

CHAPTER - II
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

SUMMARY OF APPROPRIATION ACCOUNTS-2001-2002

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	15132.10		
Supplementary	8130.21		
Total gross provision	23262.31	Total gross expenditure	19058.50
Deduct – Estimated recoveries in reduction of expenditure	1027.75	Deduct – Actual recoveries in reduction of expenditure	473.18
Total net provision :	22234.56	Total net expenditure	18585.32

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	9007.06	3685.89	7151.06	3099.51
Capital	2318.22	8251.14	1369.13	7438.80
Total Gross	11325.28	11937.03	8520.19	10538.31
Deduct – recoveries in reduction of expenditure	1027.75	NIL	473.18	NIL
Total : Net	10297.53	11937.03	8047.01	10538.31

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 approved 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 2001-2002 against grants/appropriations was as follows:

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Savings(-)/Excess(+)
Voted	I.Revenue	7352.52	1654.54	9007.06	7151.06	(-) 1856.00
	II. Capital	1129.67	439.02	1568.69	989.50	(-) 579.19
	III.Loans and Advances	715.18	34.35	749.53	379.63	(-) 369.90
Total Voted		9197.37	2127.91	11325.28	8520.19	(-)2805.09
Charged	IV.Revenue	3185.16	500.73	3685.89	3099.51	(-)586.38
	V.Capital	0.36	1.57	1.93	1.13	(-)0.80
	VI.Public Debt	2749.21	5500.00	8249.21	7437.67	(-)811.54
Total Charged		5934.73	6002.30	11937.03	10538.31	(-)1398.72
Grand Total		15132.10	8130.21	23262.31	19058.50	(-) 4203.81

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs.368.84 crore) and Capital heads (Rs.104.34 crore).

2.2.1 During 2001-02 total expenditure stands inflated to the following extent:

- (i) Rs.264.18 crore was drawn under various functional major heads and deposited into 8443-Civil Deposits-106-Personal Deposits, without actual expenditure.
- (ii) Rs.6.70 crore drawn on Abstract Contingent Bills for which the detailed contingent bills were not received as of March 2002.
- (iii) Rs.126.72 crore (Deposits: Rs.307.59crore, *less* Disbursements: Rs.180.87crore) was added to balance in 8443-Civil Deposits-800-Other Deposits.

2.2.2 During 2001-02 total expenditure was understated to the following extent:

- (i) Rs.8.49 crore remained unaccounted for due to non-receipt of accounts of Rural Works Division, Kendrapara for the month of March 2002.

2.3. Results of Appropriation Audit

2.3.1 Overall savings/excess

The overall savings of Rs.4203.81 crore was the result of savings of Rs.4597.39 crore in 37 grants and 2 appropriations offset by excess of Rs.393.58 crore in 3 grants and 1 appropriation. The overall savings constituted 18.07 *per cent* of the total budgeted funds including supplementaries.

2.3.2 Supplementary provision

Supplementary provision of Rs.8130.21 crore made during the year constituted 54 *per cent* of the original provision as against 16 *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 the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.6356.63 crore for the years 1996-97 to 2000-2001 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 Government & 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
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
Total			6356.63	6356.63

2.3.3(ii) Excess over provisions relating to 2001-2002

The excess expenditure of Rs.3,93,58,00,108 in three Grants and one Appropriation (Voted Rs.1,25,07,37,749 and Charged Rs.2,68,50,62,359) requires regularisation (Appendix-II).

2.3.4 Unnecessary/Excessive/Inadequate Supplementary Provision

(a) Unnecessary supplementary provision

Supplementary provision of Rs.1263.90 crore in 29 cases 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-III).

2.3.4(b) Excessive supplementary provision

Against the additional requirement of Rs.4977.47 crore in 19 cases, supplementary provision of Rs.6763.91 crore was obtained resulting in savings of Rs.25 lakh or more in each case and Rs.1786.44 crore in aggregate out of which in one grant (Grant No.3 Revenue Department) the saving was Rs.400 crore which was 22 *per cent* of the overall savings (Appendix-IV).

2.3.4(c) Inadequate supplementary provision

Supplementary provision of Rs.54.18 crore obtained in 2 cases proved inadequate by more than Rs.2.00 crore in each case leaving an aggregate uncovered excess expenditure of Rs.124.94 crore (Appendix-V).

2.3.5 Significant cases of savings in plan expenditure

Significant savings exceeding Rs.1 crore in each case aggregating to Rs.335.18 crore (34 *per cent*) against the provision of Rs.999.09 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 59 cases in 12 grants (Appendix-VI). In five cases (Sl.No.7, 40, 49, 52 & 53 of Appendix-VI), the entire provision of Rs.17.19 crore remained unutilised.

2.3.6 Persistent savings

Savings of more than 10 *per cent* were noticed in 27 out of 42 grants/appropriations. Such savings were persisting during the period 1999-2002 in 20 out of the above 42 grants/appropriations (Appendix-VII-A & B).

2.3.7 Persistent excesses

In 2001-2002, excess was noticed in 3 Grants and one Appropriation (Appendix-II) while persistent excesses of 1 to 3 *per cent* over provision were noticed in Water Resources (Voted) grant during last 3 years which requires investigation by the Government for remedial action.

2.3.8 Significant cases of excess expenditure

Significant excesses amounting to Rs.91.28 crore exceeding Rs.1 crore in each case were noticed in 21 cases involving 13 Grants/Appropriations (Appendix-VIII).

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 2001-02, although actual savings of Rs.4597.38 crore were available, but only Rs.3053.58 crore were surrendered in March 2002.

(a) Injudicious surrender

In 19 Grants/Appropriations amounts surrendered were less than the savings available by more than Rs.2 crore in each case. In respect of the Grants 3-Revenue (charged), 23-Agriculture and 33-Fisheries & Animal Resources Development, the Departments did not surrender any amount against total savings of Rs.400 crore, Rs.31.92 crore and Rs.19.66 crore respectively (Appendix-IX).

(b) Excessive surrender

In one case, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. Against the actual savings of Rs.279.09 crore, amount surrendered was Rs.291.04 crore resulting in excess surrender of Rs.11.95 crore (Appendix-X).

(c) Unrealistic surrender

Although expenditure exceeded the total provision by Rs.120 crore under Rural Development and no savings were available, Rs.26.47 crore were surrendered.

2.3.10(a) Surrender of entire provision

In 38 cases relating to 9 Grants, the entire provision of Rs.111.59 crore (exceeding Rs.10 lakh in each case) was re-appropriated/surrendered (Appendix-XI).

2.3.10(b) Anticipated savings not surrendered

In 22 cases relating to 11 Grants, the entire available provisions of Rs.117.72 crore remained unutilised and unsurrendered (Appendix-XII).

2.3.11 Unutilised provision

In 20 cases involving 17 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-XIII).

2.3.12 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 2001-2002, expenditure of Rs.56.84 crore was incurred in 9 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) School & Mass Education Department and (ii) Rural Development Department revealed the following:

2.4.1 Provisions for vacant posts

In both the Departments, provision of Rs.8.29 crore and Rs.0.77 crore respectively were irregularly made for the vacant posts and entire amount was ultimately surrendered.

2.4.2 Belated surrenders

Orissa Budget Manual provided that all anticipated savings would be surrendered immediately after these were foreseen and latest by 10th of March of the financial year. It was noticed that above two departments surrendered Rs.321.45 crore (School & Mass Education Department: Rs.109.26 crore and Rural Development Department : Rs.212.19 crore) on the last working day of the financial year (30 March 2002).

2.4.3 Lump sum provision

According to Rule 59 of the Orissa Budget Manual, lump sum provision should not, as a rule, be made in the budget unless a scheme has been elaborated and sanctioned in a previous year or unless sufficient details are available. Contrary to such provision, lump sum budget provisions were made in the budget for 2001-2002, as shown below:

Name of the Department	Major Head	Amount (Rupees in crore)
Rural Development	4215 Capital outlay on Water Supply and Sanitation	0.75
Rural Development	5054 Capital outlay on Roads & Bridges	71.36

2.4.4 Persistent saving under Grant No.28-Rural Development

In Rural Development Department there were persistent savings under Capital Heads (Voted) during the last 8 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)				
1994-95	11480.46	8371.67	3108.79	27
1995-96	10539.13	7899.01	2640.12	25
1996-97	6599.09	5112.21	1486.88	23
1997-98	9582.87	7485.10	2097.77	22
1998-99	8244.86	6865.73	1379.13	17
1999-2000	7704.24	5884.49	1819.75	24
2000-2001	25606.29	10768.78	14837.51	58
2001-2002	31831.65	11822.96	20008.69	63

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 was to be recouped by obtaining Supplementary Grant at the first session of the Assembly immediately after the advance was sanctioned.

During the year 2001-2002, Rs.66.62 crore were drawn from the Contingency Fund which remained un-recouped at the end of the year. Beside advances of Rs.27.70 crore remained un-recouped for more than 1 to 15 years as of 31 March 2002 as indicated below:

Period	Amount remained un-recouped (Rupees in crore)
15 years and above	3.10
More than 10 years	6.32
More than 5 years	1.05
More than 3 years	7.18
More than 1 year	10.05
Below 1 year	66.62
Total	94.32

2.6 Recoveries and Credits

Under the system of gross budgeting followed by Government, the Demands for Grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries, which are adjusted as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. In 2001-2002, against the anticipated recovery of Rs.1027.75 crore, actual recovery was Rs.473.18 crore. Thus, there was shortfall in recoveries of Rs.554.57 crore (54 per cent).

Instances of variations of more than 20 per cent from Original Estimates to the extent of Rs.630.27 crore each being more than Rs.1 crore are given in Appendix-XV.

2.7 Non-receipt of explanations for Savings/Excesses

The reasons for savings/excesses in respect of 3833 cases (savings 2490 cases for Rs.1734.91 crore, excesses 1343 cases amounting Rs.1657.74 crore) were called for by the Accountant General(A&E). Details had not been received as of September 2002.

2.8 Rush of expenditure

Controlling Officers are responsible for ensuring effective control over expenditure and guard against rush of expenditure in the month of March. Test

check in audit revealed that during 2001-2002, 54 to 100 *per cent* of the total expenditure under 13 Major Heads was incurred in March 2002 (Appendix-XVI).

2.9 Civil Deposits

Balances under 8443-Civil Deposit-800-Other Deposits at the end of March 2002 was Rs.743.44 crore. The position during 1997-98 to 2001-2002 is given in Appendix-XVII. The balance has increased by 95 *per cent* during the last five years.

2.10 Excess payment of pension and gratuity

Test check of records of Treasuries revealed excess payment of pension amounting to Rs.14.97 lakh during 2001-02 due to erroneous determination of admissibility amount in respect of pension claims of 250 pensioners.

2.11 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 booked 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 2001-2002, out of expenditure of Rs. 111399.31 crore in respect of 290 COs, expenditure of Rs. 535.64 crore (5 *per cent*) remained unreconciled in respect of 46 COs (16 *per cent*).