

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 2005-06 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	10078.66	1119.12	11197.78	9403.58	(-) 1794.20
	II. Capital	970.33	493.74	1464.07	1073.89	(-)390.18
	III. Loans and Advances	107.71	0.69	108.40	68.40	(-)40.00
Total Voted		11156.70	1613.55	12770.25	10545.87	(-) 2224.38
Charged	IV. Revenue	4094.59	400.79	4495.38	4464.84	(-) 30.54
	V. Capital	2.07	5.94	8.01	4.90	(-) 3.11
	VI. Public Debt	3759.35	Nil	3759.35	1037.59	(-) 2721.76
Total Charged		7856.01	406.73	8262.74	5507.33	(-) 2755.41
Grand Total		19012.71	2020.28	21032.99	16053.20	(-) 4979.79

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs 264.90 crore) and Capital heads (Rs 41.94 crore). However, all the 42 Grants and Appropriation showed savings indicating lack of accuracy in budget preparation.

2.2.1 During 2005-06 the total expenditure under Consolidated Fund stands inflated to the following extent for the reasons mentioned there against

- (i) Rs 80.80 crore drawn from Orissa Contingency Fund during previous years but recouped during 2005-06.
- (ii) Rs 43.36 crore was transferred to 8443-Civil Deposits, 106-Personal Deposits drawn through NIL payment vouchers during the year.

2.2.2 During 2005-06 total expenditure was understated to the following extent

- (i) The balance in 8443 Civil Deposits-800-Other Deposits was decreased by Rs 93.62 crore. (Disbursements Rs 147.71 crore less Deposits Rs 54.09 crore)
- (ii) Rs 8.30 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

Out of the total savings of Rs 4979.79 crore during the year, major savings of Rs 3969.59 crore (80 per cent) occurred in five grants (Rs 1247.82 crore) and two appropriations (Rs 2721.77 crore) as mentioned below:

(Rupees in crore)

Grant/Appropriation	Original Provision	Supplementary Provision	Total grant	Actual Expenditure	Saving
Grant No. 3 – Revenue (Voted)	978.73	8.68	987.41	858.04	129.37
Grant No. 5 – Finance Revenue (Voted)	1878.68	-	1878.68	1405.63	473.05
Grant No. 12 – Health and Family Welfare Revenue (Voted)	688.72	17.12	705.84	428.47	277.37
Grant No.23 – Agriculture Revenue (Voted)	349.10	7.03	356.13	254.56	101.57
Grant No. 36 – Women and Child Development Revenue (Voted)	493.85	331.86	825.71	559.25	266.46
Appropriation-6003 Internal Debt of the State Government Capital (Charged)	2469.30	-	2469.30	505.03	1964.27
Appropriation-6004 Loans and Advances from Central Government Capital (Charged)	1290.05	-	1290.05	532.55	757.50
Total	8148.43	364.69	8513.12	4543.53	3969.59

The areas in which major savings occurred in these grants and appropriations are given in *Appendix-2.1*.

2.3.2 Persistent savings

Savings of more than 10 per cent were noticed in 30 out of 42 grants/appropriations. Such savings persisted during the period 2003-2006 in 22 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

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 8721.68 crore for the years 1997 -98 to 2004 -2005 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
			(Rupees in crore)	
1997-98	8	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 etc.	989.97	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	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
Total			8721.68	8721.68

2.3.3 (ii) Excess over provisions relating to 2005-06

Further, the excess expenditure of Rs 5.55 lakh in two Grants (Works and Textile and Handloom) 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 2020.28 crore made during the year constituted 11 *per cent* of the original provision same as in the previous year.

2.3.5 Unnecessary/Excessive/Inadequate Supplementary Provision

(i) Unnecessary supplementary provision

Supplementary provision of Rs 207.07 crore in 22 cases under 18 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-2.5*).

(ii) Excessive supplementary provision

Against the additional requirement of Rs 646.70 crore in 26 cases under 22 grants/Appropriations, supplementary provision of Rs 1411.77 crore was obtained resulting in savings of Rs 25 lakh or more in each case and Rs 765.07 crore in aggregate out of which in one grant (36-Women and Child Development) the saving was Rs 266.46 crore which was 35 *per cent* of the savings of Rs 765.07 crore during the year (*Appendix-2.6*).

2.3.6 Significant cases of savings in plan expenditure

Significant savings exceeding Rs 1 crore in each case aggregating to Rs 102.85 crore (21 *per cent*) against the provision of Rs 499.31 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 34 cases in 11 grants. In 6 cases (Sl.No.1, 2, 3, 22, 23 and 29 of *Appendix-2.7*) the entire provision of Rs 16.18 crore remained unutilised.

2.3.7 Significant cases of excess expenditure

Significant excess expenditure amounting to Rs 71.29 crore exceeding Rs 1 crore in each case was noticed in 19 cases involving 10 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 2005-06, although actual savings of Rs 4979.79 crore were available, only Rs 4411.51 crore was surrendered mainly in March 2006.

(ii) Injudicious surrender

In 15 Grants, amounts surrendered were less than the savings available. The amount not surrendered were more than Rs 2 crore in each case (*Appendix-2.9*).

(iii) Excessive surrender

In four cases, the amount surrendered were in excess of actual savings indicating lack of proper budgetary control. Against the actual savings of

Rs 497.19 crore, amount surrendered was Rs 515.94 crore resulting in excess surrender of Rs 18.75 crore (*Appendix-2.10*).

(iv) Surrender of entire provision

In 90 cases relating to 18 Grants and 1 Appropriation, the entire provision of Rs 571.47 crore (exceeding Rs 10 lakh in each case) was reappropriated/surrendered (*Appendix-2.11*).

(v) Anticipated savings not surrendered

In 4 cases relating to 4 Grants/Appropriations the entire available provision of Rs 22.07 crore remained unutilised and was not surrendered (*Appendix-2.12*).

2.3.9 Unutilised provision

In 23 cases involving 20 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-2.13*). 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 2005-2006, expenditure of Rs 187.50 crore was incurred in 4 cases involving 3 Grants/Appropriations as detailed in *Appendix-2.14* 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-2.15 and 2.16* respectively.

2.4 Inadequate Budgetary Control

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz. (i) Fisheries and Animal Resources Development Department and (ii) Health and Family Welfare 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 102.69 crore (Health and Family Welfare Department: Rs 99.21 crore and Fisheries and Animal Resources Development Department: Rs 3.48 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 two departments surrendered Rs 180.68 crore (Health and Family Welfare Department: Rs 155.47 crore and Fisheries and Animal Resources Development Department: Rs 25.21 crore) on the last working day of the financial year (31 March 2006).

2.4.3 Persistent savings under Grant No. 12-Health and Family Welfare Department

In Health and Family Welfare Department there were persistent savings under Capital Heads (Voted) during the last 9 years with the percentage of savings rising drastically during the last two 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)			
1997-1998	1270.25	970.00	300.25	24
1998-1999	1406.65	363.17	1043.48	74
1999-2000	2868.00	585.95	2282.05	80
2000-2001	3505.80	2718.16	787.64	22
2001-02	6655.37	3505.16	3150.21	47
2002-03	7432.77	4654.77	2778.00	37
2003-04	7551.50	4977.00	2574.50	34
2004-05	6668.13	65.50	6602.63	99
2005-06	5542.46	1612.13	3930.33	70

2.4.4 Surrender of entire provision

In the following cases the Departments have surrendered the entire provision on last day of the year i.e. on 31.3.2006 depriving needy areas for utilisation.

(Rupees in lakh)

Sl. No.	Name of the Department	Head of Account	Amount of provision			Amount surrendered
			Original	Supplementary	Total	
1.	Health and Family Welfare	12-2210-CP-SS-01-Allopathy-200	200	Nil	200	200
2.	-do-	12-2210-CP-SS-05-METR Equipment	20	10	30	30
3.	-do-	12-2210-M and PH-CP-Material and Equipment	Nil	84.82	84.82	84.82
4.	-do-	12-2210-M and PH-CP-06-PH-GIA	15	Nil	15	15
5.	-do-	12-2210-M and PH-Net-101	Nil	74.80	74.80	74.80

Sl. No.	Name of the Department	Head of Account	Amount of provision			Amount surrendered
			Original	Supplementary	Total	
6.	-do-	12-2210-Total-796-TASP	Nil	51.70	51.70	51.70
7.	Fisheries and Animal Resources Development	CSP scheme-4405-COL on Fisheries-103-Marine-0030220-FLC	4	20	24	24
Total:			239	241.32	480.32	480.32

2.4.5 Non-utilisation of GOI assistance

A Centrally Sponsored Plan scheme “Assistance to State for control of Animal diseases” is being implemented in the State during 2003-08 for immunising the animals against various diseases. The scheme is funded by apportionment between the Centre and the State in the ratio of 75:25. During the period 2003-06, the Government of India provided assistance of Rs 7.70 crore (75 per cent) for implementation of the scheme. In turn, the State released Rs 1.29 crore towards its own share against the matching share of Rs 2.57 crore (25 per cent) and Rs 4.14 crore out of the funds received from GOI. Thus, less release of State share of Rs 1.28 crore (Rs 2.57 crore - Rs 1.29 crore) led to under utilisation of corresponding Central assistance of Rs 3.56 crore (Rs 7.70 crore - Rs 4.14 crore) for the scheme.

2.4.6 Idle Expenditure of Rs 96 lakh on construction of fish landing centre at Gopalpur on sea

Government of India, Ministry of Agriculture, Department of Agriculture and Co-operation conveyed administrative approval (March 1997) for construction of fish landing centre at Gopalpur on sea in Ganjam district under Centrally Sponsored Plan scheme (50:50) for providing landing and berthing facilities for traditional craft and small mechanised fishing vessels of fishermen, with the stipulation that the State Government would make adequate arrangements for the utilisation of the facilities and maintenance of fish landing centre.

The State Government released Rs 96 lakh including Central share of Rs 48 lakh received from GOI. Despite completion of construction of fish landing centre during 2002 at a cost of Rs 96 lakh the State Government failed to make it operational as of March 2006.

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 2005-06, five sanction orders for Rs 37.84 crore were issued out of which Rs 19.55 crore were drawn and recouped during the year. Advances

amounting to Rs 40.43 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	Below 1 year	Total
Arrears remained unrecouped	3.11	6.18	1.18	17.23	12.73	Nil	40.43

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 2005-2006 under as many as 13 Major Heads of Accounts Heads, more than 50 per cent of the total expenditure was incurred in March 2006 (*Appendix-2.17*).

2.7 Parking of funds in Civil Deposits

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2006 was Rs 546.36 crore. The position during 2001-2002 to 2005-2006 is given in *Appendix-2.18*. During the five years period the deposit decreased marginally from Rs 616.72 crore in 2001-2002 to Rs 546.36 crore in 2005-06. 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.

Scrutiny of records of Health and Family Welfare Department and its directorate revealed that an amount of Rs 55.08 crore has been kept in Civil Deposit during 1988-89 to 2005-06. Out of which Rs 6.88 crore has been kept in Civil Deposit from the balances drawn in AC Bills.

2.8 Excess payment of Pension and Gratuity

Test check of records in the Treasury revealed excess payment to the tune of Rs 10.38 lakh during 2005-06 due to erroneous determination of admissibility and calculation error in respect of pensionary claims of 357 pensioners.

2.9 Defective Reappropriations

During 2005-2006, 788 reappropriation orders for Rs 1756.14 crore were issued out of which 33 orders aggregating to Rs 434.06 crore were issued on 31st March 2006, the last day of the fiscal year 2005-2006. 54 re-appropriation orders of the value of Rs 48.95 crore were not considered in accounts due to want of proper classification etc.