

**CHAPTER-II**

**ALLOCATIVE PRIORITIES AND APPROPRIATION**

**2.1 Introduction**

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act by the State Legislature for that year and 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 act., relevant rules, regulations and instructions.

**2.2 Summary of Appropriation Accounts**

The summarised position of actual expenditure during 2004-2005 against grants/appropriations was as follows:

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Savings(-)/ Excess(+)
		( R u p e e s i n c r o r e )				
Voted	I. Revenue	9614.44	308.07	9922.51	8389.48	(-) 1533.03
	II. Capital	1169.89	309.61	1479.50	1163.64	(-) 315.86
	III. Loans and Advances	495.05	8.68	503.73	207.29	(-) 296.44
<b>Total Voted</b>		<b>11279.38</b>	<b>626.36</b>	<b>11905.74</b>	<b>9760.41</b>	<b>(-) 2145.33</b>
Charged	IV. Revenue	4715.10	0.14	4715.24	4282.98	(-) 432.26
	V. Capital	2.36	0.72	3.08	1.77	(-) 1.31
	VI. Public Debt	4102.59	1500.00	5602.59	3703.13	(-) 1899.46
<b>Total Charged</b>		<b>8820.05</b>	<b>1500.86</b>	<b>10320.91</b>	<b>7987.88</b>	<b>(-) 2333.03</b>
<b>Grand Total</b>		<b>20099.43</b>	<b>2127.22</b>	<b>22226.65</b>	<b>17748.29</b>	<b>(-) 4478.36</b>

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs.299.98 crore) and Capital heads (Rs.112.05 crore). However, all the 42 Grants and Appropriation showed savings indicating lack of budgetary discipline and accuracy.

**2.2.1 During 2004-05 the total expenditure under Consolidated Fund stands inflated to the following extent for the reasons mentioned there against:**

- (i) Rs.23.76 crore drawn on Abstract Contingent Bills during 2004-05 for which the detailed contingent bills were not received as of March 2005.
- (ii) Rs.54.44 crore drawn from Orissa Contingency Fund during previous years but recouped during 2004-05.

**2.2.2 During 2004-05 total expenditure was understated to the following extent:**

- (i) Rs.73.94 crore drawn from the Orissa Contingency Fund during 2004-05 remained unrecouped at the close of the year.
- (ii) The balance in 8443 Civil Deposits-800-Other Deposits was decreased by Rs.122.74 crore. (Disbursements Rs.220.84 crore less Deposits Rs.98.10 crore)
- (iii) Rs.3.51 crore was not accounted for as expenditure for want of voucher from Treasuries.

**2.3 Fulfilment of Allocative Priorities**

**2.3.1 Appropriation by Allocative Priorities**

- (i) Analysis of savings with reference to allocative priorities brought out the following:

**Grant No. 3 – Revenue**

*(Rupees in crore)*

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	950.66	1.83	952.49	786.41	166.08

Savings occurred mainly under the major head 2245 Relief on Account of Natural Calamities-80-General-Lump provision (Rs.299.79 crore) and entire provision was withdrawn through reappropriation for regularisation of the expenditure already incurred for relief work. Savings of Rs.110.33 crore under the major head 2245 Relief on Account of Natural Calamities-Grants to OSDMA was also surrendered attributing to non-release of funds by Government of India.

**Grant No. 5 – Finance**

*(Rupees in crore)*

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	1727.40	--	1727.40	1324.26	403.14

Savings occurred mainly under the major head 2071 Pension and Other Retirement Benefits. Voluntary retirement/voluntary separation benefits for State Government Employees (Rs.66.06 crore), Voluntary Separation Scheme for NMR, DLR Work Charged etc. (Rs.20.00 crore), commuted value of

pension (Rs.88.73 crore), Death-Cum-Retirement Gratuity (Rs.66.12 crore), Family Pensions (Rs.38.73 crore), Pension and Gratuity for Non-Government teachers of Secondary Schools and Colleges (Rs.43.92 crore). Reasons for anticipated savings were not intimated (July 2005) to Accountant General (A&E) by Finance Department. The anticipated saving of Rs.50 crore under Major Head 2075 miscellaneous General Services-Payment on account of invocation of Guarantees was also surrendered without assigning any reason.

**Grant No. 5 – Finance**

*(Rupees in crore)*

Revenue (Charged)	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
	400.01	--	400.01	150.01	250.00

Anticipated saving of Rs.250.00 crore under the Major Head 2075 Miscellaneous General Services-Transfer to/from Reserve Fund and Deposit Account Guarantee Reserve Fund was surrendered without assigning any reason.

**Grant No.5 – Finance**

*(Rupees in crore)*

Capital (Voted)	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
	223.99	--	223.99	120.45	103.54

Savings occurred mainly under the major head 7610-Loans to Government Servants etc. Special House Building Advance (Rs.72.82 crore) House Building Advance (Normal) (Rs.32.89 crore). Reasons for savings of Rs.72.82 crore was not intimated to Accountant General (A&E) by Finance Department and the saving of Rs.32.89 crore was surrendered attributing to less requirement.

**Grant No. 30 – Energy**

*(Rupees in crore)*

Capital (Voted)	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
	259.71	--	259.71	93.57	166.14

Savings occurred due to surrender of provision mainly under the major head 6801 Loans for Power Projects, State Plan, State Sector, Strengthening and Improvement of Distribution System under APDRP.

**Appropriation-2049 Interest Payment.**

*(Rupees in crore)*

Revenue (Charged)	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
	3461.91	--	3461.91	3332.02	129.89

Entire provision of Rs.58.50 crore in respect of interest on the balance of Calamity Relief Fund remained unutilised, unsurrendered and unexplained (July 2005). Reasons for final savings in respect of Interest on General Provident Fund (Rs.63.61 crore) & payment of interest on additional market

borrowing during 2002-2003 (Rs.51.21 crore) were not intimated to Accountant General (A&E) by Finance Department.

**Appropriation-6003 Internal Debt of the State Government**

*(Rupees in crore)*

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Capital (Charged)	3465.41	--	3465.41	2258.56	1206.85

The saving was mainly due to saving of Rs.1049.54 crore under repayment of Ways and Means Advances which remained unintimated to the Accountant General (A&E) by Finance Department (July 2005) and the entire provision of Rs.500 crore under over draft with RBI remained unutilised, unsurrendered and unexplained.

**Appropriation-6004 Loans and Advances from Central Government**

*(Rupees in crore)*

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Capital (Charged)	2137.18	--	2137.18	1444.57	692.61

Savings occurred mainly under 02-Loans for State/Union Territory Plan Scheme-101-Block Loans (Rs.316.46 crore) and 01-Non-Plan Loans-102-Share Small Saving Collection (Rs.375.24 crore). Anticipatory Savings were surrendered attributing to Debt Swap.

**2.3.2 Persistent savings**

Savings of more than 10 *per cent* were noticed in 28 out of 42 grants/appropriations. Such savings persisted during the period 2002-2005 in 22 out of the above 42 grants/appropriations (Appendix-IX-A and B).

**2.3.3 Excess over provision requiring regularisation**

**2.3.3 (i) Excess over provisions relating to previous years**

**Excess over provisions relating to previous years**

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. The excess expenditure amounting to Rs.8819.14 crore for the years 1996 -97 to 2003 -2004 was yet to be regularised as detailed below:

Year	No. of grants/ appropriations	Grant/Appropriation Number	Amount of excess	Amount for which explanations not furnished to PAC
			<i>( Rupees in crore )</i>	
1996-97	6	3 Revenue, 6 Commerce, 7 Works, 22 Forest and Environment, 28 Rural Development, 29 Parliamentary Affairs	107.40	107.40
1997-98	8	3 Revenue, 5 Finance, 7 Works, 13 Housing and Urban Development, 15 Sports & Youth Services, 22 Forest & Environment, 6003 Internal debt of the State Government & 6004 Loans etc.	989.97	989.97

Year	No. of grants/appropriations	Grant/Appropriation Number	Amount of excess	Amount for which explanations not furnished to PAC
			( Rupees in crore )	
1998-99	9	5 Finance, 6 Commerce, 7 Works, 8 Legislative Assembly, 12 Health and Family Welfare, 13 Housing & Urban Development, 24 Steel and Mines, 32 Tourism & Culture, 35 Public Enterprises	126.26	126.26
1999-2000	12	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	2658.52
2000-2001	8	6 Commerce, 7 Works, 8 Orissa Legislative Assembly, 10 School & Mass Education, 20 Water Resources, 22 Forest & Environment, 6003 Internal Debt of the State Government, 6004 Loans & Advances from Central Government	2474.48	2474.48
2001-2002	4	15 Sports & Youth services, 20 Water resources, 28 Rural Development & 6004 Loans & Advances from Central Government	393.58	393.58
2002-2003	5	8-Orissa Legislative Assembly, 15-Sports & Youth services, 20-Water Resources, 6003-Internal Debt of State Government & 6004-Loans & Advances from Central Government	2068.93	2068.93
<b>Total</b>			<b>8819.14</b>	<b>8819.14</b>

### **2.3.3 (ii) Excess over provisions relating to 2004-05**

Further, the excess expenditure of Rs.993.95 lakh in three Grants/Appropriations(Works, Co-Operation, and Higher Education) during the year also required regularisation under Article 205 of the Constitution of India (Appendix-X).

### **2.3.4 Supplementary provision**

Supplementary provision of Rs. 2127.22 crore made during the year constituted 11 *per cent* of the original provision as against 67 *per cent* in the previous year.

### **2.3.5 Unnecessary/Excessive/Inadequate Supplementary Provision**

#### **(i) Unnecessary supplementary provision**

Supplementary provision of Rs.238.29 crore in 40 cases under 27 grants was wholly unnecessary as the expenditure in each case was even less than the original provision, the saving being more than Rs.50 lakh in each case (Appendix-XI).

#### **(ii) Excessive supplementary provision**

Against the additional requirement of Rs.493.20 crore in 8 cases under 8 grants/ Appropriations, supplementary provision of Rs.1878.28 crore was obtained resulting in savings of Rs.25 lakh or more in each case and Rs.1385.08 crore in aggregate out of which in one appropriation

(Appropriation No.6003 Internal Debt) the saving was Rs.1206.85 crore which was 87 *per cent* of the savings of Rs.1385.08 crore during the year. (Appendix-XII).

### ***2.3.6 Significant cases of savings in plan expenditure***

Significant savings exceeding Rs.1 crore in each case aggregating to Rs.203.94 crore (24 *per cent*) against the provision of Rs.848.11 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 52 cases in 18 grants. In 11 cases (Sl.No.1, 22, 23, 24, 28, 39, 40, 42, 44, 46 & 50 of Appendix-XIII), the entire provision of Rs.65.77 crore remained unutilised.

### ***2.3.7 Significant cases of excess expenditure***

Significant excess expenditure amounting to Rs.607.85 crore exceeding Rs.1 crore in each case was noticed in 62 cases involving 21 Grants/Appropriations (Appendix-XIV).

#### ***2.3.8(i) Delayed surrender of saving***

According to rules, all anticipated savings in a grant/appropriation should be surrendered as soon as the possibility of savings is foreseen from the trend of expenditure without waiting till the end of the year when it cannot be purposefully utilised. During 2004-05, although actual savings of Rs.4488.30 crore were available, only Rs.3055.73 crore was surrendered in March 2005.

#### ***(ii) Injudicious surrender***

In 16 Grants/Appropriations amounts surrendered were less than the savings available. The amount not surrendered were more than Rs.2 crore in each case. In respect of the Appropriation No.6003 Internal Debt of the State Government, the Finance Department did not surrender any amount against total savings of Rs.1206.85 crore (Appendix-XV).

#### ***(iii) Excessive surrender***

In eight cases, the amount surrendered were in excess of actual savings indicating inadequate budgetary control. Against the actual savings of Rs.861.15 crore, amount surrendered was Rs.983.91 crore resulting in excess surrender of Rs.122.76 crore (Appendix-XVI).

#### ***(iv) Surrender of entire provision***

In 99 cases relating to 19 Grants, the entire provision of Rs.805.47 crore (exceeding Rs.10 lakh in each case) was re-appropriated/surrendered (Appendix-XVII).

#### ***(v) Anticipated savings not surrendered***

In 19 cases relating to 11 Grants/Appropriations the entire available provision of Rs.573.78 crore remained unutilised and was not surrendered (Appendix-XVIII).

### **2.3.9 Unutilised provision**

In 26 cases involving 19 Grants/Appropriations, the expenditure fell short of provision by more than Rs.1 crore and more than 20 per cent of the provision in each case (Appendix-XIX). All this indicated absolute lack of budgetary and expenditure control.

### **2.3.10 Expenditure on New Service**

Under Article 205 of the Constitution, when need arises during a financial year for expenditure upon some new service not contemplated in the Budget for that year, funds have to be got authorised by the Legislature before incurring that expenditure from the Consolidated Fund. In case of urgency, expenditure on new service can be met by obtaining advances from the Contingency Fund pending authorisation of the expenditure by the Legislature.

During 2004-2005, expenditure of Rs.281.34 crore was incurred in 19 cases involving 8 Grants/Appropriations as detailed in Appendix-XX without following the prescribed procedure for New Service/New Instrument of Service.

### **2.3.11 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. Cases where the re-appropriation of funds proved injudicious in view of final savings/excess over grant by over rupees one crore are detailed in Appendix XXI and XXII respectively.

## **2.4 Inadequate Budgetary Control**

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz. (i) Forest and Environment Department and (ii) Home Department revealed the following:

### **2.4.1 Provision for vacant posts**

Rule 61(b) of Orissa Budget Manual (OBM) provides that provisions should be made in the budget for men on duty (excluding vacant posts). But the provision of Rs.1.88 crore was made by Home Department for vacant posts and the entire amount was ultimately surrendered.

### **2.4.2 Belated surrenders**

Orissa Budget Manual (OBM) provides that all anticipated savings should be surrendered immediately after these are foreseen and latest by 10th of March of the financial year. It was noticed that the above two departments surrendered Rs.93.77 crore (Forest and Environment Department: Rs.43.24 crore and Home Department : Rs.50.53 crore) on the last working day of the financial year (31 March 2005).

**2.4.3 Persistent savings under Grant No.22 Forest and Environment**

In Forest and Environment Department there were persistent savings under Revenue Heads (Voted) during the last 10 years with the percentage of savings rising drastically during the last three years as shown in the table below:

Year	Provision	Expenditure	Savings	Percentage of Savings
	( R u p e e s i n l a k h )			
1995-96	10,264.64	7,166.63	3,098.01	30
1996-97	9,966.43	7,329.34	2,637.09	26
1997-98	9,833.46	7,514.99	2,318.47	24
1998-99	13,435.27	10,011.00	3,424.27	25
1999-2000	9,661.15	9,258.41	402.74	4
2000-2001	12,980.44	11,001.31	1,979.13	15
2001-2002	12,112.19	10,132.84	1,979.35	16
2002-2003	18,097.34	10,784.21	7,313.13	40
2003-2004	18,504.98	8,992.22	9,512.76	51
2004-2005	12,929.23	8,811.26	4,117.97	32

**2.4.4 Surrender of entire provision**

In the following cases the Departments have surrendered the entire provision on last day of year i.e. on 31.3.2005 depriving needy areas for utilisation.

*(Rupees in lakh)*

Sl. No.	Name of the Department	Head of Account	Amount of provision	Amount surrendered
1.	Forest and Environment	3435-Ecology and Environment (Central Plan) 03-102-Environmental Planning and Co-ordination-conservation and management of mangroves	85.00	85.00
2.	-do-	3435-Ecology and Environment (NP) State Prevention and Control of Pollution Board-Grant-in-Aid	7.00	7.00
3.	Home Department	4059-Capital Out Lay, State Plan, District Sector-60-Other Buildings-051 Construction-Upgradation. Construction of subordinate construction buildings	235.50	235.50
4.	-do-	2056-Jails, State Plan, District Sector, 102 Jail Manufacture, District Special Jail, (Undr modernisation of prisons)	8.00	8.00
<b>Total:</b>			<b>335.50</b>	<b>335.50</b>

**2.4.5 Non-release of Funds by Home Department**

Modernisation of prisons was taken up in the state with central assistance since 2002-03. The sharing of expenditure between centre and the state was 75:25 basis. An amount of Rs.25,58,000 was not released to the executing agencies though the entire amount of Rs.21,47,00,000 (C.A. Rs.16,10,25,000, State share Rs.5,36,75,000) was available for the year 2003-04. State share of Rs.2,29,98,000 was not released for the year 2004-05 though Central share was available from the beginning of the financial year. Amounts of Rs.1,90,000, Rs.3,62,92,000 and Rs.13,87,000 for the three years respectively were not spent by the executing agencies till 30.6.2005.



## 2.5 Advances from the Contingency Fund

The corpus of the State Contingency Fund was enhanced (January 2000) from Rs.60 crore to Rs.150 crore to enable the Government to meet unforeseen and emergency expenditure not provided for in the budget and which could not be postponed till the vote of Legislature was taken. The advance from the fund is to be recouped by obtaining Supplementary Grant at the first session of the Assembly immediately after the advance was sanctioned.

During the year 2004-2005, Rs.73.94 crore drawn from the Contingency Fund remained un-recouped at the end of the year. Besides, advances amounting to Rs.47.45 crore remained un-recouped relating to earlier years.

*(Rupees in crore)*

Period	20 years and above	Less than 20 years and more than 15 years	Less than 15 years and more than 10 years	Less than 10 years and more than 5 years	Less than 5 years and more than 3 years	Less than 3 years and more than 1 year	Below 1 year	Total
Arrears remained unrecouped	2.19	0.91	7.37	17.23	12.70	6.88	73.94	121.22

## 2.6 Rush of expenditure towards the end of the financial year

Controlling Officers are responsible for ensuring effective control over expenditure and guard against rush of expenditure in the month of March as envisaged under rule 147 of OBM. Test check in audit revealed that during 2004-2005 under as many as 32 Major Heads of Accounts Heads, more than 30 *per cent* of the total expenditure was incurred in March 2005 (Appendix-XXIII).

## 2.7 Unnecessary parking of funds in Civil Deposits

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2005 was Rs.639.98 crore. The position during 2000-2001 to 2004-2005 is given in Appendix-XXIV. During the five years period the deposit increased marginally from Rs.616.72 crore in 2000-2001 to Rs.639.98 crore in 2004-05. Such accumulation of funds showed that Government left the funds, meant for many schemes, parked in the Civil Deposit without actual expenditure and overstating the expenditure at the same time.