

CHAPTER - II
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

SUMMARY OF APPROPRIATION ACCOUNTS-2000-2001

Total No. of grants : 38
Total No. of appropriations: 4
Total provision and actual expenditure

Provision	Amount (Rs. in crore)	Expenditure	Amount (Rs. in crore)
Original	14258.66		
Supplementary	2308.16		
Total gross provision	16566.82	Total gross expenditure	16770.73
Deduct – Estimated recoveries in reduction of expenditure	657.93	Deduct – Actual recoveries in reduction of expenditure	563.59
Total net provision :	15,908.89	Total net expenditure	16,207.14

Voted and Charged Provision and Expenditure

	Provision		Expenditure	
	(R u p e e s i n c r o r e)			
	Voted	Charged	Voted	Charged
Revenue	8331.99	2470.99	6842.80	2439.20
Capital	2249.16	3514.68	1584.76	5903.97
Total Gross	10581.15	5985.67	8427.56	8343.17
Deduct – recoveries in reduction of expenditure	657.93	nil	563.59	nil
Total : Net	9923.22	5985.67	7863.97	8343.17

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Accounts include the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation 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.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2000-2001 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	7748.15	583.84	8331.99	6842.80	(-)1489.19
	II. Capital	1184.22	182.27	1366.49	948.72	(-)417.77
	III. Loans and Advances	869.76	12.91	882.67	636.04	(-)246.63
Total Voted		9802.13	779.02	10581.15	8427.56	(-)2153.59
Charged	IV. Revenue	2442.66	28.33	2470.99	2439.20	(-)31.79
	V. Capital	1.58	0.81	2.39	0.71	(-)1.68
	VI. Public Debt	2012.29	1500.00	3512.29	5903.26	(+)2390.97
Total Charged		4456.53	1529.14	5985.67	8343.17	(+)2357.50
Grand Total		14258.66	2308.16	16566.82	16770.73	(+)203.91

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue heads Rs.448.02 crore and Capital heads Rs.115.57 crore.

(a) *The total expenditure stands inflated at least to the extent of the following:*

- (i) Rs.221.34 crore drawn through "Nil" payment vouchers during 2000-2001 and transferred to 8443-Civil Deposits-106-Personal Deposits.
- (ii) Rs.45.03 crore drawn on Abstract Contingent Bill during 2000-2001 for which the detailed contingent bills were not received as of March 2001.
- (iii) Rs.0.60 crore being amount recouped to Orissa Contingency Fund relating to earlier years (1999-2000).
- (iv) Rs.155.56 crore (Deposits: Rs.286.84 crore, Disbursements:Rs.131.28 crore) added to balance in 8443-Civil Deposits-800-Other Deposits during 2000-2001.

(b) *The total expenditure was understated at least to the extent of the following:*

- (i) Vouchers not received from treasuries for expenditure of Rs.8.58 crore incurred by various departments.

2.3 Results of Appropriation Audit

2.3.1 Overall savings/excess

The overall excess of Rs.203.91 crore was the result of excess of Rs.2474.48 crore in 6 grants and 2 appropriations offset by savings of Rs.2270.57 crore in 38 grants and 1 appropriation which included savings of Rs.718 crore on relief expenditure alone owing to Super cyclone. The overall excess constituted 1.23 *per cent* of the total budgeted funds including supplementaries.

2.3.2 Supplementary provision

Supplementary provision of Rs.2308.16 crore made during the year constituted 16 *per cent* of the original provision as against 22 *per cent* in the previous year.

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 a State Government to get the excess over a grant/appropriation regularised by the

State Legislature. However, the excess expenditure amounting to Rs.3882.15 crore for the years 1996-97 to 1999-2000 was yet to be regularised.

Year	No. of grants/ appropriations	Grant/Appropriation Number	Amount of excess	Amount for which explanations not furnished to PAC
			(Rupees in crore)	
1996-97	6	3 Revenue, 6 Commerce, 7 Works, 22 Forest & 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 Govt.& 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 & 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
Total			3882.15	3882.15

2.3.3(ii) Excess over provisions relating to 2000-2001

The excess expenditure of Rs.2474,48,07,958 in 6 grants and 2 appropriations (Voted Rs.83,42,27,241 and Charged Rs.2391,05,80,717) require regularisation. Details are given in Appendix-IA.

2.3.4 Unnecessary/Excessive/Inadequate Supplementary Provision

(a) Unnecessary supplementary provision

Supplementary provision of Rs.552.22 crore in 33 cases was wholly unnecessary as the expenditure in each case did not come upto the level of the original provision, the saving being more than Rs.0.50 crore in each case as indicated in Appendix-II.

2.3.4(b) Excessive supplementary provision

Against the additional requirement of Rs.90.97 crore in 10 cases, supplementary provision of Rs.177.33 crore was obtained resulting in savings of Rs.25.00 lakh or more in each case and Rs.86.36 crore in aggregate out of which in one grant (Grant No.17 Panchayati Raj Department) the saving was Rs.53.18 crore which comprised 61.58 *per cent* of the overall savings. Details are given in Appendix-III.

2.3.4(c) Inadequate supplementary provision

Supplementary provision of Rs.31.60 crore obtained in 5 cases, as detailed in Appendix-IV, proved inadequate by more than Rs.2.00 crore in each case leaving an aggregate uncovered excess expenditure of Rs.83.42 crore.

2.3.5 Significant cases of savings in plan expenditure

Significant savings exceeding Rs.1 crore in each case aggregating to Rs.243.14 crore (42 *per cent*) against the provision of Rs.583.63 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 40 cases in 7 grants details of which are given in Appendix-V.

In nine cases (SL 2,3,5,6,10,11,17,22&33 of Appendix-V), the entire provision of Rs.88.38 crore remained unutilised.

2.3.6 Persistent savings

In 2000-2001, savings of more than 10 *per cent* were noticed in 28 out of 42 grants/appropriations whereas such savings were persisting during the years 1998-99, 1999-2000 and 2000-01 in 21 out of 42 grants/appropriations details of which are given in Appendix-VI-A&B.

2.3.7 Persistent excesses

In 2000-2001, excess was noticed in 6 Grants and 2 Appropriations (Appendix-IA) whereas persistent excesses were noticed in three grants as detailed below which requires investigation by the Government for remedial action.

Grant No.	Name of the Grant	Percentage of Excess		
		1998-99	1999-2000	2000-01
6	Commerce(Capital Voted)	1	11	18
7	Works (Revenue Voted)	7	21	10
8	Orissa Legislative Assembly(Revenue Charged)	5	7	5

2.3.8 Significant cases of excess expenditure

Significant excesses amounting to Rs.284.20 crore exceeding Rs.1.00 crore in each case were noticed in 28 cases involving 8 Grants/Appropriations details of which are given in Appendix-VII.

2.3.9 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 2000-2001, although actual savings of Rs.2270.57 crore were available, Rs.933.95 crore were surrendered that too in March 2001 resulting in overall less surrender of Rs.1336.62 crore.

(a) Injudicious surrenders

In 13 grants as detailed in Appendix-VIII amounts surrendered were less than the savings available by more than Rs.2 crore in each case. In respect of grant 3, Revenue Department surrendered only Rs.21.90 crore (5 per cent) as against total savings of Rs.412.89 crore and in respect of grant 5, Finance Department surrendered Rs.13.77 crore (2 per cent) against savings of Rs.606.12 crore.

(b) Excessive surrender

In 7 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the total amount of actual savings of Rs.90.27 crore, the amount surrendered was Rs.116.80 crore resulting in excess surrender of Rs.26.53 crore in aggregate and Rs.50.00 lakh or more in each case. Details are given in Appendix-IX.

(c) Unrealistic surrender

Although expenditure exceeded the total provision and no savings were available, amounts exceeding Rs.50 lakh in each case were surrendered. Details are given in Appendix-X.

2.3.10(a) Surrender of entire provision

In 30 cases relating to 13 grants, the entire provision of Rs.50.15 crore exceeding Rs.10.00 lakh in each case was re-appropriated/surrendered. The details are in Appendix-XI.

2.3.10(b) Anticipated savings not surrendered

In 11 cases relating to five grants, the amount of available savings of Rs.52.58 crore was not surrendered. Details are given in Appendix-XII.

2.3.11 Unutilised provision

In 21 cases involving 18 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 as detailed in Appendix-XIII.

2.3.12 Expenditure on New Service

Under Article 205 of the Constitution, when a 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 2000-2001, expenditure of Rs.8.82 crore was incurred in 7 cases as detailed in Appendix-XIV without following the prescribed procedure for New Service/New Instrument of Service.

2.4 Deficient Budgetary Procedure and Control

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz (i) Finance Department and (ii) Co-operation Department revealed the following

2.4.1 Provisions for vacant posts

Rule 61(b) of Orissa Budget Manual provided that provision should be made in the budget for men on duty (excluding posts remaining vacant). But in the case of the Finance Department and Co-operation Department, provision of Rs.2.18 crore and Rs.4.68 crore respectively for vacant posts was irregularly made in the budget for 2000-2001 and the entire amount was surrendered.

2.4.2 Belated surrenders

Rule 146 of the Orissa Budget Manual read with Rule 144(2) *ibid* provided that all anticipated savings would be surrendered to Government immediately after these are foreseen and latest by 10th of March of the financial year without waiting till the end of the year. It was noticed in audit that two departments surrendered a total amount of Rs.331.61 crore (Finance Department:Rs.324.11 crore and Co-operation Department:Rs.7.50 crore) on 31 March 2001.

2.4.3(a) Non-utilisation of Share Capital contribution to co-operative credit institution for Rs. 16.23 crore

To strengthen share capital base of Co-operative Societies, NABARD released (February 2001) Rs.16.23 crore at 8 *per cent* interest after moratorium period of 3 months from the date of release with stipulation that the amount should reach the beneficiaries. State Government sanctioned (March 2001) Rs.16.23 crore in favour of Registrar of Co-operative Societies, Orissa, who drew the amount and retained in Civil Deposit as per Government directions.

(b) Non-utilisation of Rs.205.00 lakh due to delay in finalisation of Construction of multi commodities cold storage at Bhubaneswar and Rayagada

Two multi commodities cold storage at Bhubaneswar and Rayagada are under construction with financial assistance of National Co-operative Development Corporation (NCDC) sanctioned under CSP scheme since 1994-95. Due to delay in construction, the original cost of construction has escalated from Rs.330.00 lakh (Rs.165 lakh each) to Rs.430.00 lakh (Rs.200 lakh for Bhubaneswar and Rs.230 lakh for Rayagada). As per funding pattern, State Government has to sanction 90 *per cent* of Rs.430 lakh (Rs.387 lakh) with balance Rs.43 lakh being the share capital of the society. As per arrangement, State Government would first release the amount to the beneficiary society and NCDC would reimburse the same to the State Government. Out of Rs.387.00 lakh an amount of Rs.182.00 lakh was provided by the Government earlier and the balance amount of Rs.205 lakh was provided in the State budget during 2000-2001. The amount of Rs.205 lakh was released on 31 March 2001 for being kept under 'Civil Deposit', thereby defeating the purpose of provision.

(c) Non-utilisation of Central fund due to non-provision of State Share in the Budget

To revitalise capital base and for cleansing the balance sheet, the Regional Rural Banks were brought under restructuring programme by Government of India from 1994 onwards, on a "stand alone" basis with recapitalisation support from Government of India, State Government and the concerned sponsored banks and funding ratio was 50:15:35 respectively. The funds were to be released after release of State share. It was seen that Government of India sanctioned Rs.90.30 crore during 1994-2000 but State Government released only Rs.9.08 crore to different Rural Banks out of State share of Rs.27.09 crore, leaving the balance of Rs.18.01 crore short released as of March 2001.

Additional funds were infused with the specific purpose of restructuring the capital base of the Regional Rural Banks with a definite time frame. The considerable delay in releasing the proportionate share by the State Government adversely affected the basic purpose of the restructuring programme resulting in denial of benefits to the intended beneficiaries.

2.4.4 Lump sum provision

Contrary to the provisions of Rule 59 of the Orissa Budget Manual, lump sum provision was made in budget for 2000-2001, as given below:

Name of the Department	Major Head	Amount (Rupees in crore)
Finance	2052-Secretariate General Service (Non-plan)	427.40

Out of the above provision of Rs.427.40 crore, Rs.1.23 crore was reappropriated and Rs.118.18 crore was adjusted for 1st Supplementary leaving behind unutilised provision of Rs.307.99 crore till 31 March 2001 resulting in the needy areas being deprived of the budgetary support, since the entire unspent balance was surrendered on 31 March 2001.

2.4.5 Persistent saving under Demand No.34-Co-operation

Scrutiny of the Co-operation Department records revealed that there were persistent savings in Capital Heads (Voted) during last 8 years from 1993-94 to 2000-2001 which defeated the very purpose of provision in respective years.

Year	Provision	Expenditure	Savings	Percentage of Savings
(R u p e e s i n l a k h)				
1993-94	1820.37	985.77	834.60	46
1994-95	2561.42	983.09	1578.33	62
1995-96	1655.40	1001.91	653.49	39
1996-97	2652.74	1700.99	951.75	36
1997-98	2276.12	1781.78	494.34	22
1998-99	2385.21	780.18	1605.03	67
1999-2000	2010.13	981.48	1028.65	51
2000-2001	2263.00	2119.89	143.11	06

2.5 Advances from the Contingency Fund

The corpus of the State Contingency Fund fixed (June 1990) at Rs.60 crore was enhanced to Rs.150 crore (January 2000) to enable the Government to meet unforeseen expenditure not provided for in the budget and of such emergent nature which could not be postponed till the vote of Legislature was taken.

During the year 2000-2001, 13 sanctions of advance from Contingency Fund for an aggregate sum of Rs.6.90 crore were issued.

Advances from the Fund aggregating Rs.27.70 crore remained un-recouped as of 31 March 2001 as illustrated below :

Period	Amount (Rupees in crore)
15 years above (since 2000-2001)	3.11
More than 10 years	6.18
More than 5 years	1.18
More than 3 years	7.14
More than 1 year	10.09
Below 1 year	-
Total	27.70

2.6 Recoveries and Credits

Under the system of gross budgeting by Government, the demands for grants presented to the Legislature are for the gross expenditure and exclude all

credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. In 2000-2001, against the anticipated recovery of Rs.657.93 crore, the actual recovery was Rs.563.59 crore. Thus, there was shortfall in recoveries of Rs.94.34 crore (14 *per cent*).

Details of Major variations of more than 21 *per cent* from Original Estimates and more than Rs.1 crore are given in Appendix-XV.

2.7 Non-receipt of explanations for Savings/Excesses

After the closure of accounts of each financial year, the detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the Controlling Officers (CO) who are required to explain the variations in general and those under important sub-heads in particular. The State Budget Manual also requires the Controlling Officers to furnish promptly all such information to the Principal Accountant General (A&E) for preparation of the Appropriation Accounts.

For the Appropriation Accounts 2000-2001, the reasons for savings/excesses were called for by the Principal Accountant General (A&E) in respect of 3507 cases (savings 2368 cases for Rs.418.37 crore, excesses 1139 cases for Rs.517.84 crore). The reasons were not received as of September 2001.

2.8 Non-reconciliation of departmental figures of expenditure

Standing instructions of the Government require that departmental expenditure figures should be reconciled periodically by the Controlling Officer (CO) with those of the records maintained by the Principal Accountant General (A& E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud and defalcation, etc. During 2000-2001, out of 377 COs involving an expenditure of Rs.16475.51 crore, an expenditure of Rs.1749.70 crore (11 *per cent*) remained unreconciled in respect of 61 COs.

2.9 Diversion of Funds through “Nil” payment vouchers

Financial Rules provide that no money shall be drawn from treasury unless it is required for immediate disbursement. Mention was made in para 2.9 of the Audit Report (Civil) for the year ended 31 March 2000 regarding diversion of funds through ‘Nil’ payment vouchers. But in the following cases, the Drawing and Disbursing Officers (DDOs) had drawn Rs.231.07 crore through “Nil” Bills by transfer credit to the Major Head 8443-Civil Deposits during 2000-2001.

Sl. No.	Head of Account debited	Head of Account credited	Amount (Rs. in crore)
1.	2040-Sales Tax	8443-Civil Deposit	1.00
2.	2210-Medical and Public Health	8443-Civil Deposit	5.22
3.	2501-Special Programme for Rural Development	8443-Civil Deposit-106- Personal Deposit	17.12
4.	2505-Rural Employment	8443-Civil Deposit-106- Personal Deposit	202.83
5.	4210-Capital Outlay on Medical and Public Health	8443-Civil Deposit-106- Personal Deposit	1.39
6.	4210-Capital Outlay on Medical and Public Health	8443-Civil Deposit	3.51
	Total		231.07

The above draws inflated the expenditure booked in the respective Heads of Account though no expenditure was actually incurred in these cases. Government did not take steps to stop this unauthorised transfer of funds.

2.10 Rush of expenditure

Controlling Officers are responsible for ensuring that the control over expenditure is effective and to guard against rush of expenditure in the month of March. Test check by audit disclosed that in 19 cases, 52 per cent to 100 per cent of the total expenditure for the year 2000-2001 was incurred during the month of March 2001 as detailed in Appendix-XVI inspite of repeated comments in Audit Reports of previous years.

2.11 Civil Deposits

The position of the balances in 8443-Civil Deposit-800-Other Deposits during 1996-97 to 2000-2001 is given in Appendix-XVII.

Huge amount of balances were kept in Civil Deposit in contravention of Financial Rules. During the year ending 2000-2001, an amount of Rs.616.72 crore was kept in Civil Deposit (increase of 235 per cent over 1996-97).

Ten out of 35 Treasuries intimated that Rs.2.74 crore was drawn by different DDOs to avoid lapse of budget provision and was credited into Civil Deposit during 2000-2001.

2.12 Excess payment of pension and gratuity

Test check of records by Treasury Inspection Parties of Principal Accountant General (A&E) office revealed excess payment to the tune of Rs.7.07 lakh during 2000-01 due to erroneous determination of admissibility/calculation error in respect of pensionary claims of 216 pensioners without proper check by treasuries.

2.13 Parking of Centrally Sponsored Scheme funds in Personal Ledger Accounts

Mention was made in para 2.13 of Audit Report (Civil) for the year ended 31 March 2000 regarding parking of Centrally Sponsored Scheme funds in Personal Ledger (PL) Accounts contrary to the directions (July,1994) of the Government of India (GOI). Subsequent scrutiny in Audit revealed that the

irregularity was continuing. DRDAs were required to deposit DRDA funds which comprise both GOI and State Government share not in the treasuries but in the authorised banks.

However, check of records (August/September 2001) in 6¹ out of 30 DRDAs in the State revealed that out of Rs.1013.18 crore (GOI share Rs.766.48 crore and State share Rs.246.70 crore) received during 1996-97 to 2000-2001 towards scheme funds, Rs.244.64 crore were deposited in PL Account (PLA) of these DRDAs. Balance in the PLAs of the test checked DRDA's were Rs.28.03 crore as of 31 March 2001. Since separate account for Central and State Government grants in regard to release/utilisation and unspent balance was not being maintained by the DRDA's and the executing agencies, the break up of the balance into Central and State figures could not be ascertained.

Similarly, in 8² blocks under 5³ test checked DRDAs Rs.8.84 crore out of the scheme funds of Rs.55.63 crore received during 1996-2001 for implementation of poverty alleviation programme were deposited in the PL Account. Unspent scheme funds in the PL Account of these test checked blocks were Rs.2.08 crore as of March 2001.

It was further observed that 21⁴ Public Works and 2⁵ Forest Divisions received (1996-2001), Rs.40 crore from the test checked DRDA's and deposited entire scheme funds into treasuries under deposit account for execution of different programmes on receipt of Letters of Credit (LC) from the State Government. The unutilised balance on this account as of 31 March 2001 was Rs.19.87 crore.

Thus, the scheme funds were parked in the Government treasury instead of in authorised banks in violation of GOI instructions both at DRDA and executing agencies levels which resulted in boosting the cash balance of the State Government with the Reserve Bank of India instead of being spent for the purpose for which these were provided.

¹ Cuttack, Balasore, Jagatsinghpur, Khurda, Puri and Baripada.

² Balasore Sadar, Bahanaga, Raghunathpur, Jagatsinghpur Sadar, Cuttack Sadar, Barang, Baripada Sadar, Satyabadi.

³ Cuttack, Balasore, Jagatsinghpur, Puri and Baripada.

⁴ RW, Cuttack, Mahanadi North, MI, Cuttack, Mahanadi, South, Prachi, Bhubaneswar, Naraj Barrage, R&B, Jagatsinghpur, Irrigation, Jagatsinghpur, Charbatia R&B, Kendrapara Irrigation, MI Baripada, R&B, Baripada, Mayurbhanj Irrigation, RW Baripada, R&B, Rairangpur, MI Khurda, R&B Puri, RW Puri, RW Bhubaneswar, Nimapara Irrigation and Puri Irrigation.

⁵ Deputy Director, SFP, Rairangpur and DFO, Baripada.