

## 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 2006-2007 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	11636.27	1943.36	13579.63	11461.10	(-) 2118.53
	II. Capital	1510.43	607.44	2117.87	1552.09	(-) 565.78
	III. Loans and Advances	129.47	198.29	327.76	271.77	(-) 55.99
<b>Total Voted</b>		<b>13276.17</b>	<b>2749.09</b>	<b>16025.26</b>	<b>13284.96</b>	<b>(-) 2740.30</b>
Charged	IV. Revenue	4698.54	805.48	5504.02	4786.79	(-) 717.23
	V. Capital	2.03	7.22	9.25	7.03	(-) 2.22
	VI. Public Debt	2136.22	92.43	2228.65	1850.74	(-) 377.91
	<b>Total Charged</b>	<b>6836.79</b>	<b>905.13</b>	<b>7741.92</b>	<b>6644.56</b>	<b>(-) 1097.36</b>
<b>Grand Total</b>		<b>20112.96</b>	<b>3654.22</b>	<b>23767.18</b>	<b>19929.52</b>	<b>(-) 3837.66</b>

The overall savings of Rs 3837.66 crore is the result of savings of Rs 4199.71 crore and excess of Rs 362.05 crore. The excess expenditure of Rs 362.05 crore in one grant under Capital Account (Forest and Environment Department) and one Appropriation (6004-Loans and Advances from Government of India) during the year required regularisation under Article-205 of the Constitution of India. The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs 475.87 crore) and Capital heads

(Rs 107.67 crore). However, all the 38 Grants and 2 Appropriations showed savings indicating lack of accuracy in budget preparation.

**2.2.1 During 2006-07 the total expenditure under Consolidated Fund stands inflated to the following extent for the reasons mentioned there against**

- (i) Rupees 149.38 crore was transferred to 8443-Civil Deposits, 106-Personal Deposits drawn through NIL payment vouchers during the year.
- (ii) Rupees 0.27 crore was transferred to 8443-Civil Deposits, 800-Other Deposits drawn through NIL payment vouchers during the year.

**2.2.2 During 2006-07 total expenditure was understated to the following extent**

- (i) The balance in 8443 Civil Deposits-800-Other Deposits was decreased by Rs 50.77 crore. (Disbursements Rs 81.09 crore less Deposits Rs 30.32 crore)
- (ii) Rupees 137.66 crore drawn from Orissa Contingency Fund during the year remained unrecovered at the year-end.

**2.3 Fulfillment of Allocative Priorities**

**2.3.1 Appropriation by Allocative Priorities**

Out of the overall savings of Rs 3837.66 crore during the year, major savings of Rs 2728.86 crore (71 per cent) occurred in five grants (Rs 1391.26 crore) and two appropriations (Rs 1337.60 crore) as mentioned below:

*(Rupees in crore)*

Grant/Appropriation	Original Provision	Supplementary Provision	Total grant	Actual Expenditure	Saving
Grant No. 3 – Revenue (Voted)	1017.40	697.13	1714.53	1143.97	570.56
Grant No. 5 – Finance Revenue (Voted)	2020.52	--	2020.52	1564.60	455.92
Grant No. 12 – Health and Family Welfare Revenue (Voted)	680.75	1.71	682.46	567.52	114.94
Grant No.17 – Panchayati Raj Revenue (Voted)	633.76	218.84	852.60	733.18	119.42
Grant No. 36 – Women and Child Development Revenue (Voted)	609.92	248.30	858.22	727.80	130.42
Appropriation-2049 Interest Payment Revenue (Charged)	3801.98	--	3801.98	3188.43	613.55
Appropriation-6003 Internal Debt of the State Government Capital (Charged)	1795.50	--	1795.50	1071.45	724.05
<b>Total</b>	<b>10559.83</b>	<b>1165.98</b>	<b>11725.81</b>	<b>8996.95</b>	<b>2728.86</b>

The areas in which major savings occurred in these grants and appropriations are given in *Appendix 2.1*. The reasons for savings were not intimated by the department.

### 2.3.2 Persistent savings

Savings of more than 10 *per cent* were noticed in 24 out of 42 grants/appropriations. Such savings persisted during the period 2004-2007 in 15 out of the above 42 grants/appropriations (*Appendix-2.2 and 2.3*).

### 2.3.3 Excess over provision requiring regularisation

#### 2.3.3 (i) 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 7731.77 crore for the years 1998-99 to 2005-06 as detailed below had not been regularised. This was breach of legislative control over appropriation.

Year	No. of grants/appropriations	Grant/Appropriation Number	Amount of excess	Amount for which explanations not furnished to PAC
			(Rupees in crore)	
1998-1999	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	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 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	2474.48
2001-2002	4	15-Sports and Youth services, 20-Water resources, 28-Rural Development and 6004-Loans and Advances from Central Government	393.58	393.58
2002-2003	5	8-Orissa Legislative Assembly, 15-Sports and Youth services, 20-Water Resources, 6003-Internal Debt of State Government and 6004-Loans and Advances from Central Government	2068.93	2068.93
2004-2005	3	7-Works, 34-Co-operation and 38-Higher Education	9.94	9.94
2005-2006	2	7-Works, 31-Textile and Handloom	0.06	0.06
<b>Total</b>				<b>7731.77</b>

**2.3.3 (ii) Excess over provisions relating to 2006-07**

Further, the excess expenditure of Rs 362.05 crore in one Grant (Forest and Environment Department), one Appropriation (6004-Loans and Advances from Government of India) during the year also required regularisation under Article 205 of the Constitution of India (**Appendix-2.4**).

**2.3.4 Supplementary provision**

Supplementary provision of Rs 3654.22 crore made during the year constituted 18 *per cent* of the original provision being the same as in the previous year.

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

**(i) Unnecessary supplementary provision**

Supplementary provision of Rs 445.49 crore in 18 cases under 12 grants and two Appropriations was wholly unnecessary as the expenditure in each case was even less than the original provision, the savings being more than Rs 1.00 crore in each case (**Appendix-2.5**).

**(ii) Excessive supplementary provision**

Against the additional requirement of Rs 629.00 crore in 19 cases under 17 grants/Appropriations, supplementary provision of Rs 1563.08 crore was obtained resulting in savings of Rs 50 lakh or more in each case and Rs 934.08 crore in aggregate out of which in one grant (3-Revenue), the saving was Rs 570.56 crore which was 61 *per cent* of the savings of Rs 934.08 crore during the year (**Appendix-2.6**).

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

Significant savings exceeding Rs 1.00 crore in each case aggregating to Rs 222.16 crore (21 *per cent*) against the provision of Rs 1054.29 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 40 cases in 13 grants. In six cases (Sl.No.1, 4, 24, 25, 27 and 40) of **Appendix-2.7**, the entire provision of Rs 68.48 crore remained unutilised.

**2.3.7 Significant cases of excess expenditure**

Significant excess expenditure amounting to Rs177.50 crore exceeding Rs1.00 crore in each case was noticed in 23 cases involving 12 Grants/Appropriations (**Appendix-2.8**).

**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 2006-07, although actual savings of Rs 2007.48 crore were available, only Rs 1620.29 crore was surrendered mainly in March 2007. (**Appendix-2.9**)

**(ii) Injudicious surrender**

In 10 Grants, amounts surrendered were less than the savings available. The amounts not surrendered were more than Rs 1.00 crore in each case (**Appendix-2.10**).

**(iii) Excessive surrender**

In 10 cases, the amounts surrendered were in excess of actual savings indicating lack of proper budgetary control. Against the actual savings of Rs 1455.16 crore, amount surrendered was Rs 1492.88 crore resulting in excess surrender of Rs 37.72 crore (**Appendix-2.11**).

**(iv) Surrender of entire provision**

In 93 cases relating to 20 Grants, the entire provision of Rs 808.47 crore (exceeding Rs 10 lakh in each case) was reappropriated/surrendered (**Appendix-2.12**).

**(v) Anticipated savings not surrendered**

In 24 cases relating to 12 Grants/Appropriations the entire available provision of Rs 78.96 crore remained unutilised and was not surrendered (**Appendix-2.13**).

**2.3.9 Unutilised provision**

In 14 cases involving 12 Grants and 1 Appropriations, the expenditure fell short of provision by more than Rs 1.00 crore and more than 20 per cent of the provision in each case (**Appendix-2.14**). All these indicated severe 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 2006-2007, expenditure of Rs 99.30 lakh was incurred in two cases involving two Grants as detailed in **Appendix-2.15** without following the prescribed procedure for New Service/New Instrument of Service.

**2.3.11 Excessive/unnecessary reappropriation of funds**

Reappropriation 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 reappropriation of funds proved injudicious in view of final savings/excess over grant by over rupees one crore are detailed in **Appendix-2.16 and 2.17** respectively.

## **2.4 Inadequate Budgetary Control**

Scrutiny of budget proposals and actual expenditure in respect of three Departments viz. (i) Industries, (ii) Scheduled Tribes, Scheduled Caste Development and Minorities and Backward Classes Development and (iii) Rural Development 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 82.43 crore (Industries Department Rs 71.35 crore and Rural Development Department Rs 11.08 crore) was made 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 three departments surrendered Rs 289.59 crore (Industries Department Rs 9.42 crore and Scheduled Tribes, Scheduled Caste Development and Minorities and Backward Classes Development Department: Rs 65.48 crore and Rural Development Rs 214.69 crore) on the last working day of the financial year (31 March 2007).

### **2.4.3 Persistent savings under Grant No. 28-Rural Development Department**

In Rural Development Department there were persistent savings under Capital Heads (Voted) during the last 10 years with the percentage of savings rising drastically during the year 2006-07 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 )			
1997-98	9582.87	7485.10	2097.77	21.89
1998-99	8244.86	6865.73	1379.13	16.70
1999-2000	7704.24	5884.49	1819.75	23.62
2000-01	25606.29	10768.78	14837.51	57.94
2001-02	31831.65	11822.96	20008.69	62.85
2002-03	32833.96	19715.18	13118.78	39.95
2003-04	18161.98	10579.69	7582.29	41.74
2004-05	16581.48	12995.75	3585.73	21.62
2005-06	17465.48	12683.66	4781.82	27.38
2006-07	31704.87	15224.67	16480.20	51.98

### **2.4.4 Surrender of entire provision**

Industries and Rural Development Departments have surrendered the entire provision of Rs 26.17 crore on last day of the year i.e. on 31.3.2007 depriving needy areas for utilisation. (*Appendix-2.18*).

### 2.4.5 Non-utilisation of Special Central Assistance (SCA) provided for construction of ST/SC Hostel Building

The Planning and Co-ordination Department provided Rs 15.50 crore (Rs 8.75 crore in 2005-06 and Rs 6.75 crore in 2006-07) out of the Special Central Assistance for construction of 118 numbers of ST and SC hostel buildings in the KBK districts. The funds were placed to the executing agencies (DRDA and ITDA) without stipulating the date of completion of the work. A state owned authority (OREDA) was directed by the Government to prepare and submit the plan and estimate for the purpose. However, the plan and estimates prepared by OREDA was not accepted by the Government stating that the same was incomplete and instructed (January 2007) the executing agencies to complete the work with the locally prepared plans and estimates by March 2007. Out of 118 hostel buildings planned for completion only 27 stated to have been completed in two districts (Nawrangpur and Sonepur) incurring expenditure of Rs 3.27 crore and the balance 91 remained incomplete as of July 2007. The delay in completion of the buildings was made due to non-finalisation of design, plan and estimates at Government level, on which SCA fund of Rs 12.23 crore was blocked denying the benefit intended under the scheme.

## 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 cannot be postponed till the vote of Legislature is 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 is sanctioned. An amount of Rs 40.43 crore remained unrecouped to the fund till the end of 2005-06 and the balance in the fund was only Rs 109.57 crore. However, during the year 2006-07 Government have sanctioned Rs 285.33 crore in 13 sanction orders in which Rs 137.66 crore was disbursed and the same remained un-recouped till the end of the year. So, Rs 28.09 crore was disbursed in excess of the balance of the fund. The amount of advance Rs 178.09 crore remained un-recouped relating to current year and earlier years is given below.

(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	Below 1 year	Total
Arrears remained unrecouped	3.10	6.32	1.05	29.94	0.02	137.66	178.09

## 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. Uniform flow of expenditure during the year is a primary requirement of Budgetary Control. The drawal and release

of fund at the fag end of the financial year is indicative of deficient financial management indicating a tendency to utilise the budget at the close of the year. Test check of Monthly Account revealed that during 2006-2007 under as many as 11 Major Heads of Accounts, 70 to 100 *per cent* of the total expenditure was incurred in March 2007 (*Appendix-2.19*).

### **2.7 Parking of funds in Civil Deposits**

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2007 was Rs 495.59 crore. The position during 2001-2002 to 2006-2007 is given in *Appendix-2.20*. During the six years period the deposit decreased by Rs 121.13 crore from Rs 616.72 crore in 2001-2002 to Rs 495.59 crore in 2006-07. 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.

### **2.8 Excess payment of Pension and Gratuity**

Test check of records in the treasuries and other auditee organisations revealed excess payment of pension and gratuity to the tune of Rs 13.12 lakh during 2006-07 due to erroneous determination of admissibility and calculation error in respect of pensionary claims of 172 pensioners.

### **2.9 Defective Reappropriations**

During 2006-07 financial year, 1272 reappropriation orders for Rs 4045.81 crore were issued out of which 18 orders aggregating Rs 134.79 crore were issued on 31 March 2007, the last day of the fiscal year 2006-07. Two reappropriation orders of the value of Rs 2.20 crore were not considered for incorporation in accounts in view of re-appropriation from Capital to Revenue Head.

### **2.10 Huge Cash Balance with DDOs**

Test check of records revealed that huge cash balances of Rs 20.32 crore was lying with eight DDOs as on 31 March 2007 without disbursement. The amount was drawn to avoid budget lapse in contravention of SR 242 of OTC, Volume-I.