

## 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of the actual expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Acts in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization 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. It also seeks to assess to what extent the Government/Executive has been able to manage the planned and intended allocation of its resources amongst various departments.

## 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-11 against 42 grants/appropriations was as given in **Table 2.1**:

**Table 2.1: Summarized position of Actual Expenditure vis-à-vis Original/ Supplementary provisions**

(₹ in crore)						
	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
<b>Voted</b>	I Revenue	28979.76	2096.49	31076.25	26414.30	(-)4661.95
	II Capital	4850.29	793.11	5643.40	4770.35	(-)873.05
	III Loans and Advances	353.49	7.50	360.99	314.69	(-)46.30
<b>Total Voted</b>		<b>34183.54</b>	<b>2897.10</b>	<b>37080.64</b>	<b>31499.34</b>	<b>(-)5581.30</b>
<b>Charged</b>	IV Revenue	3999.05	2.21	4001.26	3104.70	(-)896.56
	V Capital	2.85	7.39	10.24	7.20	(-)3.04
	VI Public Debt- Repayment	1711.16	---	1711.16	2083.59	(+)372.43
<b>Total Charged</b>		<b>5713.06</b>	<b>9.60</b>	<b>5722.66</b>	<b>5195.49</b>	<b>(-)527.17</b>
<b>Appropriation to Contingency Fund (if any)</b>		<b>NIL</b>				
<b>Grand Total</b>		<b>39896.60</b>	<b>2906.70</b>	<b>42803.30</b>	<b>36694.83</b>	<b>(-)6108.47</b>

Source: Orissa Appropriation Act 2010 and Appropriation and Finance Accounts 2010-11

The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (₹ 151.05 crore) and Capital heads (₹ 177.76 crore). The overall saving of ₹ 6108.47 crore was the result of saving of ₹ 6536.98 crore in 34 grants and one appropriation under Revenue Section and 21 grants and one appropriation under Capital Section, which is offset by excess of ₹ 428.51 crore in three grants under Revenue Section and two grants under Capital Section.

### 2.3 Financial Accountability and Budget Management

#### 2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 31 cases relating to 22 grants, savings exceeded ₹ 10 crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**) amounting to ₹ 6235.36 crore. Out of the above, savings of as large as ₹ 5464.48 crore (88 per cent)<sup>1</sup> occurred in 14 cases relating to 12 grants as indicated in **Table 2.2**. This indicated complete lack of monitoring of the flow of expenditure in the department by the Chief Controlling Officers of such grants (who is invariably the Principal Secretary/Commissioner-cum-Secretary of the concerned department) as required under Chapters IV & VI of the Orissa Budget Manual.

**Table 2.2: List of Grants with savings of ₹ 100 crore and above**

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1	01-Home	1579.85	208.33	1788.18	1665.60	122.58
2	03-Revenue and Disaster Management	1393.07	470.50	1863.57	1161.17	702.40
3	05-Finance	5682.99	0	5682.99	4198.90	1484.09
4	06-Commerce	5172.30	20.64	5192.94	4809.06	383.88
5	10-School and Mass Education	5160.37	2.88	5163.25	4515.17	648.08
6	12-Health & Family Welfare	1538.46	28.66	1567.12	1226.08	341.04
7	13-Housing and Urban Development	992.29	45.81	1038.10	932.28	105.82
8	16-Planning and Co-ordination	458.75	0.22	458.97	347.02	111.95
9	20-Water Resources	921.73	19.77	941.50	802.38	139.12
10	36-Women and Child Development	2197.09	337.45	2534.54	2165.49	369.05
<b>Capital Voted</b>						
11	07-Works	1068.00	132.60	1200.60	1013.68	186.92
12	10-School and Mass Education	113.00	188.46	301.46	0	301.46
13	19-Industries	298.72	0	298.72	184.09	114.63
14	20-Water Resources	2054.74	17.89	2072.63	1619.17	453.46
	<b>TOTAL</b>	<b>28631.36</b>	<b>1473.21</b>	<b>30104.57</b>	<b>24640.09</b>	<b>5464.48</b>

**Source:** Appropriation Accounts for the year 2010-11.

The Principal Secretary, Finance department however, stated (October 2011) that savings occurred due to delay and non-completion of various formalities involved in

<sup>1</sup> Exceeding ₹ 100 crore in each case.

filling of vacant posts and implementation of projects. The argument is not tenable since such delays could easily have been foreseen / anticipated during the year and earmarked moneys for these posts/ schemes surrendered in time before the close of the year to avoid such huge savings.

### 2.3.2 Persistent Savings

During 2010-11, in nine out of 38 grants, savings ranged from ₹ 4.38 crore to ₹ 1484 crore constituting up to 90 per cent of the total grant. The savings persisted in all the nine grants during 2006-11 as detailed in **Table 2.3** below.

**Table 2.3: List of Grants indicating persistent savings during 2006-11**

(₹ in crore)

Sl. No.	Number of the grant and name of the Department	Amount of savings				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue-Voted</b>						
1	3-Revenue	570.56 (33)	441.84 (35)	2488.20 (74)	604.97 (47)	702.40 (38)
2	5-Finance	455.92 (23)	323.42 (15)	1661.87 (43)	889.31 (21)	1484.00 (26)
3	22-Forest and Environment	27.94 (16)	38.18 (14)	50.49 (14)	54.99 (14)	38.91 (10)
4	30-Energy	42.76 (56)	64.55 (26)	38.51 (12)	4.18 (4)	11.81 (6)
5	31-Textiles and Handloom	5.63 (10)	36.01 (46)	16.51 (23)	14.90 (21)	4.38 (5)
6	36-Women and Child Development	130.42 (15)	238.13 (18)	151.16 (9)	388.80 (19)	369.05 (15)
<b>Capital-Voted</b>						
1	01-Home	33.32 (39)	24.80 (25)	18.11 (13)	60.01 (42)	20.52 (10)
2	07-Works	296.82 (48)	210.31 (30)	195.82 (17)	91.98 (11)	186.92 (16)
3	33-Fisheries and Animal Resources Development	3.36 (63)	9.29 (95)	3.30 (73)	6.78 (13)	28.84 (90)

**Source:** Appropriation Accounts for the respective years

**Note:** Figures in parenthesis represent percentage to total grants

The reasons attributed by the Departments to the Principal Accountant General (A&E) to savings were general in nature and not specific. However, Principal Secretary, Finance department stated (October 2011) that in cases of committed liabilities like debt servicing, pension, decretal dues etc., provision was being made to cover the liability requirements as inadequate provisions may lead to excess expenditure. But in a substantial number of grants, savings persisted during the year which is indicative of over-assessment of requirement of fund made by the Government in Appropriation Acts repeatedly year after year without adequately scrutinizing the need and examining the flow of expenditure. The Chief Controlling Officers of these grants need to be alerted by the Finance Department to remedy the situation from the next year.

**2.3.3 Excess Expenditure**

In five grants relating to nine cases, expenditure aggregating to ₹ 1512.26 crore exceeded the approved provisions by rupees two crore and also by more than 20 per cent of the total provisions in each case. Details are given in *Appendix- 2.2*. Persistent excesses under the grants/heads were indicative of un-realistic budgetary projections made by the concerned Chief Controlling Officers-cum-Heads of the Departments.

**2.3.4 Expenditure without provision**

As per the provisions of Odisha Budget Manual (OBM), expenditure should not be incurred on a scheme/service without provision of funds. However, expenditure of ₹ 3.51 crore was incurred in three grants (three cases) even without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect as detailed in **Table 2.4**

**Table 2.4: Expenditure incurred without provision during 2010-11**

Sl. No.	Number of the grant and name of the Department	Particulars	Amount of Expenditure without provision ( ₹ in crore)	Reasons/Remarks
1	07-Works	5054-Capital Outlay on Roads and Bridges-State Plan-District Sector-04-District and Other Roads-789-Special Component Plan for Scheduled Castes-1219-Road Works under Road Development Programme.	2.9781	Reasons for expenditure even without a token provision were not intimated to the Pr. AG (A&E), though it was required to intimate
2	20-Water Resources	4701-Capital Outlay on Medium Irrigation-State Plan-State Sector-97-Other Pipeline Projects-Commercial-800-Other Expenditure-2082-Orissa Water Sector Improvement Project Funded by World Bank (EAP)	0.0024	Reasons for expenditure even without a token provision were not intimated to the Pr. AG (A&E), though it was required to intimate
3	30-Energy	2801-Power-Non-Plan-01-Hydel Generation-106-Machkund Hydro-electric Project-1012-Other expenses	0.5246	Reasons for expenditure even without a token provision were not intimated though it was required to intimate to the Pr. AG (A&E).
<b>TOTAL</b>			<b>3.5051</b>	

Source: Appropriation Accounts for 2010-11

Expenditure without provision of fund was irregular and unauthorised.

**2.3.5 Drawal of funds to avoid lapse of budget grant**

According to the provisions of Orissa Treasury Code Volume I (Rule 242) and Orissa Budget Manual (Rule 141), no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in banks or under Civil Deposits to prevent the lapse of budgetary grants. The Thirteenth Finance Commission also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the

Consolidated Fund avoiding transfer from Consolidated Fund to the Public Accounts (Paragraph 7.126).

As per Finance Accounts for the year 2010-11 of the State Government, the unspent amount under 8443-Civil Deposits-800-Other Deposits was ₹ 356.03 crore as at the close of 31 March 2011. The amount should have been transferred to the Government account at the close of the year.

### 2.3.6 Excess expenditure over provisions relating to previous years requiring regularization by the State Legislature

According to Article 205 of the Constitution of India, the Governor shall cause to be laid before the State Legislature a demand for excess expenditure incurred during the financial year beyond the amount granted for a service for its consideration for regularisation, if any. Excess expenditure has been incurred by different departments of the State Government amounting to ₹ 9100.08 crore for the years 1997-98 to 2009-10 as detailed in **Table 2.5**. No demand for consideration of regularization, if any, has yet been presented before the State Legislature (October 2011). This excess expenditure, thus, remains unauthorised by the State Legislature and is, therefore, irregular.

**Table 2.5: Excess over provisions relating to previous years requiring regularization**

Year	Number of		Grant/ Appropriation numbers	Amount of excess ( ₹ in crore)
	Grants	Appropriations		
1997-98	6	2	3-Revenue, 5- Finance, 7- Works, 13-Housing and Urban Development, 15-Sports and Youth Services, 22-Forest and Environment, 6003-Internal Debt of the State Government and 6004-Loans	989.97
1998-99	9	-	5-Finance, 6-Commerce, 7-Works, 8-Legislative Assembly , 12-Health and Family Welfare, 13-Housing and Urban Development, 24-Steel and Mines, 32-Tourism and Culture, 35-Public Enterprises	126.26
1999-2000	11	1	1-Home, 5-Finance, 6-Commerce, 7-Works, 8-Orissa Legislative Assembly, 10-School and Mass Education, 17-Panchayati Raj, 20-Water Resources, 26-Excise, 28-Rural Development, 29-Parliamentary Affairs and 6003-Internal Debt of the State Government	2658.52
2000-01	6	2	6-Commerce, 7-Works, 8-Orissa Legislative Assembly, 10-School and Mass Education, 20-Water Resources, 22-Forest and Environment, 6003-Internal Debt of the State Government, 6004-Loans and Advances from Central Government	2474.48
2001-02	3	1	15-Sports and Youth services, 20-Water resources, 28-Rural Development and 6004-Loans and Advances from Central Government	393.58
2002-03	3	2	8-Orissa Legislative Assembly, 15-Sports and Youth services, 20-Water Resources, 6003-Internal Debt of State	2068.93

Year	Number of		Grant/ Appropriation numbers	Amount of excess ( ₹ in crore)
	Grants	Appropriations		
			Government and 6004-Loans and Advances from Central Government	
2003-04	2	-	13-Housing and Urban Development, 21-Transport	0.0025
2004-05	3	-	7-Works, 34-Co-operation and 38-Higher Education	9.94
2005-06	2	-	7-Works, 31-Textile and Handloom	0.06
2006-07	1	1	22-Forest and Environment, 6004-Loans and Advances from Government of India	362.05
2007-08	1	-	22-Forest and Environment	15.04
2008-09	3	-	08-Orissa Legislative Assembly, 28-Rural Development , 34- Co-operation	1.0744
2009-10	4	-	05-Finance, 17-Panchayati Raj, 28- Rural Development, 35-Public Enterprises.	0.1688
<b>TOTAL</b>	<b>54</b>	<b>9</b>		<b>9100.0757 (9100.08)</b>

**Source:** Appropriation Accounts of respective years and information available in the Office of the Accountant General (Civil Audit)

### 2.3.7 Excess over Consolidated Fund of the State during 2010-11 requiring regularization by the State Legislature

**Table 2.6** contains the summary of total excesses in four grants amounting to ₹ 428.51 crore over and above what was authorised from the Consolidated Fund of the State (CFS) by the State Legislature during 2010-11. No demand for consideration of regularization, if any, by the State Legislature has yet been placed before it. Thus, these excess expenditure remains unauthorised and hence, irregular.

**Table 2.6: Excess over provisions during 2010-11 requiring regularisation (₹ in crore)**

Sl. No.	Number and title of Grant/Appropriation		Total Grant/ Appropriation	Expenditure	Excess
<b>Revenue (Charged)</b>					
1	07	Works	2.87	3.24	0.37
<b>Revenue ( Voted)</b>					
2	23	Agriculture	1115.81	1168.00	52.19
3	28	Rural Development	790.55	792.70	2.15
<b>Capital ( Charged)</b>					
4	6004		488.48	862.04	373.56
<b>Capital ( Voted)</b>					
5	22	Forest and Environment	213.43	213.67	0.24
<b>Total</b>			<b>2611.14</b>	<b>3039.65</b>	<b>428.51</b>

**Source:** Appropriation Accounts for 2010-11

The concerned Departments of the Government did not furnish the reasons for excess expenditure over authorization from the Consolidated Fund of the State to the

Principal Accountant General (A&E). However, Principal Secretary, Finance department stated(October 2011) that on-line distribution of allotment and checking of bills against allotment was being enforced through the new and computerized iOTMS system since 2010-11 (non-engineering departments) and 2011-12 (engineering department) which would eliminate instances of excess expenditure over allotment in the coming years.

### 2.3.8 Unnecessary/Excessive supplementary provision

Supplementary provision aggregating to ₹ 1511.80 crore obtained in 28 cases, during the year 2010-11 proved unnecessary as the expenditure (₹ 16976.47 crore) did not come up to the level of original provision (₹ 18293.38 crore) as detailed in **Appendix-2.3**. This indicates that the Chief Controlling Officers were not aware of the actual requirement of funds for the remaining period of the financial year due to failure to monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of the Orissa Budget Manual.

### 2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh in 136 sub-heads, of which excess / saving was more than rupees one crore in 32 sub-heads (savings of ₹ 95.99 crore in 24 sub-heads under 11 Grants and excess of ₹ 69.25 crore in 8 sub-heads under four Grants) as detailed in **Appendix-2.4**. The reasons of savings / excess were not intimated to the office of the Principal Accountant General (A&E). This indicated that re-appropriations were made without making assessment of actual requirements under a head.

### 2.3.10 Re-appropriations on the last day of the financial year

According to Rule 139 of Orissa Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague expressions should be avoided. As per the records of the Principal Accountant General (A&E), during 2010-11, 864 re-appropriation orders amounting to ₹ 1510.72 crore were issued out of which 6 re-appropriation orders aggregating ₹ 180.42 crore were issued on 31 March 2011, the last day of the financial year where there was no scope for expenditure during that year. The details are given in the **Table 2.7** below:

**Table 2.7: List of re-appropriations on the last day of the financial year**

Sl No	Number of the Grant Appropriation and name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)	Order No./ Date
1	5-Finance	2071-Pension and Other Retirement benefits-01-Civil-02-Commuted value of pensions-138-Pensions and Pensionary benefits-8007-Payment of Commuted value of Pension to Government Servants	124.38	14488/ 31.03.2011
2	11-Scheduled Tribes, Scheduled Castes Development Department	2251-Secretariat Social Services-Non-Plan-090-Secretariat-1256-ST & SC Development	0.15	11801/ 31.03.2011

Sl No	Number of the Grant Appropriation and name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)	Order No./ Date
	and Minorities and Backward Classes Development			
3	2049-Interest Payments (Finance)	2049-Interest Payments-04-Interest on Loans and Advances from Central Government-101-Interest on Loans for State/UT Plan Schemes-1977-External Debt	0.02	14981/ 31.03.2011
4	2049-Interest Payments (Finance)	2049-Interest Payments-01-Interest on Internal Debt-101-Interest on Market Loans-0754-Interest payment on Market Loans	47.61	14939/ 31.03.2011
5	6003-Internal Debt of the State Government (Finance)	6003-Internal Debt of the State Government-101-Market Loans-1231-Repayment of Loans not bearing interest	2.10	14486/ 31.03.2011
6	6004-Loans and Advances from the Central Government (Finance)	6004-Loans and Advances from the Central Government-01-Non-Plan Loans-201-House Building Advances-1195-Repayment of Loans	6.16	14487/ 31.03.2011
<b>TOTAL</b>			<b>180.42</b>	

### 2.3.11 Substantial surrenders

Surrenders (100 per cent of total provision) of ₹ 670.78 crore were made under 18 Major Heads of Account representing different schemes / programmes / projects / activities due to non-implementation or tardy implementation of the same which are given in **Appendix 2.5**. The surrenders were attributed to non-release/non-receipt/non sanction of Central share (nine cases), non utilization of fund (one case), and appropriation or far more than requirement (one case), no reasons were assigned in remaining (seven) cases.

### 2.3.12 Surrender in excess of savings

As against savings of ₹ 2786.54 crore, the amount surrendered was ₹ 2792.62 crore in five grants detailed in **Appendix 2.6** resulting in excess surrender of ₹ 6.08 crore. The surrenders indicated that the departments failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

### 2.3.13 Anticipated savings not surrendered

As per Rule 146 of Orissa Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2010-11, there were, however, 15 grants (36 cases) in which savings were noticed but no part of such savings was surrendered by the concerned departments. The amount involved in these cases was ₹ 385.84 crore (eight per cent of the total savings) (**Appendix 2.7**). Thus, the Chief Controlling Officers and the Heads of the Departments ignored the budgetary controls laid down in the Odisha Budget Manual and the Finance Department failed to exercise the overall financial control over the State budget.

Similarly, of the total savings of ₹ 2106.47 crore, savings of rupees one crore and above in each Grant / Appropriation aggregated to ₹ 882.88 crore (42 per cent of



total savings) in nine Grants (10 cases) which were not surrendered; the details are given in **Appendix 2.8**. Besides, as per information furnished by the office of the Principal Accountant General (A&E) there were surrender of funds under different major heads of accounts in excess of ₹ 10 crore on the last two working days of March 2011 in 42 cases aggregating to ₹ 3582.06 crore covering eight per cent of the entire budget (**Appendix 2.9**). These indicate improper budgeting exercises and inadequate financial control by the Chief Controlling Officers. The circumstances under which the Chief Controlling Officers of the concerned Departments did not follow the statutory provisions of surrenders and intimation of the same to the Principal Accountant General (A&E) was called for (October 2011) from the Finance Department. Principal Secretary, Finance department admitted (October 2011) that it was a failure on the part of the DDOs to monitor actual expenditure against available budget provisions.

**2.3.14 Rush of expenditure**

According to Rule 147 of Orissa Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 27 sub-heads listed in **Appendix 2.10**, revenue / capital expenditure exceeding ₹ 10 crore and also more than 50 per cent (in each case) of the total expenditure for the year was incurred in March 2011. **Table 2.8** also represents the major heads (four cases) where 100 per cent of expenditure was incurred during the last month of the financial year. The expenditure which is generally used to be distributed throughout the year was incurred in the last month of the year, which was contrary to the spirit of budget manual.

**Table 2.8: Cases of rush of expenditure towards the end of the financial year 2010-11**

Sl. No.	Major Head	Total expenditure during the year ( ₹ in crore)	Expenditure during March 2011	
			Amount ( ₹ in crore)	Percentage of total expenditure
1	4225-02-794-649-Hostels-Plan- Voted	198.37	198.37	100
2	4575-02-796-2526-Special Central Assistance for Special Programme for KBK-Plan-Voted	15.13	15.13	100
3	2801-06-800-2153-Rajiv Gandhi Gramina Vidyutikaran Yojana-Plan-Voted	30.49	30.49	100
4	2852-07-202-2553-13 <sup>th</sup> Finance Commission Grant for Incentivising issue of UID	35.70	35.70	100
<b>TOTAL</b>		<b>279.69</b>	<b>279.69</b>	<b>100</b>

**Source:** Monthly Appropriation Reports for the month of March 2011 of Principal Accountant General (A&E)

Maintaining uniform pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to revenue expenditure mismatches during a particular month arising out of unanticipated heavy expenditure in that particular month. Besides, quality of the assets being created out of such expenditure can be maintained if expenditure is incurred in a planned manner.

The Principal Secretary, Finance Department stated (October 2011) that process re-engineering, higher delegation through the new Cash Management System in 10 major departments had improved the situation considerably in 2011-12.

### 2.3.15 Irregular diversion and utilisation of Tribal Area Sub-Plan fund

The Tribal Sub-Plan strategy has been adopted in the State with the objective of bringing tribal dominated areas at par with rest of the State and improving the quality of life of the tribals. The State Government launched a special programme to bring about socio economic development in scheduled areas with budget provision under Tribal Area Sub-Plan (TASP) scheme in the State Plan.

Check (July 2011) of budget provision of Works Department revealed that provisions for rupees six crore and rupees five crore were made for construction of a “fly-over” at Rajmahal Chhak, Bhubaneswar (the State Capital) and improvement of Daya canal respectively near the capital city of Bhubaneswar out of TASP funds under Demand No-7-5054-Capital Outlay-Roads and Bridges-796-TASP during 2010-11 and under Road Development Programme 796-TASP-during 2011-12 respectively. Out of the above provisions, rupees eight crore was found utilised (BE: rupees four crore and rupees four crore through re-appropriation during 2010-11) on construction of the fly-over. As the capital city of Bhubaneswar is situated in the district of Khurda and not coming under scheduled area, the utilisation of TASP funds in non scheduled area is highly irregular and completely inadmissible. Due to diversion of TASP funds for development of Capital city of the State, the legitimate tribal beneficiaries of TASP areas were deprived of the socio-economic development envisaged in the plan. The Finance Department as well as the Planning and Co-ordination Department also failed to point out the irregular budgeting method adopted by the Works Department neither at the initial budget estimates’ preparation stage nor at the re-appropriation stage, particularly when the amount was not small.

To an audit query, the Chief Engineer (Roads) stated (July 2011) that the utilization of TASP fund was made in consideration of the fact that the capital city covers wide range of people including tribal section of the State irrespective of caste and creed. With a tribal population of a meager 97186<sup>2</sup> (1.19 *per cent*) only of the total tribal population (ˆ 81.54 lakh) of the State residing in Khurda district in which the capital city is located, the argument of the Chief Engineer appears to be too far-fetched and over stretched and is hence, absolutely not tenable in Audit. Besides, the capital city of Bhubaneswar is covered under the centrally-sponsored Jawaharlal Nehru National Urban Renewal Mission (JnNURM) scheme which could well have been utilized for this purpose. This massive lapse in budgetary control mechanism requires thorough investigation.

Principal Secretary, Finance department stated (October 2011) that Planning and Co-ordination department had issued suitable advisory to all departments in this regard. However, the reply does not pin-point the reasons for failure of the usual due diligence procedures required to be carried out by the Planning and Co-ordination and Finance departments before approving budget proposals of any department.

---

<sup>2</sup> As per 2001 census.

## 2.4 Advances from Contingency Fund

The Contingency Fund of the State has been established under the Orissa Contingency Fund Act, 1967 in terms of provisions of Article 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, postponement of which, till its authorization by the Legislature, would be undesirable. The fund is in the nature of an imprest and required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned. Its corpus was enhanced (October 2008) from ₹ 150 crore to ₹ 400 crore. During 2010-11, advances of ₹ 375 crore were withdrawn from the fund, not recouped during the year. Further during the year ₹ 198.97 crore was recouped out of previous years balance of ₹ 212.05 crore leaving a balance of ₹ 13.08 crore un-recouped. Thus, an amount of ₹ 388.08 crore was un-recouped as of March 2011 as detailed in **Table 2.9**.

**Table 2.9: Un-recouped amount of the Contingency Fund of the State**

(₹ in crore)

Period	Amount	Remarks
1998-1999	0.75	Pending recoupment for more than 11 years
1999-2000	12.33	Pending recoupment for more than 5 years and less than 10 years
2010-2011	375.00	Pending recoupment for below one year
<b>TOTAL</b>	<b>388.08</b>	

**Source:** Information furnished by the office of the Principal Accountant General (A&E) and Finance Accounts

Non-recoupment of advances from the Contingency Fund understated the expenditure from the Consolidated Fund and may result in a situation when adequate funds are not available under this Fund during sudden unanticipated and unforeseen events such as natural calamities to which the State is prone.

Principal Secretary, Finance department stated (October 2011) that the proposed amendment to the FRBM Act would enable the State to make special supplementary statements of expenditure for early recoupment of advances from Orissa Contingency Fund.

## 2.5 Misclassification of Grants-in-aid

Grants-in-aid to any institution/body must constitute the Revenue Expenditure of the Government. But during the year 2010-2011, a sum of ₹ 40.84 crore was seen disbursed as grants-in-aid under following *Capital* Major Heads of Expenditure (**Table 2.10**).

**Table 2.10: Misclassification of grants-in-aid under capital Major Heads**

Head of Account	(₹ in crore)
	Amount
4059-Capital Outlay on Public Works	1.72
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.10
4701-Capital Outlay on Medium Irrigation	0.02
4702-Capital Outlay on Minor Irrigation	19.00
5054-Capital Outlay on Roads and Bridges	20.00
<b>Total</b>	<b>40.84</b>

No concrete reason for payment of grants-in-aid by debiting to the Capital Major Heads has been furnished by the Government. Thus, the Capital expenditure has been over stated and expenditure in the Revenue Account was understated in the Finance Accounts to this extent leading to an overstated revenue surplus to the above extent during the year. The Principal Secretary, Finance Department in his reply (October 2011) admitted the error and promised to set it right.

## 2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of School and Mass Education Department (Grant No - 10) and Higher Education Department (Grant No - 38) revealed the following irregularities:

### 2.6.1 Surrender in excess of savings/lower than the savings /belated surrenders

Odisha Budget Manual (OBM) provides (Rule 144 and 146) that all anticipated savings should be surrendered immediately after these are foreseen and latest by 10 March of the financial year without waiting till the end of the year.

During 2010-11, the School and Mass Education Department (Grant No.10) surrendered ₹ 847.48 crore as against total savings of ₹ 846.07 crore, and the Higher Education Department (Grant No.38) surrendered ₹ 27.99 crore as against total savings of ₹ 27.88 crore, resulting in excess surrender of ₹ 1.41 crore and ₹ 0.11 crore respectively. Besides, in violation of above provisions of OBM, these amounts were surrendered on 31 March 2011. Thus, the amounts surrendered were not in conformity with the actual savings indicating lack of monitoring of monthly expenditure as provided in the OBM by the Chief Controlling Officers-cum-Commissioner-cum-Secretaries before passing the surrender orders.

### 2.6.2 Unnecessary supplementary provision

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the Grants/Appropriations during a financial year. But it was noticed that in Grant No 10 (School and Mass Education Department), supplementary provision of ₹ 200.88 crore obtained during November 2010 proved unnecessary in view of sizeable savings of ₹ 846.07 crore at the end of the year. This showed that the Chief Controlling Officers were not aware of the actual requirement of funds for the remaining period of the financial year due to failure of

monthly expenditure control mechanism prescribed in the OBM. Principal Secretary, Finance department admitted (October 2011) that due to non take-off of some schemes as projected/envisaged, the supplementary provision remain unutilized. But the fact remains that this is a failure of the Chief Controlling Officer to timely monitor the monthly flow of expenditure.

### 2.6.3 Withdrawal of entire provision by way of re-appropriation and surrenders

The School and Mass Education and Higher Education Departments made a provision of ₹ 523.91 crore and ₹ 19.75 crore respectively under different heads/schemes during 2010-11, but the total provisions were withdrawn by way of re-appropriation and surrendered on the last day of the financial year 2010-11 as detailed in the **Appendix 2.11**. This indicated that the Chief Controlling Officers prepared the budgets and made allocation to different schemes/projects/objects of expenditure without any basis and without carrying out the required due diligence as prescribed in the OBM.

The Department during March 2011 stated the reasons for the re-appropriation were due to non-release/receipt of central share and non implementation of the scheme. The Finance Department was requested (October 2011) to intimate the reasons for which the funds could not be utilized and surrendered affecting the activities contemplated in the budget; reply has not been received (October 2011)

### 2.6.4 Provision of vacant posts

Rule 61(b) of Odisha Budget Manual provides that provisions should be made in the budget only for men on duty (excluding vacant posts). But a provision of ₹ 192.14 crore was seen to have been made by the School and Mass Education Department for vacant posts which ultimately remained unutilised and was surrendered. The details are given in the **Table 2.11** below:

**Table 2.11: Provisions for vacant posts under Grant No. 10 during 2010-11**

Sl No.	Head of Account/Name of the Scheme	Amount surrendered (₹ in crore)	Reasons furnished by the Department
1	2202-General Education-01-Elementary Education-101-Govt. Primary School-0556-Govt.Upper Primary School.	60.39	Vacancy of some posts, retirement of some employees, implementation of Orissa Revised Scale of Pay(ORSP) Rules2008 and less requirement
2	2202-General Education-02-Secondary Education-101-Inspection-1791-Insspector of School Establishment.	1.41	Retirement of some employees and actual requirement.
3	2202-General Education-02-Secondary Education-109-Govt.Secondary School-1261-Secondary School.	125.12	Vacancy of some posts, retirement of some employees, implementation of ORSP Rules, 2008 and less requirement
4	2202-General Education-02-Secondary Education-80-General-001-Direction and Administration-0618-Headquarter organization.	0.47	Vacancy of some posts and implementation of ORSP Rules, 2008.
5	2202-General Education-02-Secondary Education-800-Other Expenditure-1476-Training for All-India Competitive Examination (IAS).	0.10	Vacancy of some posts and implementation of ORSP Rules, 2008.

Sl No.	Head of Account/Name of the Scheme	Amount surrendered (₹ in crore)	Reasons furnished by the Department
6	2202-General Education-02-Secondary Education-Tribal Area Sub-Plan-1262-Secondary Training School.	0.50	Non-creation of posts.
7	2235-Social Security and Welfare-Non-Plan-02-Social Welfare-101-Welfare of Handicapped-0353-Educational Facility for Handicapped.	0.28	Vacancy of some posts, retirement of some employees, implementation of ORSP Rules, 2008 and less requirement
8	2251-Secretariat-Social Services-Non-Plan-090-Secretariat-0256 Department of School and Mass Education	3.87	Vacancy of some posts, retirement of some employees, implementation of ORSP Rules, 2008 and less requirement.
<b>Total</b>		<b>192.14</b>	

This indicated that the Chief Controlling Officers prepared the budgets as a matter of routine ignoring the provisions of the Odisha Budget Manual. Thus, there was tendency to disregard and frustrate the budgetary controls envisaged in the OBM.

Principal Secretary, Finance department stated (October 2011) that normally no provision was made against vacant posts except when fresh recruitments were to be made during the year as in the case of Education department last year

### 2.6.5 Irregular retention of time-barred bank drafts/Non-recovery of National Scholarship loan

Scrutiny of records of the School and Mass Education Department revealed that bank drafts amounting to ₹27.34 lakh pertaining to National Merit Scholarship scheme were kept un-disbursed and became time-barred. Of these, eight bank drafts for ₹ 0.11 lakh related to the period September 1995 to July 1997 and which were received from the loanees towards repayment of their loan but not remitted to treasury.

Further, it was observed that National Loan Scholarships of ₹ 2.47 crore were outstanding for the period ranging from 14-16 years for recovery from students. However, certificate cases for only ₹ 0.02 crore were initiated whereas no effective action for recovery of balance ₹ 2.45 crore loan funds had been initiated by the Department as of March 2011.

Principal Secretary, Finance department stated (October 2011) that electronic payment to the bank account of scholarship holders would be considered in future to obviate such problem.

## 2.7 Outcome of Inspection of Treasuries

On inspection of treasuries/sub-treasuries for the year ended 31 March 2011, excess payment of pension and gratuity amounting to ₹ 12.42 lakh in 114 cases was noticed. The details are given (Table 2.12) below.

**Table 2.12: Outcome of inspection of treasuries**

Sl. No.	Category	Amount (in ₹)
1	Due to wrong calculation (arithmetic inaccuracy) of pension (33 cases)	46,946
2	Due to delayed commencement of reduced pension (49 cases)	2,87,759
3	Due to payment of enhanced rate of Family Pension beyond stipulated date (10 cases)	90,930
4	Due to payment of inadmissible temporary increase on pension (8 cases)	9,273
5	Due to other reasons (Excess payment of Death cum-Retirement Gratuity & Commuted value of pension) (14 cases)	8,07,507
<b>Total</b>		<b>12,42,415</b>

**Source:** Office of the Principal Accountant General (A&E)

There is a need to tighten the controls at the level of treasury in so far as pension and pension-related payments are concerned, possibly by introducing computers and automating arithmetic calculations.

## 2.8 Conclusion and Recommendations

- Expenditure without provision and excess expenditure over the provision was incurred during 2010-11 violating constitutional provisions (**Paragraph 2.3.6 and 2.3.7**).

*These unauthorised and irregular expenditure may be placed before the State Legislature under Article 205 of the Constitution for its consideration of approval/regularization, if any.*

- Unnecessary supplementary provisions being made, excessive re-appropriation of fund and re-appropriation orders being issued on the last day of the year were indicative of imprudent financial management by the Chief Controlling Officers-cum-Heads of the Departments (**Paragraph 2.3.8, 2.3.9 and 2.3.10**).

*Chief Controlling Officers-cum-Heads of the Department should strictly observe the provisions of OBM to ensure budgetary and expenditure controls. They should specifically strengthen the monthly expenditure control and monitoring mechanism.*

- Hundred *per cent* of Revenue and Capital provision were spent in March 2011 in some cases instead of spreading it throughout the year leading to rush of expenditure (**Paragraph 2.3.14**).

*The Revenue and Capital Expenditure may be spread over evenly throughout the year so as to avoid the quality related pitfalls usually associated with such rush of expenditure.*

- Advances made from Contingency Fund meant for meeting unforeseen and emergent character are required to be recouped by obtaining supplementary grants in next Assembly session immediately after funds are advanced. Contrary to these provisions, funds advanced between 1998-99 and 2010-11 were still lying un-recouped (**Paragraph 2.4**).

*The amount may be recouped early, in line with the constitutional provisions in this regard.*

- Provisions made to utilise funds for implementation of schemes / programmes under Higher Education and School and Mass Education Departments were entirely surrendered indicating lack of proper planning, budgeting and monitoring of expenditure (**Paragraph 2.6.3**).

*The scheme funds should be utilised within the prescribed period to avoid surrender, particularly if it relates to a developmental expenditure in the social sector such as education.*