

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 law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2003-04 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	9134.71	1965.44	11100.15	8153.39	(-) 2946.76
	II. Capital	1432.04	317.94	1749.58	862.92	(-) 887.06
	III. Loans and Advances	602.29	1386.53	1988.82	1572.01	(-) 416.81
Total Voted		11169.04	3669.91	14838.95	10588.32	(-) 4250.63
Charged	IV. Revenue	3624.81	35.97	3660.78	3065.70	(-) 595.08
	V. Capital	2.32	1.38	3.70	1.90	(-) 1.80
	VI. Public Debt	2460.21	7884.70	10344.91	9740.17	(-) 604.74
Total Charged		6087.34	7922.05	14009.39	12807.77	(-) 1201.62
Grand Total		17256.38	11591.96	28848.34	23396.09²	(-) 5452.25

² The total expenditure under Consolidated Fund stood inflated to the extent of Rs.323.43 crore drawn under various functional major heads and deposited into 8443-Civil Deposits- without actual expenditure and Rs.38.91 crore drawn on Abstract Contingent Bills during 2003-04 for which the detailed contingent bills were not received as of March 2004.

The expenditure was also understated to the extent of (i) Rs.7.33 crore drawn from the Orissa Contingency Fund during 2003-04 remaining unrecovered at the close of the year; (ii) Rs.34.57 crore (Disbursements Rs.206.42 crore, less Deposits Rs.171.85 crore) was decreased from balance in 8443-Civil Deposits-800-Other Deposits and (iii) Rs.0.52 crore was not accounted for as expenditure for want of voucher from Treasuries.

These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (Rs.357.93 crore) and Capital heads (Rs.11.87 crore). However, as many as 38 out of 42 Grants and Appropriation showed saving indicating a certain lack of budgetary discipline and accuracy.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

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

Grant No. 3 – Revenue

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	551.17	860.41	1411.58	885.74	525.84

Savings occurred mainly under the major head 2245-Relief on Account of Natural Calamities-80-General lump sum (Rs.566.66 crore) and entire provision was withdrawn through reappropriation. Savings of Rs.145.57 crore also occurred the major head under 2245-Relief on Account of Natural Calamities-05-Calamity Relief Fund-Central Grant from National Calamity Contingency Fund. Reasons for the savings were not intimated (September 2004) to Accountant General (A&E) by Revenue Department.

Grant No. 3 – Revenue

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Charged)	126.72	Nil	126.72	Nil	126.72

Savings occurred under the major head 2245-Relief on Account of Natural Calamities-05-Calamity Relief Fund-101-Transfer to Reserve Funds and Deposits Accounts Calamity Relief Fund. Central contribution to Calamity Relief Fund (Rs.95.04 crore). Reasons for final savings were not intimated (September 2004) to Accountant General (A&E) by Revenue Department.

Grant No. 5 – Finance

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	1748.58	Nil ²	1748.58	1219.07	529.51

Savings occurred mainly under the major head 2071-Pension and Other Retirement Benefits-Pension to Government Servants (Rs.131.87 crore), Voluntary retirement/voluntary separation benefits for State Government Employees (Rs.70.98 crore), Voluntary Separation Scheme for NMR, DLR Work Charged etc. (Rs.19.41 crore), commuted value of pension (Rs.77.76

² Rupees 5000 only

crore), Death-Cum-Retirement Gratuity (Rs.81.66 crore), Family Pensions (Rs.11.07 crore), Pension to Teachers of Government Primary Schools and Basic Schools (Rs.11.41 crore) Pension and Gratuity for Non-Government teachers of Secondary Schools and Colleges (Rs.63.09 crore) and leave Encashment Benefits on retirement/death of Government servants (Rs.11.81 crore). Reasons for savings were not intimated to Accountant General (A&E) by Finance Department.

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Capital (Voted)	174.23	225.00	399.23	66.97	332.26

Savings occurred mainly under the major head 7610-Loans to Government Servants etc. Special House Building Advance (Rs.79.50 crore), Advance for purchase of Motor Conveyances (Rs.11.21 crore) and Other Advances-Group Insurance Scheme (Rs.10.00 crore). Reasons for savings were not intimated to Accountant General (A&E) by Finance Department.

Grant No. 7 – Works

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Capital (Voted)	346.21	42.35	388.56	127.84	260.72

Savings occurred mainly under the major head 5054 Capital outlay on Roads and Bridges-State Plan-State Sector-03-State Highways-Major works (Rs.79.74 crore) and Road Works (Rs.68.40 crore). Reasons for the savings were not intimated to Accountant General (A&E) by Works Department.

Grant No. 17 – Panchayati Raj

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	753.17	259.47	1012.64	460.07	552.57

Savings occurred due to surrender of provisions mainly under the major head 2505-Rural Employment-Centrally Sponsored Plan-01-National Programme-701-Jawahar Rojgar Yojana-Sampurna Gramin Rojgar Yojana (Rs.145.63 crore), Indira Awas Yojana (Rs.66.27 crore), 796-Tribal Area Sub-plan-Sampurna Gramin Rojgar Yojana (Rs.89.26 crore), Reproduction and Child Health Project (Rs.40.62 crore). Reasons for the savings were not intimated to Accountant General (A&E) by Panchayati Raj Department (September 2004).

Grant No. 30 – Energy

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Voted)	94.85	0.20	95.05	27.29	67.76

Savings occurred due to surrender of provision mainly under the major head 2801-Power-State Plan-State Sector-06-Rural Electrification-Subsidy to SOUTHCO (Rs.34.52 crore), WESCO (Rs.9.96 crore), NESCO (Rs.9.33 crore) and CESCO (Rs.4.80 crore).

Appropriation-2048 Reduction or avoidance of debt

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Revenue (Charged)	190.07	Nil	190.07	150.07	40.00

Entire available savings of Rs.40.00 crore under the major head 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 Finance Department.

Appropriation-6004 Loans and Advances from Central Government

(Rupees in crore)

	Original	Supple- mentary	Total grant	Actual Expenditure	Saving
Capital (Charged)	528.59	1684.70	2213.29	1745.05	468.24

Savings occurred mainly under 06-Ways and Means Advances-Other Ways and Means Advance (Rs.324.68 crore) and 01-Non-Plan Loans-102-Share Small Saving Collection (Rs.140.32 crore). Reasons for the final savings were not intimated to Accountant General (A & E) by Finance Department.

2.3.2 Persistent savings

Savings of more than 10 *per cent* were noticed in 31 out of 42 grants/appropriations. Such savings persisted during the period 2001-04 in 17 out of the above 42 grants/appropriations (Appendix-IX and X).

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 amounting to Rs.8819.14 crore for the years 1996-97 to 2002-03 was yet to be regularised as detailed below:

Excess over provisions relating to previous years

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 and 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 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

Year	No. of grants/appropriations	Grant/Appropriation Number	Amount of excess	Amount for which explanations not furnished to PAC
			(Rupees in crore)	
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
2000-01	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
2001-02	4	15 Sports and Youth services, 20 Water resources, 28 Rural Development and 6004 Loans and Advances from Central Government	393.58	393.58
2002-03	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
Total			8819.14	8819.14

Further, the excess expenditure of Rs.24998 in two appropriations during the year also required regularisation under Article 205 of the Constitution of India.

2.3.4 Supplementary provision

Supplementary provision of Rs.11591.96 crore made during the year constituted 67 per cent of the original provision as against 42 per cent in the previous year.

2.3.5 Unnecessary/Excessive/Inadequate Supplementary Provision

(i) Unnecessary supplementary provision

Supplementary provision of Rs.1245.08 crore in 37 cases under 24 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-XI).

(ii) Excessive supplementary provision

Against the additional requirement of Rs.8901.43 in 19 cases under 15 grants and two Appropriations, supplementary provision of Rs.10292.58 crore was obtained resulting in savings of Rs.25 lakh or more in each case and Rs.1391.15 crore in aggregate out of which in one grant (Grant No.3 Revenue Department) the saving was Rs.525.84 crore which was 38 per cent of the savings of Rs.1391.15 crore during the year (Appendix-XII).

2.3.6 Significant cases of savings in plan expenditure

Significant savings exceeding Rs.1 crore in each case aggregating to Rs.468.09 crore (66 per cent) against the provision of Rs.704.63 crore either

due to non-implementation or slow implementation of Plan schemes were noticed in 40 cases in 13 grants (Appendix-XIII). In six cases (Sl.No.27, 28, 30, 34, 36, and 37 of Appendix-XIII), the entire provision of Rs.74.34 crore remained unutilised due to non-availability of funds.

2.3.7 Significant cases of excess expenditure

Significant excess amounting to Rs.250.94 crore exceeding Rs.1 crore in each case was noticed in 30 cases involving 12 Grants (Appendix-XIV).

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 2003-04, although actual savings of Rs.5452.25 crore was available, only Rs.2679.72 crore were surrendered in March 2004.

(ii) Injudicious surrender

In 17 Grants/Appropriations amounts surrendered were less than the savings available by more than Rupees two crore in each case. In respect of the Grants 5-Finance and 3-Revenue, the Departments did not surrender any amount against total savings of Rs.1079.46 crore and Rs.126.72 crore respectively (Appendix-XV).

(iii) Excessive surrender

In five cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. Against the actual savings of Rs.199.66 crore, amount surrendered was Rs.242.07 crore resulting in excess surrender of Rs.42.41 crore (Appendix-XVI).

(iv) Surrender of entire provision

In 58 cases relating to 16 Grants, the entire provision of Rs.440.27 crore (exceeding Rs.10 lakh in each case) was re-appropriated/surrendered (Appendix-XVII).

(v) Anticipated savings not surrendered

In 21 cases relating to 11 Grants, the entire available provision of Rs.342.41 crore remained unutilised and was not surrendered (Appendix-XVIII).

2.3.9 Unutilised provision

In 33 cases involving 23 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-XIX). 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 2003-04, expenditure of Rs.74.81 crore was incurred in 21 cases involving nine departments as detailed in Appendix-XX without following the prescribed procedure for New Service/New Instrument of Service.

2.3.11 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 XXI and XXII respectively.

2.4 Deficient Budgetary Procedure and Control

Scrutiny of budget proposals and actual expenditure in respect of two Departments viz. (i) Agriculture Department and (ii) Energy 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.15.64 crore (Agriculture Department Rs.15.62 crore and Energy Department Rs.0.02 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.211.97 crore (Agriculture Department: Rs.48.20 crore and Energy Department: Rs.163.77 crore) on the last working day of the financial year (31 March 2004).

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 2003-04 lump sum provision was made in the following cases and the amount was ultimately surrendered/re-appropriated.

(Rupees in lakh)

Sl. No.	Grant No.	Original lump sum provision	Supplementary lump sum provision	Total provision
1.	3-2245-Relief on Account of Natural Calamities-80-General-800 other Expenditure-Lump sum provision	95.04	471.62	566.66
2.	7-5054-Capital Outlay on Roads and Bridges-04 District and other Roads-Lump sum provision for other works	10.00	20.00	30.00
3.	20-2702 Minor Irrigation-01 Surface Water-800 other expenditure-Lump sum provision for other works	727.91	--	727.91
4.	20-4711 Capital Outlay on Food Control projects-State Plan-State Sector-01 Flood Control-103 Civil Works-Lump sum provision	200.00	--	200.00
5.	20-4711 Capital Outlay on Flood Control Projects-Centrally Sponsored Plan-State Sector-01-Flood Control-103-Civil Works-Lump sum provision	1400.00	--	1400.00
6.	16-2401 Crop Husbandry-State Plan-State Sector 111-Agricultural Economics and statistics-Lump sum provision for establishment of an Agency for reporting Agriculture statistics in Orissa	41.00	--	41.00

2.4.4 Persistent savings under Grant No. 23 Agriculture

In Agriculture Department, there were persistent savings under Capital Heads (Voted) during the last 10 years with the percentage of savings rising drastically during the last three 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)			
1994-1995	1848.85	137.22	1711.63	93
1995-1996	115.55	102.38	13.17	11
1996-1997	112.05	39.43	72.62	65
1997-1998	156.55	129.98	26.57	17
1998-1999	51.42	29.60	21.82	42
1999-2000	67.04	28.97	38.12	57
2000-2001	501.21	120.57	380.64	76
2001-2002	500.58	113.37	387.21	77
2002-2003	101.03	23.68	77.35	77
2003-2004	300.43	86.89	213.54	71

2.4.5 Non-utilisation of central fund in time resulted in loss to the tune of Rs.332.69 lakh to State Government under Centrally Sponsored Plan Scheme “Macro Management of Agriculture”

The Macro Management of Agriculture, a Centrally Sponsored Plan scheme was started in the State from 2001-02, subsuming 27 existing schemes. The expenditure under the scheme was to be shared between Government of India

and the State Government in the ratio of 90:10 treating 80 *per cent* of Central Assistance as grant and 20 *per cent* as loan. As per guidelines, 50 *per cent* of allocated funds were to be released by Government of India as first instalment and on receipt of progress report on utilisation of available funds including unspent funds of previous years as per norm fixed by the Government of India, the second and final instalment was to be released.

During 2003-04, a total outlay of Rs.25.56 crore was entrusted out of which Rs.23.00 crore was Central share and Rs.2.56 crore was State share. There was an unspent balance of Rs.7.93 crore of previous year available for utilisation during 2003-04. Out of the above balance, Government of India allowed Rs.4.60 crore only for utilisation during year in terms of the guidelines of the scheme. Therefore, due to poor utilisation and excess unspent balance of Central fund of earlier years, State Government lost Rs.3.33 crore during 2003-04.

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 2003-04, Rs.7.33 crore drawn from the Contingency Fund remained un-recouped at the end of the year. Besides that advances amounting to Rs.94.40 crore remained un-recouped relating to earlier years.

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 2003-04 under as many as 13 out of 38 Grants, 30 to 81 *per cent* of the total expenditure under these grants was incurred in March 2004 (Appendix-XXIII).

2.7 Unnecessary parking of funds in Civil Deposits

Balance under 8443-Civil Deposit-800-Other Deposits at the end of March 2004 was Rs.762.72 crore. The position during 1999-2000 to 2003-04 is given in Appendix-XXIV. During the five years period, the deposit increased by 65 *per cent* from Rs.461.16 crore in 1999-2000 to Rs.762.72 crore in 2003-04. 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.

2.8 Defective Re-appropriation

During 2003-04, 815 re-appropriation orders for Rs.762.97 crore were issued of which 126 orders aggregating to Rs.584.89 crore were issued on 31 March 2004, the last day of the fiscal year. Seven re-appropriation orders for Rs.70.94 crore were irregular since these were for re-appropriations between Capital Section and Revenue Section and between Plan and Non-Plan which are not permissible.

2.9 Excess Payment of Pension and Gratuity

Test check of records in the Treasuries revealed excess payment to the tune of Rs.11.20 lakh during 2003-04 due to erroneous determination of admissibility and calculation error in respect of pensionary claims of 493 pensioners.