findings on Railway appropriations are, however, available in Audit Report No. 6 of 2006.

### A summary

**6.4** Table 6.1 gives the total provision (both charged and voted) and disbursement during 2004-05. **Appendix-VI-A** presents the details of the summary of Appropriation Accounts of Civil Ministries/Departments, Postal, Defence Services and Railways.

**Table 6.1: Provision and Disbursements during 2004-05**

<b>Departments</b>	<b>Total Provision</b>	<b>Disbursements</b>	<b>Unspent provision</b>
Civil	982390	977196	5194
Posts	6220	6091	129
Defence Services	80960	78633	2327
Railways	83543	84229	(+ 686*
<b>Grand Total</b>	<b>1153113</b>	<b>1146149</b>	<b>6964</b>

\* Excess

**6.5** The net unspent provision amounting to Rs. 5194 crore in respect of the Civil ministries/departments was due to overall excess expenditure of Rs. 33785 crore under two grants and one appropriation and overall unspent provision of Rs. 38979 crore in the grants/appropriations. Of the excess expenditure of Rs. 33785 crore, Rs. 33784 crore was on account of prepayment of high cost external loans under Grant No. 38 - Repayment of Debt. Out of the overall unspent provision of Rs. 38979 crore, Rs. 337 crore was on account of less than the budgeted discount payment on 91 days Treasury Bills. Excluding this, the gross unspent provision was Rs. 38642 crore.

**6.6** There were net unspent provisions in 205 sections and excess in three sections under the grants/appropriations relating to Civil ministries, unspent provision in two sections and excess is one section of Posts, unspent provisions in ten sections and excess in two sections of Defence Services and unspent provision in 20 sections and excess in 15 sections of Railways. **Appendix-VI-B** presents an abstract of the details.

### **Charged and Voted disbursement**

**6.7** **Appendix-VI-C** contains the details of the disbursements actually made against approved demands (grants and appropriations) of the Civil ministries for the years 1993-2005. During these years, 70 to 77 *per cent* of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

**6.8** During 2004-05, the total disbursements of Rs. 977196 crore under civil ministries were Rs. 146207 crore higher than the total disbursements of Rs. 830989 crore during 2003-04. It had increased by 260 *per cent* from Rs. 271118 crore in 1993-94. The charged disbursements increased by 284 *per cent* from Rs. 188621 crore in 1993-94 to Rs. 724942 crore in 2004-05 and voted disbursements increased by 206 *per cent* from Rs. 82497 crore to Rs. 252254 crore over the same period. The charged disbursements of Civil ministries during 2004-05 were mainly on account of interest payments (Rs. 130958 crore, which was two *per cent* higher than Rs. 128114 crore for 2003-04), repayment of debt (Rs. 556269 crore), transfers to State and Union Territory governments mainly on account of block grants, loans for State plan schemes, loans for rural electrification etc. and constituted 74 *per cent* of the total disbursements.

**6.9** Since charged disbursements are not subject to vote by Parliament, effectively the scope of financial control by Parliament is limited to about 26 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross - Rs. 1146149 crore), the percentage of charged disbursements was 63 *per cent* (Rs. 725036 crore) (including Post, Defence & Railways).

### **Disbursements**

**6.10** The details given in **Appendix-VI-D** 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 2005. Since the funds released in March to various organisations cannot be constructively spent during the year which closes on the last day of the same month, 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 Development of North Eastern Region (Grant No. 29) accepted the audit observation in January 2006 and stated that conscious efforts were being made from the next year to avoid rush of expenditure in the last quarter. The department of Economic Affairs (Grant No. 32) attributed the rush of expenditure in December 2005 to the issue of a global sanction order to release payment in the month of March 2005 under UNDP assisted projects. The Ministry of Finance (Grant No. 43) attributed (December 2005) the rush of the

expenditure to the clearance of proposals for purchase of ready built office accommodations at the end of the financial year. The Ministry of Finance (Grant No. 44) attributed (January 2006) the rush of expenditure to clearance of most of the purchase proposals in the month of March 2005. Ministry of Health & Family Welfare, Department of AYUSH (Grant No. 48) attributed (January 2006) it to the delay in execution of rent agreement with Red Cross Society, enhancement of funds at RE stage, disbursement of construction work payments in the last quarter as per terms and conditions etc. The rush of expenditure was attributed (January 2006) by the Ministry of Home Affairs (Grant No. 55) to receipt of bills and proposals for schemes from the state governments at the end of the financial year. The Ministry of Human Resource Development (Grant No. 58) stated (January 2006) that the Minister had discretionary powers to utilise funds at the end of the year and the rush of expenditure was due to delay in receipt of financial details from North Eastern Region Institute of Science and Technology, Itanagar, approval of funds in second batch of supplementary and late receipt of proposals, etc. The Ministry of Law and Justice (Grant No. 63) attributed (January 2006) the rush of expenditure to the implementation of project to computerisation of district and subordinate courts in the States and Union Territories, which was approved by the Cabinet Committee on Economic Affairs in March 2005, etc. The Ministry of Personnel, Public Grievances and Pension (Grant No. 70) attributed (January 2006) the rush to late receipt of demand for payment from DDA for purchase of ready built flats and late details of actual expenditure incurred by state governments. Ministry of Overseas Indian Affairs (Grant No. 66) attributed (December 2005) the rush of expenditure to allotment of land for office building in the last quarter etc.