

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 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 law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2002-2003 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 | 8430.84 | 964.80 | 9395.64 | 7281.26 | (-)2114.38 |
| | II. Capital | 1336.27 | 571.31 | 1907.58 | 1186.98 | (-)720.60 |
| | III. Loans | 882.71 | 40.41 | 923.12 | 343.68 | (-)579.44 |
| Total Voted | | 10649.82 | 1576.52 | 12226.34 | 8811.92 | (-)3414.42 |
| Charged | IV. Revenue | 3163.69 | 231.52 | 3395.21 | 3113.33 | (-)281.88 |
| | V. Capital | 1.01 | 1.53 | 2.54 | 0.60 | (-)1.94 |
| | VI. Public Debt | 2289.16 | 5000.00 | 7289.16 | 9351.78 | (+)2062.62 |
| Total Charged | | 5453.86 | 5233.05 | 10686.91 | 12465.71 | (+)1778.80 |
| Grand Total | | 16103.68 | 6809.57 | 22913.25 | 21,277.63 | (-)1,635.62 |

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs.379.91 crore) and Capital heads (Rs.113.94 crore).

2.2.1 During 2002-03 total expenditure stood inflated to the following extent

- Rs.243.14 crore was drawn under various functional major heads and deposited into 8443-Civil Deposits-106-Personal Deposits, without actual expenditure.

- Rs.9.49 crore were drawn on Abstract Contingent Bills during 2002-03 for which the detailed contingent bills were not received as of March 2003.
- Rs.53.85 crore (Deposits: Rs.227.31 crore, *less* Disbursements: Rs.173.46 crore) were added to balance in 8443-Civil Deposits-800-Other Deposits.
- Rs.10.63 crore were expenditure pertaining to earlier years viz. 2000-2001 and 2001-2002 but accounted for this year in Balasore (R&B) Division (March-2001 account) and Rural Works Division, Kendrapara (March-2002 account).

2.2.2 During 2002-03 total expenditure was understated to the following extent

Rs.0.34 crore drawn from the Orissa Contingency Fund during 2002-03 remained unrecouped at the close of the year.

2.2.3 Overall savings/excesses

The overall savings of Rs.1635.62 crore were the result of savings of Rs.3704.55 crore in 37 grants and 2 appropriations offset by an excess of Rs.2068.93 crore in 3 grants and 2 appropriations. The overall savings constituted 7.14 *per cent* of the total budgeted funds including supplementaries. The reasons for savings/excesses in respect of 3964 cases (savings 2682 cases for Rs.3250.06 crore, excesses 1282 cases for Rs.2361.72 crore) called for by the Accountant General (A&E) had not been received as of August 2003.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Analysis of savings with reference to allocative priorities brought out the following:

Grant No. 3 – Revenue

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual Expenditure | Saving |
|-------------------|--------|-------------|--------------------|--------|
| Original: | 538.61 | | | |
| Supplementary: | 439.64 | 978.25 | 516.54 | 461.71 |
| Revenue (Charged) | | | | |
| Original: | 120.69 | | | |
| Supplementary: | 231.41 | 352.10 | 142.39 | 209.71 |

Savings occurred in the voted section mainly under 2245 Relief on Account of Natural Calamities-80-General lump sum (Rs.491.95 crore). In the charged section, savings occurred under 2245-Relief on Account of Natural Calamities-Central Grant from National Calamity Contingency Fund. Reasons for final savings were not intimated (August-2003) to Accountant General (A&E) by Revenue Department.

Grant No. 5-Finance

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual Expenditure | Saving |
|------------------------|---------|--------------------|---------------------------|---------------|
| Original: | 1554.89 | | | |
| Supplementary: | 1.17 | 1556.06 | 1087.79 | 468.27 |

Savings occurred mainly under 2071 Pension and Other Retirement Benefits- Pension to Government Servants (Rs.115.09 crore), Voluntary retirement/voluntary separation benefits for State Government Employees (Rs.40.00 crore), Voluntary Separation Scheme for NMR, DLR Work Charged etc. (Rs.25.00 crore), commuted value of pension (Rs.63.98 crore), Death-Cum-Retirement Gratuity (Rs.45.75 crore), Family Pensions (Rs.18.72 crore), Pension to Teachers of Government Primary Schools and Basic Schools (Rs.11.39 crore), Pension and Gratuity for Non-Government teachers of Secondary Schools and Colleges (Rs.56.19 crore). Reasons for savings were not intimated to Accountant General (A&E) by Finance Department.

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual Expenditure | Saving |
|------------------------|--------|--------------------|---------------------------|---------------|
| Original: | 281.18 | | | |
| Supplementary: | 25.46 | 306.64 | 125.98 | 180.66 |

Savings occurred mainly under 7610-Loans to Government Servants etc. Special House Building Advance (Rs.148.86 crore), Advance for purchase of Motor Conveyances (Rs.11.00 crore). Reasons for savings were not intimated to Accountant General (A&E) by Finance Department.

Grant No.7-Works

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual Expenditure | Saving |
|------------------------|--------|--------------------|---------------------------|---------------|
| Original: | 282.05 | | | |
| Supplementary: | 5.72 | 287.77 | 168.62 | 119.15 |

Savings occurred mainly under 3054-Roads and Bridges-80-General Transfer to/from Reserve Fund/Deposit Accounts (Rs.89.19 crore) (Non-Plan). Reasons for the savings were not intimated to Accountant General (A&E) by Works Department.

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual Expenditure | Saving |
|------------------------|--------|--------------------|---------------------------|---------------|
| Original: | 189.71 | | | |
| Supplementary: | 97.99 | 287.70 | 149.25 | 138.45 |

Savings occurred mainly under 5054-Capital outlay on Roads and Bridges-District and other Roads-Other Expenditure (Rs.63.16 crore under Non-Plan), Road Development Programme (Rs.33.83 crore under State Plan-State Sector). Reasons for the savings were not intimated to Accountant General (A&E) by Works Department.

Grant No.30-Energy

(Rupees in crore)

| Capital (Voted) | | Total grant | Actual Expenditure | Saving |
|-----------------|--------|-------------|--------------------|--------|
| Original: | 605.00 | | | |
| Supplementary: | 151.77 | 756.77 | 202.22 | 554.55 |

Savings occurred mainly under 6801-Loans for Power Projects-State Plan-State Sector and Loans to GRIDCO for upgradation of T&D system and procurement of Meters and receipt of Loans from World Bank (Rs.197.64 crore), Upgradation of Power Distribution system (World Bank Assisted) (Rs.184.85 crore) and strengthening and improvement of distribution system under APDRP (Rs.151.77 crore).

Appropriation-2048-Reduction or avoidance of debt

(Rupees in crore)

| Revenue (Voted) | | Total grant | Actual Expenditure | Saving |
|-----------------|-------|-------------|--------------------|--------|
| Original: | 90.07 | | | |
| Supplementary: | | 90.07 | 50.07 | 40.00 |

Entire available savings of Rs.40.00 crore under 2048-Appropriation for reduction or avoidance of debt for creation of a revolving fund for emergent payment for avoiding default in payment to Financial Institutions remained unsurrendered. Reasons for savings were not intimated to Accountant General (A&E) by Energy Department.

2.3.2 Persistent savings

Savings of more than 10 *per cent* were noticed in 29 out of 42 grants/appropriations. Such savings persisted during the period 2000-2003 in 19 out of the above 42 grants/appropriations (Appendix-IV-A & B).

2.3.3 Excess over provision requiring regularisation

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 of Rs.2068,92,86,176 in three Grants and two Appropriations during 2002-03 (Voted Rs.6,30,69,702 and Charged Rs.2062,62,16,474) requires regularisation (Appendix-V). Reasons for the excess had not been furnished by the Government as of August 2003. The excess expenditure amounting to Rs.6750.21 crore for the years 1996-97

Excess over provisions relating to previous years

to 2001-2002 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) | |
| 1996-1997 | 6 | 3 Revenue, 6 Commerce, 7 Works, 22 Forest and Environment, 28 Rural Development, 29 Parliamentary Affairs | 107.40 | 107.40 |
| 1997-1998 | 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 |
| 1998-1999 | 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 |
| Total | | | 6750.21 | 6750.21 |

2.3.4 Supplementary provision

Supplementary provision of Rs.6809.58 crore made during the year constituted 42 *per cent* of the original provision as against 54 *per cent* in the previous year.

2.3.5 Unnecessary/Excessive/Inadequate Supplementary Provision

Unnecessary supplementary provision

Supplementary provision of Rs.1066.99 crore in 33 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-VI).

Excessive supplementary provision

Against the additional requirement of Rs.166.23 crore in 13 cases, supplementary provision of Rs.640.12 crore was obtained resulting in savings of Rs.25 lakh or more in each case and Rs.473.89 crore in aggregate out of which in one grant (Grant No.3 Revenue Department) the saving was Rs.210 crore which was 44 *per cent* of the overall savings (Appendix-VII).

Inadequate supplementary provision

Supplementary provision of Rs.5015.37 crore obtained in three cases proved inadequate by more than Rs.1 crore for each case leaving an aggregate uncovered excess expenditure of Rs.994.83 crore (Appendix-VIII).

2.3.6 Persistent excesses

In 2002-2003, excess was noticed in three Grants and two Appropriations (Appendix-V) while persistent excess over provision was noticed in one appropriation as shown below during the last three years.

The Government stated (December 2003) that the excess occurred mainly owing to repayment of high cost loan under the Debt Swap Scheme and because of receipt and payment of more ways and means advance from the Government of India than anticipated.

| Name of the Appropriation | Percentage of Excess | | |
|--|----------------------|---------|---------|
| | 2000-01 | 2001-02 | 2002-03 |
| Loans and Advances from Central Government (Capital-charged) | 48 | 47 | 194 |

2.3.7 Significant cases of savings in plan expenditure

Significant savings exceeding Rs.1 crore in each case aggregating to Rs.441.83 crore (44 *per cent*) against the provision of Rs.1006.49 crore either due to non-implementation or slow implementation of Plan schemes were noticed in 40 cases in seven grants (Appendix-IX). In two cases (Sl.No.5 and 31 of Appendix-IX), the entire provision of Rs.21.61 crore remained unutilised.

2.3.8 Significant cases of excess expenditure

Significant excess amounting to Rs.124.88 crore exceeding Rs.1 crore in each case was noticed in 19 cases involving eight Grants (Appendix-X).

2.3.9 Delayed surrender of savings

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 2002-03, although actual savings of Rs.3704.55 crore were available, only Rs.1804.19 crore was surrendered in March 2003.

2.3.10 Injudicious surrender

In 21 Grants/Appropriations, amounts surrendered were less than the savings available by more than Rs.2 crore in each case. In respect of the Grants-5-Finance, 20-Water resources and 30-Energy, the Departments did not surrender any amount against total savings of Rs.648.93 crore (Rs.468.27

crore+Rs.180.66 crore), Rs.4.56 crore and Rs.622.71 crore (Rs.68.16 crore+Rs.554.55 crore) respectively (Appendix-XI).

2.3.11 *Excessive surrender*

In seven cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. Against the actual savings of Rs.172.60 crore, amount surrendered was Rs.275.80 crore resulting in excess surrender of Rs.103.20 crore (Appendix-XII).

2.3.12 *Unrealistic surrender*

Although expenditure exceeded the total provision by Rs.990.27 crore and no savings were available, Rs.28.69 crore was surrendered (Appendix-XII-A).

2.3.13 *Surrender of entire provision*

In 30 cases relating to seven Grants, the entire provision of Rs.556.20 crore (exceeding Rs.10 lakh in each case) was re-appropriated/surrendered (Appendix-XIII).

2.3.14 *Anticipated savings not surrendered*

In 26 cases relating to eight Grants, the entire available provision of Rs.472.87 crore remained unutilised and was not surrendered (Appendix-XIV).

2.3.15 *Unutilised provision*

In 28 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-XV).

2.3.16 *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 2002-2003, expenditure of Rs.28.24 crore was incurred in nine cases as detailed in Appendix-XVI without following the prescribed procedure for New Service/New Instrument of Service.

2.3.17 *Excessive/unnecessary re-appropriation of funds*

Re-appropriation 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 re-appropriation of funds proved injudicious in view of final excess/savings over grant by over rupees one crore are detailed in Appendix XVII and XVIII respectively.

2.4 Deficient Budgetary Procedure and Control

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz. (i) Higher Education Department and (ii) Revenue Department revealed the following:

2.4.1 Provision for vacant posts

Rule 61(b) of Orissa Budget Manual provides that provisions should be made in the budget for men on duty (excluding vacant posts). But in Revenue Department, provision of Rs.14.33 crore was made for vacant posts and the entire amount was ultimately surrendered.

2.4.2 Belated surrenders

Orissa Budget Manual 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.358.55 crore (Higher Education Department: Rs.4.40 crore and Revenue Department: Rs.354.15 crore) on the last working day of the financial year (31 March 2003).

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, during 2002-03 the Revenue Department met lump sum budgetary provision of Rs.491.95 crore under the head 2245-Relief on account of Natural Calamities. Further, out of the lump sum provision of Rs.491.95 crore, an amount of Rs.254.18 crore was surrendered on 31 March 2003.

2.4.4 Persistent savings under Grant No.3 Revenue

In Revenue Department, there were persistent savings under Revenue Heads (Voted) during the last eight years with the percentage of savings rising drastically during 1999-2002 but marginally declined in 2002-03 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) | | | | |
| 1995-1996 | 220.05 | 194.70 | 25.35 | 11 |
| 1996-1997 | 235.31 | 208.72 | 26.59 | 11 |
| 1997-1998 | 276.80 | 238.69 | 38.11 | 14 |
| 1998-1999 | 343.12 | 296.90 | 46.22 | 13 |
| 1999-2000 | 1090.10 | 730.57 | 359.53 | 33 |
| 2000-2001 | 1003.29 | 590.40 | 412.89 | 41 |
| 2001-2002 | 1365.79 | 515.52 | 850.27 | 62 |
| 2002-2003 | 978.25 | 516.54 | 461.71 | 47 |

2.4.5 Blocking of Capital

Government approved (2001-02) construction of a +2 Science college building at Zerango in Gajapati District at a cost of Rs.56.21 lakh. As against the above, Rs.36.81 lakh was released during 2001-02 to Industrial Infrastructure Development Corporation (IDCO) for construction of the college building. Instead of executing the work, IDCO came up (August 2002) with a revised estimate of Rs.87.77 lakh for sanction.

During 2002-03, the department sanctioned a further sum of Rs.19.40 lakh (March 2003) aggregating the sanction to Rs.56.21 lakh for the purpose. Pending approval of the revised estimate, the amount was released in favour of IDCO. However, IDCO did not commence the execution of the work (June 2003). This has resulted in blocking of capital of Rs.56.21 lakh besides depriving the students of tribal area of the facility of science education for two years.

2.4.6 Non-utilisation of "National Service Scheme" fund

National Service Scheme (NSS), a Centrally sponsored plan scheme, aims at orienting the students to community service. The scheme provides the students opportunity to improve social conscience and to work with the problems of the villages and slums.

The scheme is implemented through (i) Regular activities and (ii) Special Camping Programme in the colleges and universities. Government of India (GOI) has to provide assistance of Rs.1.49 crore per annum for 123750 volunteers (Regular activities volunteers-82500 and Special camping volunteers-41250) on 7:5 sharing basis between Central and State Governments.

It was noticed that GOI did not release Rs.1.49 crore relating to the year 2002-03 as the State Government could not utilise GOI assistance of Rs.2.36 crore (Regular-Rs.1.25 crore and Special-Rs.1.11 crore) relating to the previous years.

Government stated (July 2003) that due to non-provision of matching State share, the amount could not be utilised. Thus, objective of the scheme could not be achieved.

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 2002-2003, Rs.0.34 crore drawn from the Contingency Fund remained un-recouped at the end of the year. Besides, advances of Rs.94.32 crore remained un-recouped for more than 1 to 15 years as of 31 March 2003 as indicated below:

| Period | Amount remaining un-recouped (Rupees in crore) |
|--------------------|---|
| 15 years and above | 3.10 |
| More than 10 years | 6.33 |
| More than 5 years | 8.18 |
| More than 3 years | 10.09 |
| More than 1 year | 66.62 |
| Below 1 year | 0.34 |
| Total | 94.66 |

2.6 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 2002-2003, under as many as 11 Major Heads, 51 to 100 *per cent* of the total expenditure was incurred in March 2003 (Appendix-XIX).

2.7 Civil Deposits

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2003 was Rs.797.29 crore. The position during 1998-99 to 2002-2003 is given in Appendix-XX. During the five years period, the deposit increased from Rs.381.34 crore in 1998-99 to Rs.797.29 crore in 2002-03 showing increase by 109 *per cent*. Correspondingly, the total expenditure (Revenue Expenditure + Capital Expenditure) increased from Rs.7731 crore to Rs.11089 crore showing an increase of 43.44 *per cent*. It is evident that Government preferred to park the scheme funds in Civil Deposit for years together by overstating the respective service expenditure.