

## Chapter 6

### APPROPRIATION ACCOUNTS 2005-06: 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 the 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 the 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 the gross amounts on various services actually spent by the 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 2005-06 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 the 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

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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 2007.

**A summary**

**6.4** Table 6.1 gives the total provision (both charged and voted) and disbursement during 2005-06. 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 2005-06**

<b>Departments</b>	<b>Total Provision</b>	<b>Disbursements</b>	<b>Savings (S) Excess (E)</b>
Civil	1523189	1590085	66896 (E)
Posts	6699	6698	1 (S)
Defence Services	86299	83660	2639 (S)
Railways	98312	97090	1222 (S)
<b>Grand Total</b>	<b>1714499</b>	<b>1777533</b>	<b>63034 (E)</b>

**6.5** The net excess of Rs. 66896 crore was due to excess expenditure of Rs. 97063 crore under eight grants and unspent provision of Rs. 30167 crore in the grants pertaining to the civil ministries/departments. Out of the overall excess expenditure of Rs. 97063 crore, Rs. 93529 crore was on account of pre-payment of high cost external loans under grant no. 38 – Repayment of Debt. Of the overall unspent provision of Rs. 30167 crore, Rs. 411 crore was on account of less than budgeted payment of interest on ways and means and investment in special Government of India securities issued to N.S.S.F. against re-investment of sums received on redemption of Special Central/State Government securities. Excluding this, the gross unspent provision was Rs. 29756 crore.

**6.6** There were net unspent provisions in 199 sections and excess in 8 sections under the grants/appropriations relating to Civil ministries, unspent provision in 3 sections and excess in 1 section of Posts, unspent provisions in 10 sections and excess in 2 sections of Defence Services and unspent provision in 15 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 the approved demands (grants and appropriations) of the Civil ministries for the years 1994-2006. During these years, 70 to 81 *per cent* of the total disbursements for the Civil ministries was charged on the Consolidated Fund of India.

**6.8** During 2005-06, the total disbursements of Rs. 1590085 crore under civil ministries were Rs. 612889 crore higher than the total disbursements of Rs. 977196 crore during 2004-05. It had increased by 423 *per cent* from Rs. 304012 crore in 1994-95. The charged disbursements increased by 494 *per cent* from Rs. 216958 crore in 1994-95 to Rs. 1288816 crore in 2005-06 and voted disbursements increased by 246 *per cent* from Rs. 87054 crore to Rs. 301269 crore over the same period. The charged disbursements of the civil ministries during 2005-06 were mainly on account of interest payments (Rs. 141375 crore, which was eight *per cent* higher than Rs. 130958 crore for 2004-05), repayment of debt (Rs. 1115210 crore), transfers to State and Union Territory governments mainly on account of grants under the proviso to Article 275(1) of the Constitution, block grants, loans for State plan schemes etc. and constituted 81 *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 19 *per cent* of the total disbursement in the civil ministries. However, viewed against the background of the total disbursements from the CFI (gross Rs. 1777534 crore), the percentage of charged disbursements was 73 *per cent* (Rs. 1288929 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 2006/during last quarter of the financial year. 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/quarter, 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 (December 2006) the audit observation and stated that conscious efforts were being made to avoid rush of expenditure in the last quarter. The rush of expenditure was attributed (December 2006 and February 2007) by the Ministry of Home Affairs, (Grant Nos. 54 and 55), Ministry of Law & Justice (Grant No. 63) and Ministry of Social Justice & Empowerment (Grant No. 88) to late receipt of reimbursement claims from state governments for expenditure incurred in connection with strengthening of states' police organisations, election related expenditure and delay in finalisation of schemes, etc. Ministry of Company Affairs (Grant No. 17) attributed (December 2006) the rush of expenditure to late payments to TCS and to Chandigarh Administration for implementation of an I.T. project and acquisition of a plot. The Ministry of Finance (Grant Nos. 32 and 42) attributed (December 2006 and February 2007) the rush of expenditure to meetings held in November 2005/January 2006 for Promotion of Economic and Social Welfare scheme, delayed filing of claims by the state governments,

late receipt of medical claims and reimbursement vouchers from MEA, etc. The rush of expenditure in respect of Grant No. 75 and 76-Lok Sabha/Rajya Sabha was stated (December 2006 and February 2007) to be due to delay in settlement of domestic travel bills and late receipt of debit claims from the Ministry of Railways, MTNL and NDMC, etc. Ministry of Indian Overseas Affairs (Grant No. 66) attributed (December 2006) the rush of expenditure to the delay in payment of travel charges in connection with Parvasi Bhartiya Divas, printing of newsletter as well as payment made for allotment of land for construction of office building. Ministry of Planning (Grant No. 72) stated (December 2006) that rush of expenditure was due to late approval of Tsunami Rehabilitation Programme, Plan Schemes and late conducting of the meeting of group of advisors etc.

The replies and reasons for rush of expenditure given by various ministries are not tenable as delays in filing of claims and issue of sanctions and settlement of claims etc. could have been avoided had appropriate action been initiated well in advance and flow of expenditure monitored closely at the end of each month/quarter.