

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-a-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 2007-08 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	14309.15	1854.89	16164.04	14064.34	(-)2099.70
	II. Capital	2078.87	1287.91	3366.78	2942.54	(-) 424.24
	III. Loans and Advances	404.91	177.73	582.64	432.68	(-) 149.96
Total Voted		16792.93	3320.53	20113.46	17439.56	(-) 2673.90
Charged	IV. Revenue	4562.87	404.41	4967.28	3983.47	(-) 983.81
	V. Capital	5.21	12.78	17.99	11.17	(-) 6.82
	VI. Public Debt	2772.68	-	2772.68	1844.97	(-) 927.71
Total Charged		7340.76	417.19	7757.95	5839.61	(-) 1918.34
Grand Total		24133.69	3737.72	27871.41	23279.17	(-) 4592.24

The overall savings of Rs 4577.20 crore is the result of savings of Rs 4592.24 crore and excess of Rs 15.04 crore. The excess expenditure of Rs 15.04 crore was in one grant under Capital Account. The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs 324.54 crore) and Capital heads (Rs 110.30 crore). However, all the 38 Grants and three Appropriations showed savings indicating lack of accuracy in budget preparation including provisions under supplementaries. The Departments stated that the surrender of savings was due to non-filling of vacant posts, less requirement by the

executing agencies, delay in finalization of tenders and non-receipt of Central Assistance etc.

2.2.1 During 2007-08 the total expenditure under Consolidated Fund stands inflated to the following extent for the reasons mentioned there against

Rupees 165.01 crore drawn from Orissa Contingency Fund earlier were recouped during the year. The recoupment exceeded the corpus amount of Rs 150 crore.

2.2.2 During 2007-08 total expenditure was understated to the following extent for the reasons mentioned there against

- (i) The balance in 8443 Civil Deposits-800-Other Deposits was decreased by Rs 29.40 crore. (Disbursements: Rs 64.75 crore, less Deposits: Rs 35.35 crore).
- (ii) Rupees 51.34 crore drawn from Orissa Contingency Fund during the year remained unrecouped at the year-end.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Savings in a Grant or Appropriation indicate that the expenditure could not be incurred as estimated or planned. It points to poor budgeting or shortfall in performance depending upon the circumstances under which and the purpose for which the Grant or Appropriation was provided. Out of the overall savings of Rs 4577.20 crore during the year, major savings of Rs 3310.13 crore (72 per cent) occurred in six grants (Rs 1504.66 crore) and two appropriations (Rs 1805.47 crore) as mentioned below:

(Rupees in crore)

Grant / Appropriation	Original Provision	Supplementary Provision	Total grant	Actual Expenditure	Saving
Grant No. 3 – Revenue (Voted)	937.52	313.84	1251.36	809.52	441.84
Grant No. 5 – Finance Revenue (Voted)	2218.64	negligible	2218.64	1895.22	323.42
Grant No. 12 – Health and Family Welfare Revenue (Voted)	799.86	31.43	831.29	703.56	127.73
Grant No.17 – Panchayati Raj Revenue (Voted)	1144.69	21.98	1166.67	972.32	194.35
Grant No. 23 – Agriculture	479.86	73.53	553.39	374.20	179.19
Grant No 36-Women and Child Development	1109.17	232.52	1341.69	1103.56	238.13
2049-Interest Payment	4049.11	-	4049.11	3169.48	879.63
Appropriation-6003 Internal Debt of the State Government Capital (Charged)	2337.65	-	2337.65	1411.81	925.84
Total	13076.50	673.30	13749.80	10439.67	3310.13

The areas in which major savings occurred in these grants and appropriations are given in *Appendix 2.1*. In some cases, the reasons for savings were intimated by the department(s).

2.3.2 Persistent savings

Savings of more than 10 *per cent* were noticed in 22 out of 42 grants/appropriations. Such savings persisted during the period 2005-2008 in 12 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 8093.82 crore for the years 1998-99 to 2006-07 as detailed below has not been regularized. This was breach of legislative control over appropriation.

Year	No. of grants / appropriations	Grant/Appropriation Number	Amount of excess
			(Rupees in crore)
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	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
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
2001-2002	4	15-Sports and Youth Services, 20-Water Resources, 28-Rural Development and 6004-Loans and Advances from Central Government	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
2004-2005	3	7-Works, 34-Co-operation and 38-Higher Education	9.94
2005-2006	2	7-Works, 31-Textile and Handloom	0.06
2006-2007	2	22-Forest and Environment 6004-Loans and Advances from GOI	362.05
Total			8093.82

2.3.3 (ii) Excess over provisions relating to 2007-08

Excess expenditure of Rs 15.04 crore in one Grant (Forest and Environment Department) during the year required regularisation under Article 205 of the Constitution of India (*Appendix-2.4*).

2.3.4 Supplementary provision

Supplementary provision of Rs 3737.72 crore made during the year constituted 15.49 *per cent* of the original provision of Rs 24133.69 crore.

2.3.5 Unnecessary/Excessive/Inadequate Supplementary Provision

(i) Unnecessary supplementary provision

Supplementary provision of Rs 960.32 crore in 19 cases under 17 grants was wholly unnecessary as the expenditure in each case was even less than the original provision, the savings being more than Rupees one crore in each case (*Appendix-2.5*).

(ii) Excessive supplementary provision

Against the additional requirement of Rs 1656.39 crore in 23 cases under 19 grants, supplementary provision of Rs 2160.61 crore was obtained resulting in savings of Rs 50 lakh or more in each case and Rs 504.22 crore in aggregate out of which in one grant (20-Water Resources, Capital Section), the saving was Rs 98.02 crore which was 19 *per cent* of the savings of Rs 504.22 crore during the year (*Appendix-2.6*).

2.3.6 Significant cases of savings in plan expenditure

Significant savings exceeding Rupees one crore in each case aggregating to Rs 167.19 crore (17 *per cent*) against the provision of Rs 970.06 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 36 cases in 10 grants. In three cases (Sl.No.20, 24, 27) of *Appendix-2.7*, the entire provision of Rs 51.81 crore remained unutilised.

2.3.7 Significant cases of excess expenditure

Significant excess expenditure amounting to Rs 105.08 crore exceeding Rupees one crore in each case was noticed in 27 cases involving six Grants/Appropriations (*Appendix-2.8*).

2.3.8(i) Delayed surrender of saving

According to Orissa Budget Manual (Rule 146), 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 2007-08, although actual savings of Rs 2041.89 crore were available, only Rs 1592.35 crore was surrendered mainly in March 2008 (*Appendix-2.9*).

(ii) Injudicious surrender

In 11 grants, amounts surrendered were less than the savings available. The amounts not surrendered were more than Rupees one crore in each case totalled to Rs 232.65 crore out of total savings of Rs 721.48 crore during 2007-08. This indicated lack of monitoring and control over expenditure (*Appendix-2.10*).

(iii) Excessive surrender

In 14 cases in 12 grants, the amounts surrendered were in excess of actual savings indicating lack of proper expenditure control. Against the actual savings of Rs 369.52 crore, amount surrendered was Rs 406.39 crore resulting in excess surrender of Rs 36.87 crore (*Appendix-2.11*). This indicated absence of timely booking and watch over progress of expenditure.

(iv) Surrender of entire provision

In 30 cases relating to 8 grants, the entire provision of Rs 132.74 crore (exceeding Rs 10 lakh in each case) was reappropriated/surrendered (*Appendix-2.12*).

(v) Anticipated savings not surrendered

In 13 cases relating to 7 grants/appropriations the entire available provision of Rs 69.12 crore remained unutilised and was not surrendered. This included provision for capital section for Rs 31.22 crore. As such activities planned were not taken up. (*Appendix-2.13*).

2.3.9 Unutilised provision

In 14 cases involving 12 grants and one appropriation, the expenditure fell short of provision by more than Rupees one crore and more than 20 per cent of the provision in each case (*Appendix-2.14*). All these indicated lack of budgetary and expenditure control.

2.3.10 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 are as follows. In 11 cases savings of Rs 8089.57 lakh was made proving augmentation of provision of Rs 3017.87 lakh by way of reappropriation excessive. In 25 cases there was excess expenditure of Rs 8221.87 lakh proving withdrawal of provision of Rs 10519.01 lakh by way of reappropriation unnecessary. Such cases are detailed in *Appendix-2.15 and 2.16* respectively.

2.4 Inadequate Budgetary Control

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz. (i) Science and Technology and (ii) School and Mass Education 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 a provision of Rs 9.85 crore (School and Mass Education Department) 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 March of the financial year. Further, as per Finance Department's instruction (January 2008) surrender of savings was to be made by 29 February 2008 at the latest. In violation of above instruction, Rs 71.59 crore was surrendered by two departments (School and Mass Education: Rs 51.84 crore and Science and Technology: Rs 19.75 crore) on the last day of the financial year.

2.4.3 Non-utilisation of Central Assistance

Under the Centrally Sponsored Plan scheme "Information and Communication Technology (ICT)" programme, the Ministry of Human Resource Development, Department of School Education and Literacy, Government of India (GOI) sanctioned (January 2006) a project of Rs 10 crore on cost sharing basis between the Governments (GOI: 75, State Government: 25) for implementation of computer education in 1500 primary and secondary schools over a period of five years starting from 2005-06. The GOI while conveying the sanction indicated to utilize Rupees five crore out of unspent balances of GOI grants of Rs 9.09 crore under two earlier schemes (ET scheme: Rs 5.88 crore and CLASS project: Rs 3.21 crore) paid to the State Government between 1988-2001 as first installment towards central share. The State Government made provision for the scheme in successive budgets during 2006-08 but did not utilise the funds for the project and deprived students of intended computer education (March 2008).

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. During 2007-08, while advances of Rs 51.34 crore was sanctioned and withdrawn from the fund, Rs 165.01 crore was recouped. However, Rs 64.42 crore had still remained un-recouped till the end of 2007-08 as detailed below.

(Rupees in crore)

Period	Less than 10 years and more than 5 years	Less than 5 years and more than 3 years	Below one year	Total
Arrears remained unrecouped	13.08	-	51.34	64.42

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. Even 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 to utilise the provision at the close of the year. Check of monthly account revealed that during 2007-08 under 12 Major Heads of Accounts, 72 to 100 *per cent* of the total expenditure was incurred in March 2008 (*Appendix-2.17*).

2.7 Parking of funds in Civil Deposits

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2008 was Rs 466.19 crore. The position during 2002-2003 to 2007-2008 is given in *Appendix-2.18*. During the six years 2002-08, the deposit decreased by Rs 277.25 crore from the opening balance of Rs 743.44 crore in 2002-2003 to a closing balance of Rs 466.19 crore in 2007-08. These funds largely consist of amounts transferred from functional Major Heads to avoid lapse of Budget provision(s) during relevant years. Such accumulation of funds showed that Government left the funds, meant for many schemes, parked in the Civil Deposit without incurring 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 12.68 lakh during 2007-08 due to erroneous determination of admissibility and calculation error in respect of pensionary claims of 183 pensioners.

2.9 Defective Reappropriations

During 2007-08 financial year, 956 reappropriation orders for Rs 1750.72 crore were issued out of which 49 orders aggregating Rs 1083.53 crore were issued on 31 March 2008 i.e. on the last day of the year.

2.10 Huge cash balance with DDOs

Test check of records of 24 DDOs revealed that huge cash balances of Rs 27.26 crore was lying with them as on 31 March 2008 without disbursement. The amounts were drawn to avoid lapse of budget in contravention of Supplementary Rule 242 of Orissa Treasury Code (Volume-I). (*Appendix-2.19*).

2.11 Parking of Funds in Personal Deposit Account

Financial Rules of the Government prescribe that money should not be drawn from the treasury unless it is required for immediate disbursement and it should not be drawn for depositing under the Civil Deposit-Personal Ledger Accounts to avoid lapse of budget grant. But as per Finance Accounts of the Government, the unspent balance under 8443-Civil Deposit-106-personal deposit as at the end of the year 2007-08 was Rs 300.38 crore. During the six years from 2002-08, the deposit decreased by Rs 307.39 crore from an opening balance of Rs 607.76 crore in 2002-03 to the closing balance of Rs 300.38 crore in 2007-08 (*Appendix-2.20*).

Test check of records of DRDA, Khurda and Cuttack, it was revealed that a sum of Rs 112.73 crore relating to scheme funds was kept under the Personal Deposit Account of the DRDAs without utilisation as on 31 March 2008. Funds of major schemes remaining unutilized with them were MLA LAD¹ (Rs 10.65 crore), Special Problem Fund (Rs 2.96 crore) and Twelfth Finance Commission grant (Rs 43.48 crore).

¹ MLA LAD : Member of Legislative Assembly Local Area Development