

## 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of the actual expenditure, voted and charged in a year compared with the amounts of voted grants and appropriations as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations. These indicate actual Capital and Revenue Expenditure vis-à-vis those authorised by the Appropriation Acts in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether (i) the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act, (ii) the expenditure required to be charged under the provisions of the Constitution is so charged, (iii) ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions and (iv) assess to what extent the Government/ Executive has been able to manage the planned and intended allocation of its resources among various departments.

**2.1.3** As per the Odisha Budget Manual (OBM), the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the detailed estimates called “Demand for Grants”. In the preparation of the budget, the aim should be to achieve as close an approximation to the actual as possible. This demands the exercise of foresight in both estimating revenue and anticipating expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees etc.

Deficiencies in the management of budget and expenditure and violation of the OBM observed in audit have been discussed in the subsequent paragraphs.

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2016-17 against 41 grants and three appropriations is given in **Table 2.1**:

**Table 2.1: Position of actual expenditure vis-à-vis original/ supplementary provisions for the year 2016-17**

(₹ in crore)

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)	Amount Surrendered	Amount surrendered on 31 March	Percentage of amount surrendered on 31 March to unspent provision
1	2	3	4	5	6	7	8	9
<b>Voted</b>								
Revenue	72,045.79	3,119.68	75,165.47	61,801.12	(-)13,364.35	13,196.99	11,782.44	88
Capital	16,731.27	2,747.58	19,478.85	18,474.07	(-)1,004.78	1,000.82	977.18	97
Loans and Advances	1,852.68	123.87	1,976.55	429.15	(-)1,547.40	1,527.97	1,527.97	99
<b>Total Voted</b>	<b>90,629.74</b>	<b>5,991.13</b>	<b>96,620.87</b>	<b>80,704.34</b>	<b>(-)15,916.53</b>	<b>15,725.78</b>	<b>14,287.59</b>	<b>90</b>
<b>Charged</b>								
Revenue	4,760.37	19.32	4,779.69	4,136.45	(-)643.24	636.49	636.49	99
Capital	18.43	3.61	22.04	10.83	(-)11.21	4.10	4.10	37
Public Debt -Repayment	3,008.39	0	3,008.39	2,962.05	(-)46.34	102.98	102.98	222
<b>Total Charged</b>	<b>7,787.19</b>	<b>22.93</b>	<b>7,810.12</b>	<b>7,109.33</b>	<b>(-)700.79</b>	<b>743.57</b>	<b>743.57</b>	<b>106</b>
<b>Grand Total</b>	<b>98,416.93</b>	<b>6,014.06</b>	<b>1,04,430.99</b>	<b>87,813.67</b>	<b>(-)16,617.32</b>	<b>16,469.35</b>	<b>15,031.16</b>	<b>90</b>

**Source:** The Odisha Appropriation Act 2016, Finance and Appropriation Accounts 2016-17, Govt. of Odisha

The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under the Revenue heads (₹ 897.05 crore) and the Capital heads (₹ 188.86 crore). The overall savings of ₹ 16,617.32 crore was due to savings in (i) all the 41 grants and one appropriation under Revenue Section and (ii) 31 grants and one appropriation under Capital Section. This was offset by excess of ₹ 60.26 crore in one grant and one appropriation under Capital Section.

It is seen from the above table that against the original provision of ₹ 98,416.93 crore, expenditure of ₹ 87,813.67 crore (89.23 per cent) was incurred. Thereby supplementary provision was not required as there were savings of ₹ 10,603.26 crore (10.77 per cent). This clearly indicated inaccurate estimation of funds and lack of control mechanism.

Further, it was also observed that against the total savings of ₹ 16,617.32 crore during the year, departments surrendered ₹ 16,469.35 crore. Out of this ₹ 15,031.16 crore (90 per cent) was surrendered on the last day of the financial year, i.e., 31 March 2017.

Evidently, the concerned Controlling Officers (COs) overlooked the budgetary controls laid down in OBM and made inaccurate estimation for the budget provision.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriation vis-à-vis Allocative Priorities

During the financial year 2016-17, the appropriation audit showed that in 15 cases relating to 14 grants, savings exceeded ₹ 10 crore. These were more than 20 per cent of total provision in each case (*Appendix 2.1*) amounting to ₹ 9,101.01 crore. Out of the above, savings of ₹ 8,617.24 crore (95 per cent)<sup>1</sup> occurred in five cases relating to five grants as indicated in **Table 2.2**.

**Table 2.2: List of Grants with savings of ₹ 100 crore and above.**

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings	Percentage of savings	
							2015-16	2016-17
<b>Revenue (Voted)</b>								
1	3-Revenue and Disaster Management	4,999.96	123.63	5,123.59	3,233.80	1,889.79	39	37
2	5-Finance	11,539.39	0	11,539.39	7,108.34	4,431.05	33	38
3	36-Women and Child Development	2,788.10	119.59	2,907.69	2,108.94	798.75	-	27
<b>Capital (Voted)</b>								
4	30-Energy	2,769.69	779.35	3,549.04	2,222.62	1,326.42	22	37
5	34-Co-operation	297.00	0	297.00	125.77	171.23	27	58
<b>TOTAL</b>		<b>22,394.14</b>	<b>1,022.57</b>	<b>23,416.71</b>	<b>14,799.47</b>	<b>8,617.24</b>		

**Source:** Appropriation Accounts for the year 2016-17, Government of Odisha.

Reasons for savings furnished by the departments to the Principal Accountant General (A&E), under a few major heads of account, as reported in Appropriation Accounts, are given below:

### 3-Revenue and Disaster Management (Revenue-Voted)

Anticipated savings of (i) ₹ 44.76 crore under major head “2029-NP-104-1448-Tahasil Establishment”, (ii) ₹ 34.97 crore under major head “2245-NP-02-114-2802-Subsidy” and (iii) ₹ 587.42 crore under major head “2245-NP-80-800-1183-Relief Expenditure met from National Calamity Contingency Fund” were surrendered without assigning any reason (June 2017).

<sup>1</sup> Exceeding ₹100 crore in each case

### **5-Finance (Revenue-Voted)**

Anticipated savings of (i) ₹ 8.92 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-0308-District Establishment,” (ii) ₹ 1.82 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-1515-Upgraded Check Gates in Commercial Tax Organisation” and (iii) ₹ 2,591.71 crore under major head “2071-Pensions and Other Retire benefits-01-Civil-101-Superannuation and Retirement Allowances” were surrendered due to non-regularisation of salary, non-submission/non-settlement of claims, non-completion of procurement process and less requirement.

### **36-Women and Child Development (Revenue-Voted)**

Anticipated savings of (i) ₹ 22.84 crore under major head “2235-Social Security and Welfare-SP-02-Social Welfare-102-Child Welfare-2293-Integrated Child Protection Scheme,” (ii) ₹ 105.96 crore under major head “2235-SP-DS-02-789-Special Component Plan of Scheduled Castes-0731-Integrated Child Development Scheme,” (iii) ₹ 115.45 crore under major head “2235-SP-DS-02-796-0731-Integrated Child Development Scheme” and (iv) ₹ 22.14 crore under major head “2236-NP-SP-DS-02-(101, 789, 796)-2481-Rajiv Gandhi Scheme for Empowerment of Adolescent Girls” were surrendered due to non-receipt of Central assistance and non-approval of programme by Government of India.

### **30-Energy (Capital-Voted)**

Anticipated savings of (i) ₹ 1,196.18 crore under major head “6801-Loans for Power Projects-NP-190-3095-UDAY” were surrendered due to non-realisation of funds from the Government of India. (ii) Savings of ₹ 100.00 crore under major head “6801-SP-SS-205-3103-Odisha Transmission System Improvement Projects-JICA-EAP” were attributed to introduction of cash management system in the Department. But audit observed that Cash Management System was in use since 2012-13 in the Energy department.

### **34-Co-operation (Capital-Voted)**

Anticipated savings of (i) ₹ 60.00 crore under major head “4425-SP-SS-107-3161-Warehousing Infrastructure Fund,” (ii) ₹ 17.00 crore under major head “4425-SP-SS-789-3161-Warehousing Infrastructure Fund,” (iii) ₹ 23.00 crore under major head “4425-SP-SS-796-3161-Warehousing Infrastructure Fund” were surrendered as per Government decision. (iv) ₹ 95.00 crore under major head “6425-SP-SS-108-2980-Corpus Fund for Odisha State Cooperative Marketing Federation Limited (MARKFED)” was surrendered due to non-receipt of proposal for release of balance fund from MARKFED.

The above cases indicated lack of monitoring of the flow of expenditure in the departments by the Controlling Officers (COs) of such grants as required under Chapters IV and VI of OBM.

The Government stated (November 2017) that the initial indications by the Central Ministries to the State Departments on account of Centrally Sponsored Schemes (CSS) grants were much higher than the receipts. The Departments insisted on higher Budget Estimate/Supplementary provision anticipating higher Central releases which did not materialize.

### **2.3.2 Excess expenditure over provisions relating to previous years requiring regularisation by the State Legislature**

According to 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. Excess expenditure amounting to ₹ 18.82 crore was incurred over the provisions during 2013-14, 2014-15 and 2015-16 as detailed in **Table 2.3**. Excess expenditure amounting to ₹ 580.28 crore relating to the year 2010-11 and 2011-12 was regularised on the basis of the recommendations of the Public Accounts Committee in April 2017 [The Odisha Appropriation (No.2) Act, 2017].

**Table 2.3: Excess expenditure over provisions relating to previous years requiring regularisation**

Year	Number of Grants	Number and Name of the Grant	Amount of excess expenditure ( ₹ in crore)
2013-14	3	22-Forest and Environment, 26-Excise and 31- Handlooms, Textile and Handicrafts	18.56
2014-15	1	26-Excise	0.01 <sup>2</sup>
2015-16	1	22-Forest and Environment	0.25
<b>Total</b>	<b>5</b>		<b>18.82</b>

**Source:** Appropriation Accounts for the respective years.

### **2.3.3 Excess expenditure over Budget provisions during 2016-17 requiring regularisation by the State Legislature**

Excess expenditure amounting to ₹ 60.26 crore in respect of one grant and one appropriation for the year 2016-17 required regularisation as detailed in the **Table 2.4**.

<sup>2</sup> ₹ 87,887 only

**Table 2.4: Excess expenditure over provisions relating to 2016-17 requiring regularisation**

Year	Grant/ Appropriation number	Name of the Grant/Appropriation	Amount of excess expenditure ( ₹ in crore)
2016-17	13	Housing and Urban Development (Capital-Voted)	3.63
	6003	Internal Debt (Capital- Charged)	56.63
<b>Total</b>			<b>60.26</b>

**Source:** Appropriation Accounts for the year 2016-17.

No demand for consideration of regularisation by the State Legislature as per Article 205 of the Constitution has yet been placed. Thus, the excess expenditure remained unauthorised.

The Government stated (November 2017) that necessary safeguards were taken to ensure that excess expenditure do not occur in future.

#### **2.3.4 Persistent Savings**

There were persistent savings of more than ₹ 10 crore in 26 cases in 22 grants and two appropriations during 2012-17 as detailed in *Appendix 2.2*. The savings ranged between ₹ 19.46 crore and ₹ 4,431.05 crore during the year 2016-17. Persistent savings are indicative of over assessment of requirement of funds by the Government in Appropriation Act repeatedly. The previous years' trends had neither been taken into account nor was there adequate scrutiny of the need for funds.

This had been pointed out repeatedly in earlier Audit Reports; however, no action had been taken by the Government (March 2017).

#### **2.3.5 Unnecessary/ Excessive supplementary provision**

Supplementary provision aggregating ₹ 3,107.68 crore (₹ one crore or more in each case) in 38 cases (30 grants) during the year 2016-17 proved unnecessary. The actual expenditure (₹ 53,488.20 crore) did not come up to the level of original provision (₹ 60,687.83 crore) as detailed in *Appendix-2.3*. Similarly, supplementary provision aggregating ₹ 2,682.53 crore (31 cases) during 2015-16 had proved unnecessary.

Supplementary provision aggregating ₹ 2,773.85 crore proved excessive by ₹ 748.93 crore in 15 cases under 13 grants as detailed in *Appendix-2.4*. Supplementary provision aggregating ₹ 8,746.26 crore (15 grants and one appropriation) during 2015-16 had proved excessive by ₹ 5,173.19 crore over the total required supplementary provision of ₹ 3,573.07 crore.

This indicated that the Controlling Officers did not (i) adequately watch the actual requirement of funds for the year, (ii) monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of OBM.

The Government accepted the views of Audit and stated (November 2017) that necessary instructions were issued by Finance Department. The concerned grant controlling authorities have been asked not to take unnecessary supplementary provision.

### **2.3.6 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. There were savings of ₹ 83.99 crore in 21 sub-heads under five grants and one appropriation and excess of ₹ 93.18 crore in 11 sub-heads under five grants and one appropriation as detailed in *Appendix- 2.5*.

### **2.3.7 Re-appropriations on the last day of the financial year**

According to Rule 139 of OBM, reasons for additional expenditure and savings should be explained in the re-appropriation statement. This should reach the Finance Department by 10 March at the latest. As per the records of the office of the Principal Accountant General (A&E), Odisha, 615 re-appropriation orders amounting to ₹ 4,653.80 crore were issued during 2016-17. Out of these, 17 re-appropriation orders aggregating ₹ 272.61 crore were issued on 31 March 2017. Hence there was no scope for expenditure during that year. Similarly in 2014-15, ₹ 469.42 crore (5 cases) and in 2015-16, ₹ 623.79 crore (17 cases) re-appropriation orders were issued on the last day of the financial year. Details of the current year given in **Table 2.5** below:

**Table 2.5: Re-appropriations on 31 March 2017 (last day of the financial year)**

Sl No	No. of the Grant/Appropriation and Name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)
1	03-Revenue & Disaster Management	2245-Non Plan	0.84
2	05-Finance	2030-Non Plan	0.18
3	05-Finance	7610-Non Plan	2.19
4	17-Panchayati Raj	2501-State Plan	3.50
5	20-Water Resources	2075-Non Plan	0.03
6	20-Water Resources	2075-Non Plan	
7	23-Agriculture and Farmers' Empowerment	2401-State Plan	3.70
8	23-Agriculture and Farmers' Empowerment	2401-State Plan	1.26
9	23-Agriculture and Farmers' Empowerment	2401-State Plan	9.67
10	23-Agriculture and Farmers' Empowerment	2401-State Plan	2.74
11	23-Agriculture and Farmers' Empowerment	2401-State Plan	1.70
12	23-Agriculture and Farmers' Empowerment	2401-State Plan	4.42
13	33-Fisheries and Animal Resources Development	2405- State Plan	10.50
14	34-Co-operation	4425- State Plan	25.73
15	2049-Interest Payments	2049	148.92



Sl No	No. of the Grant/Appropriation and Name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)
16	6003-Internal Debt	6003-Non Plan	54.32
17	6004-Loans and Advances	6004-Non Plan	2.91
<b>TOTAL</b>			<b>272.61</b>

**Source:** Information furnished by the Office of the Principal Accountant General (A&E), Odisha.

It was also observed that belated issue of such re-appropriation orders persisted during the year despite the irregularity being pointed out in the earlier Audit Reports.

In response to Para no. 2.3.8 of the Audit Report on State Finances for the year ended March 2013, the Government had stated (November 2013) that the instructions would be issued by the Finance Department to the concerned grant controlling authorities. In spite of assurance given by the Government, re-appropriation on the last day of the financial year persisted even after lapse of four years.

The Government stated (November 2017) that funds for Centrally Sponsored Schemes were released by the Government of India only at the year end. There was mismatch between budgetary allocation and fund release in various components of the schemes. This necessitated re-appropriation of fund at the fag-end of the financial year.

### 2.3.8 Substantial surrenders

Surrenders of 100 per cent of total provision of ₹ 1,788.12 crore were made under 36 sub heads (₹ 10 crore or more in each case) under 15 grants. These represented different schemes / programmes / projects and activities (*Appendix-2.6*). Similarly surrenders of ₹ 1,881.76 crore (13 grants), ₹ 2,731.20 crore (21 grants) were made during the years 2014-15 and 2015-16 respectively. The surrenders were mainly attributed to delay in completion of work, non-finalisation of tender, delay in acquisition of land, non-utilisation of funds, introduction of the cash management system and as per the decision of the Government of Odisha. No reasons were assigned by the departments to the Principal Accountant General (A&E) in 10 cases.

### 2.3.9 Surrender in excess of savings

In ten cases (nine grants), there were savings of ₹ 2,337.42 crore (₹ 1 crore or more in each case). The amount surrendered was ₹ 2,476.77 crore, resulting in excess surrender of ₹ 139.35 crore as detailed in **Table 2.6**.

**Table 2.6 : Surrender in excess of actual savings during 2016-17**

(₹ in crore)

Sl. No.	Number and name of the grant/appropriation	Total grant/appropriation	Savings	Amount surrendered	Amount surrendered in excess
1	4-Law (Revenue Voted)	270.36	31.41	31.62	0.21
2	7-Works (Revenue Voted)	2,161.35	421.85	484.91	63.06
3	11-ST & SC Development, Minorities & Backward Classes Welfare (Revenue Voted)	2,439.14	359.40	369.96	10.56



4	12-Health and Family Welfare (Revenue Voted)	4,439.33	406.52	463.67	57.15
5	12-Health and Family Welfare (Capital Voted)	819.00	35.17	42.95	7.78
6	16-Planning and Convergence (Revenue Voted)	646.90	41.16	41.19	0.03
7	32-Tourism and Culture (Capital Voted)	117.93	30.02	30.03	0.01
8	33-Fisheries and Animal Resources Development (Revenue Voted)	569.52	90.64	90.76	0.12
9	34-Co-operation (Revenue Voted)	1,643.00	122.51	122.72	0.21
10	36-Women and Child Development (Revenue Voted)	2,907.69	798.74	798.96	0.22
<b>TOTAL</b>		<b>16,014.22</b>	<b>2,337.42</b>	<b>2,476.77</b>	<b>139.35</b>

Source: Appropriation Accounts 2016-17.

The excess surrender indicated that these departments had failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

The Government accepted (November 2017) the fact that the excess surrender was due to want of timely reconciliation of expenditure by COs.

### **2.3.10 Anticipated savings not surrendered**

As per Rule 146 of OBM, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. A review of savings of grants and appropriations at the end of 2016-17 and surrender thereof showed the following:

- In 17 cases (13 grants and one appropriation) savings of ₹ 343.05 crore (more than ₹ one crore in each case) remained to be surrendered, as of 31 March 2017. The departments had refunded savings only partially (3.27 per cent of the total savings of ₹ 10,502.21 crore) (*Appendix 2.7*). Similarly, ₹ 1,379.80 crore (15 cases) and ₹ 1,097.43 crore (24 cases) were retained during the years 2014-15 and 2015-16 respectively.
- In 28 cases (in 19 grants) aggregating ₹ 8,448.64 crore (36.97 per cent of the budgetary provision), there were surrenders under different major heads of accounts i) in excess of ₹10 crore, ii) by more than 20 per cent of the total provision in each case and iii) on the last working day of the financial year (*Appendix 2.8*).

In response to Para no. 2.3.10 of the Audit Report on State Finances for the year ended March 2015, the Government had stated (November 2015) that surrender of anticipated savings would be ensured through stabilization of the expenditure reconciliation module of Integrated Financial Management System (IFMS). The anticipated savings were not surrendered in time, in spite of the assurance.

## 2.4 Advances from Contingency Fund

Contingency Fund of the State was established under the Odisha Contingency Fund Act, 1967. Advances from the Contingency Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest. It is required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned.

During 2016-17, advances amounting to ₹132.14 crore were made from the Odisha Contingency Fund (OCF) and recouped to the fund during the year. The details of particulars of drawal of advance are given in **Table 2.7**:

**Table 2.7: Drawal of advance from Contingency Fund** (₹ in crore)

Sl.No	Name of Deptt	Sanction Order No & date	Amount of advance	Purpose
1	General Administration Department	11919 25/05/2016	10.00	Security deposit with the Registrar of Odisha High Court in connection with CMP No.438/2016
2	Food Supplies and Consumer Welfare(FSCW)	22184 11/11/2016	80.00	Special Drought Assistance to farmers.
3	Food Supplies and Consumer Welfare (FSCW)	22177 11/11/2016	42.13	Refund of cost of food grains to ineligible ration card holders, as per the amnesty scheme announced by the State Government.
<b>Total</b>			<b>132.14</b>	

**Source:** Sanction orders from the Departments

During audit, it was observed that ₹ 80 crore was advanced to the FSCW department as Special Drought Assistance to the farmers affected by drought of 2015. Of this, ₹ 77.62 crore was disbursed to the farmers and ₹ 2.38 crore was yet to be disbursed (August 2017).

During the year, ₹ 42.13 crore was also advanced to the FSCW department, for refund of cost of food grains to ineligible ration card holders. During audit, it was observed that the Odisha State Civil Supply Corporation Ltd (OSCSC) had released only ₹34.99 crore to the districts. Of this, ₹ 26.42 crore was lying with the concerned DDOs (July 2017). The balance amount of ₹ 7.14 crore was also not released to the districts till July 2017. The total amount not released and lying with DDOs accounted for 79.65 per cent of the advance drawn from Contingency Fund.

The unutilised amount at the Department level and also at the District level indicated that the expenditure amount was not of an unforeseen and emergent character.

The Government accepted (November 2017) the fact that the advance from Odisha Contingency Fund should not be taken unless there was urgent need. The Administrative Departments should follow the provisions of the rules while seeking advance from OCF.

## **2.5 Shortcomings in Budgetary Process**

The Odisha Budget Manual (Rule 46) requires the Controlling Officers to see that proper estimates are made. These estimates should take into account only such payments which are expected to be made during the budget year. The aim is to make the estimates as accurate as possible and not show large savings at the end of the year.

During 2016-17, implementation of the Budget was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) Section, the original and supplementary grants were ₹ 72,045.79 crore and ₹ 3,119.68 crore, respectively, aggregating ₹ 75,165.47 crore. Against this, the actual expenditure was only ₹ 61,801.12 crore, resulting in savings of ₹ 13,364.35 crore. Supplementary provision of ₹ 3,119.68 crore proved unnecessary as the expenditure did not come up to the level of original provision.
- Similarly under Capital (voted) Section, the original and supplementary grants were ₹ 16,731.27 crore and ₹ 2,747.58 crore, respectively, aggregating ₹ 19,478.85 crore. Against this, the actual expenditure was ₹ 18,474.07 crore resulting in savings of ₹ 1,004.78 crore.

Repeated comments were made in the Audit Reports from 2012-13 to 2016-17. However, 22 departments continued to make savings of more than ₹ 10 crore during last five years, as detailed in *Appendix 2.2*.

### **2.5.1 Analysis of Cash Management System and Rush of Expenditure**

Pursuant to the provisions of sub-section (1-a) of Section 8 of the Odisha Fiscal Responsibility and Budget Management Act, Government of Odisha implemented Cash Management System in 19 departments for 2016-17.

In terms of Finance Department OM No.16123/F, dated 01 June 2016, the level of expenditure at the end of the third quarter was not to be less than 60 *per cent* and during the month of March, the same should not be more than 15 *per cent* of the gross budget provision.

In 2016-17, cash management system was in implementation in 19 departments. Of these, only 10<sup>3</sup> departments had spent minimum 60 *per cent* of the budget provision by the end of third quarter. Nine departments exceeded 15 *per cent* of the budget provision for the month of March 2017 as indicated in **Table 2.8**.

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<sup>3</sup> Sl.No.1,2,4,5,6,8,9,10,11,19

Table 2.8: Analysis of cash management system

(₹ in crore)

Sl. No.	Grant No/ Department	Original Budget Provision	April - December 2016		March 2017	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	4,532.62	2,893.12	63.83	993.82	21.93
2	10-School and Mass Education	11,237.85	7,149.00	63.62	1,277.56	11.37
3	11-ST & SC Development, Minorities and Backward Classes Welfare	2,837.12	1,231.19	43.40	515.29	18.16
4	12-Health and Family Welfare	4,793.97	3,311.46	69.08	652.48	13.61
5	13-Housing and Urban Development	3,364.10	2,079.83	61.82	618.27	18.38
6	17-Panchayati Raj	8,467.95	7,211.72	85.16	904.54	10.68
7	19-Industry	93.27	55.78	59.80	31.49	33.76
8	20-Water Resources	7,261.57	5,271.59	72.60	1,208.31	16.64
9	22-Forest and Environment	605.42	374.75	61.90	88.35	14.59
10	23-Agriculture & Farmers' Empowerment	3,646.41	2,230.32	61.16	498.55	13.67
11	28-Rural Development	6,492.36	4,630.54	71.32	1,373.16	21.15
12	30-Energy	2,801.12	1,072.95	38.30	381.67	13.63
13	31-Handloom, Textile & Handicrafts	218.82	90.01	41.13	35.60	16.27
14	33-Fisheries and Animal Resources Development	683.50	378.45	55.37	79.05	11.57
15	36-Women & Child Development	2,788.10	1,386.55	49.73	407.36	14.61
16	38-Higher Education	2,197.50	1,266.63	57.64	340.03	15.47
17	39- Skill Development and Technical Education	631.12	370.16	58.65	79.21	12.55
18	40-Micro, Small and Medium Enterprises	111.69	62.98	56.39	21.21	18.99
19	41-Social Security and Empowerment of Persons with Disabilities	1,907.05	1,157.38	60.69	112.8	5.91

Source: Monthly Appropriation Reports for December 2016 and March (Pre and Supplementary) 2017.

According to Rule 147 of OBM, rush of expenditure in the closing month of the financial year will ordinarily be regarded as breach of financial regularity, which should be avoided. Contrary to this, there were 19 schemes (sub-heads), where more than 90 per cent of the total expenditure was incurred in March 2017 (*Appendix 2.9*). Of these, 100 per cent expenditure was incurred in March 2017 (₹ 792.39 crore) in 16 cases. In three cases, expenditure was between 93.36 to 99.54 per cent in March 2017.

The Government stated (November 2017) that some of the Departments covered under the Cash Management System were allowed to exceed the expenditure limit for the 4<sup>th</sup> Quarter/ March keeping in view the urgency of expenditure. However, Government should evolve an effective monitoring mechanism to regulate Quarterly expenditure.

### 2.5.2 Release of funds at the fag end of the financial year

Timely release of funds to the implementing agencies has a direct bearing on successful implementation of the schemes and avoiding rush of expenditure. An examination of sanction orders revealed that the Government released ₹ 351.24 crore for implementation of different schemes of eight departments in the last week of March 2017 (*Appendix 2.10*). Of this, ₹ 44.14 crore was released on 31 March 2017 as detailed in **Table 2.9**. There was no possibility of proper utilisation of these funds during the financial year 2016-17.

**Table-2.9- Department-wise amount released on 31.03.2017** (₹ in crore)

Sl.No	Name of Department	Sanction order No	Date	Amount
1	Health and Family Welfare	9017	31/03/2017	9.81
		9011	31/03/2017	14.85
2	Panchayati Raj	5476	31/03/2017	2.14
		5477	31/03/2017	9.69
		5535	31/03/2017	3.48
		5475	31/03/2017	4.07
3	Women and Child Development	5785	31/03/2017	0.10
<b>Total</b>				<b>44.14</b>

**Source:** Sanction orders received from respective Departments

The Government stated (November 2017) that release of funds at the fag-end of the financial year became necessary as fund for Centrally Sponsored Schemes were received very late or on the last date of the financial year.

## 2.6 Outcome of review of selected grants

To ascertain compliance with budgeting processes, utilisation of funds and expenditure control mechanism during the year 2016-17, two grants, viz., Scheduled Tribes and Scheduled Caste Development, Minorities and Backward Classes Welfare Department (Grant No. 11) and Panchayati Raj Department (Grant No. 17) were selected for detailed audit scrutiny. Audit findings in this regard are discussed below.

### 2.6.1 Budget and Expenditure

#### Grant No-11: Scheduled Tribes and Scheduled Caste Development, Minorities and Backward Classes Welfare Department.

Rule 149 (1) of the OBM provides that Supplementary demands are undesirable in principle and a free resort to them inevitably leads to laxity in budgeting and control. The justification of a supplementary demand should, therefore, rest upon circumstances which are exceptional. Details are given in **Table-2.10**.

**Table 2.10: Budget provision vis-à-vis Expenditure incurred during 2012-17** (₹ in crore)

		2012-13	2013-14	2014-15	2015-16	2016-17	Total
Revenue Expenditure	Original	1,190.49	1,505.91	1,855.15	1,795.73	2,320.00	8,667.28
	Supplementary	243.26	156.40	27.25	469.15	119.14	1,015.21
	Total provision	1,433.75	1,662.31	1,882.40	2,264.88	2,439.14	9,682.49

	Total Expenditure	1,265.24	1,399.21	1,508.76	1,948.88	2,079.74	8,201.84
	Savings	-168.51	-263.10	-373.64	-316.00	-359.40	-1,480.65
	Surrender	167.88	263.77	377.77	281.79	369.96	1,461.17
	<b>Percentage of savings to Total provision</b>	<b>-11.75</b>	<b>-15.83</b>	<b>-19.85</b>	<b>-13.95</b>	<b>-14.73</b>	<b>-15.29</b>
<b>Capital Expenditure</b>	Original	415.22	459.12	601.15	579.10	517.12	2,571.71
	Supplementary	61.24	19.88	2.33	49.38	28.83	161.66
	<b>Total provision</b>	<b>476.46</b>	<b>479.00</b>	<b>603.47</b>	<b>628.49</b>	<b>545.95</b>	<b>2,733.36</b>
	Total Expenditure	470.17	420.26	436.02	559.73	462.83	2,349.00
	Savings	-6.29	-58.74	-167.45	-68.76	-83.12	-384.36
	Surrender	6.29	58.74	167.45	65.13	83.12	380.73
	<b>Percentage of savings to Total provision</b>	<b>-1.32</b>	<b>-12.26</b>	<b>-27.75</b>	<b>-10.94</b>	<b>-15.22</b>	<b>-14.06</b>

Source: Appropriation Accounts 2012-17, Government of Odisha.

It could be observed from the **Table-2.10** that there was no need to resort to supplementary provision, as the total expenditure under the Revenue Head was within the Original budget provision during 2013-14, 2014-15 and 2016-17. Similarly it was also observed that during the last four years (2013-14 to 2016-17), unnecessary Supplementary provision was made under the Capital head when the total expenditure incurred was within the Original budget provision.

### Grant No-17-Panchayati Raj Department

Budgetary control mechanism of the Panchayati Raj department was also scrutinized. Year-wise budget provisions both Original and Supplementary, total expenditure incurred under Revenue and Capital sections during 2012-13 to 2016-17 is given in **Table 2.11**. It could be observed that during the year 2012-13, 2014-15 and 2016-17, the total expenditure under the Revenue section was less than the Original provision. Thus supplementary provision made during these years was unnecessary. The Controlling Officer could have managed without resorting to the Supplementary provision.

**Table 2.11: Budget provision vis-à-vis Expenditure incurred during 2012-17**  
(₹ in crore)

Financial Year		2012-13	2013-14	2014-15	2015-16	2016-17	Total
<b>Revenue Expenditure</b>	Original	2,561.33	3,226.98	6,809.10	7,036.10	8,437.95	28,071.45
	Supplementary	375.43	542.08	52.06	2,026.98	538.94	3,535.48
	<b>Total</b>	<b>2,936.75</b>	<b>3,769.05</b>	<b>6,861.16</b>	<b>9,063.08</b>	<b>8,976.89</b>	<b>31,606.93</b>
	Expenditure	2,499.06	3,333.01	4,796.24	7,623.40	8,311.96	26,563.66
	Savings	-437.70	-436.05	-2,064.92	-	-664.93	-5,043.27
	Surrender	435.34	388.39	2,259.65	902.68	664.67	4,650.73
	<b>Percentage of savings to total provision</b>	<b>-14.90</b>	<b>-11.57</b>	<b>-30.10</b>	<b>-15.89</b>	<b>-7.41</b>	<b>-15.96</b>

<b>Capital Expenditure</b>	Original	2.50	2.00	20.91	25.00	25.00	75.41
	Supplementary	0.00	0.00	0.00	0.00	0.00	0.00
	Total	2.50	2.00	20.91	25.00	25.00	75.41
	Expenditure	2.50	2.00	20.91	24.68	25.00	75.09
	Savings	0.00	0.00	-1.00	-0.32	0.00	-1.32
	Surrender	0.00	0.00	0.00	0.00	0.00	0.00
	Percentage of savings to total provision	0.00	0.00	-4.78	-1.28	0.00	-1.75

Source: Appropriation Accounts 2012-17, Government of Odisha.

### ***2.6.2 Short/ Excess surrender of savings / belated surrenders***

Odisha Budget Manual (Rules 144 and 146) provides that all anticipated savings should be surrendered immediately after these are foreseen and latest by 10 March of the financial year without waiting till the end of the year.

During 2016-17, ST & SC Development, Minorities and Backward Classes Welfare Department (Grant No.11) surrendered ₹ 369.96 crore as against total savings of ₹ 359.40 crore under revenue (voted) section. This resulted in excess surrender of ₹ 10.56 crore. Panchayati Raj Department (Grant No.17) surrendered ₹ 664.67 crore on 31 March 2017 against total savings of ₹ 664.93 crore under revenue (voted) section. This resulted in non-surrender of ₹ 0.26 crore.

Thus, the amounts surrendered were not in conformity with the actual savings, thereby indicating lack of monitoring of monthly expenditure as provided in the OBM by the COs before passing the surrender orders.

### ***2.6.3 Unnecessary supplementary provision***

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the Grants/ Appropriations during a financial year. However, it was observed that in Grant No.11, supplementary provision of ₹ 119.14 crore under Revenue (voted), and ₹ 28.83 crore under Capital (voted) sections was obtained during December 2016. This proved unnecessary in view of sizeable savings of ₹ 240.26 crore and ₹ 54.29 crore respectively. Similarly, in Grant No.17, supplementary provision of ₹ 538.94 crore under revenue (voted), was unnecessary, as there was saving of ₹ 125.98 crore in the original provision. This showed that the COs of the department did not watch expenditure and requirement of funds.

### ***2.6.4 Withdrawal of entire provision by way of surrender***

Panchayati Raj Department made provisions of ₹ 19.60 crore, under different heads/ schemes during 2016-17. The complete amount was surrendered without assigning any reason (Table 2.12).



**Table 2.12: Withdrawal of entire provision by way of surrender**

(₹ in crore)

Sl. No	Head of Account	Total Provision	Amount withdrawn	Remarks
<b>17-Panchayati Raj Department</b>				
1	2515-SP-00-789-2945-Rajiv Gandhi Panchayat Sashaktikaran Yojana (RGPSY).	3.53	3.53	Entire amount was surrendered without assigning any reason
2	2515-SP-00-796-2945-Rajiv Gandhi Panchayat Sashaktikaran Yojana (RGPSY).	4.51	4.51	
3	2515-SP-00-800-2945-Rajiv Gandhi Panchayat Sashaktikaran Yojana (RGPSY).	11.56	11.56	
<b>TOTAL</b>		<b>19.60</b>	<b>19.60</b>	

Source: Appropriation Accounts 2016-17, Government of Odisha.

This indicated that the COs had made allocations to different schemes/projects/objects of expenditure without sufficient basis.

### 2.6.5 Non-adherence to Cash Management System

Government of Odisha laid down the guidelines for timely spending of budgetary grants through the Cash Management System .

As per Cash Management System, the departments have to adhere to the Quarterly Expenditure Allocation (QEA) norm of 15 per cent, 15 per cent, 30 per cent and 40 per cent of the Budget Estimates in the first, second, third and fourth quarter respectively. The distribution of the QEA vis-à-vis quarterly expenditure of the departments during 2016-17 is given in **Table 2.13**.

**Table 2.13: The QEA vis-à-vis Quarterly Expenditure Allocation by the ST & SC Development, Minorities and Backward Classes Welfare Department**

(₹ in crore)

Sl No	Budget Estimate	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
		QEA	Expenditure	QEA	Expenditure	QEA	Expenditure	QEA	Expenditure
1	2837.12	425.57 (15%)	450.36 (16%)	425.57 (15%)	421.98 (15%)	851.14 (30%)	358.85 (13%)	1,134.85 (40%)	1,311.38 (46%)

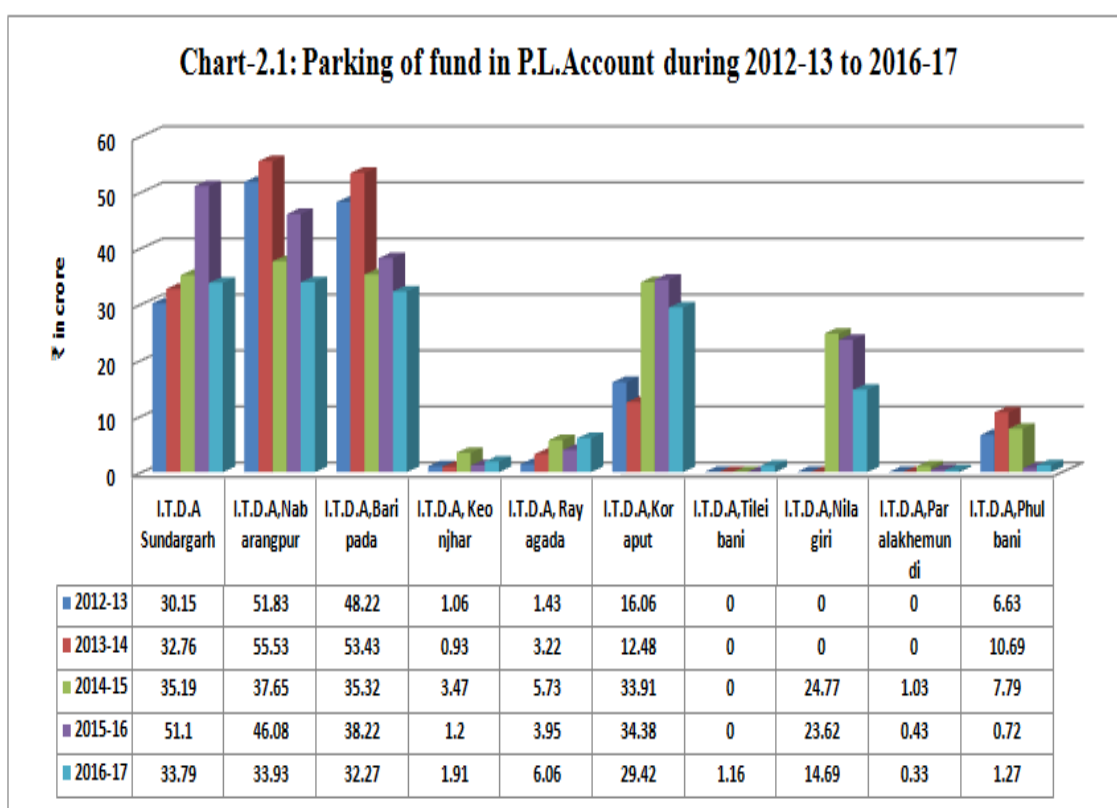
Source: Monthly Appropriation Accounts 2016-17.

ST & SC Development, Minorities and Backward Classes Welfare Department failed to adhere to the stipulated expenditure norms. Further, it was also seen that the department had incurred expenditure of ₹ 515.29 crore (18 per cent) in March 2017, which exceeded the norm by three per cent.

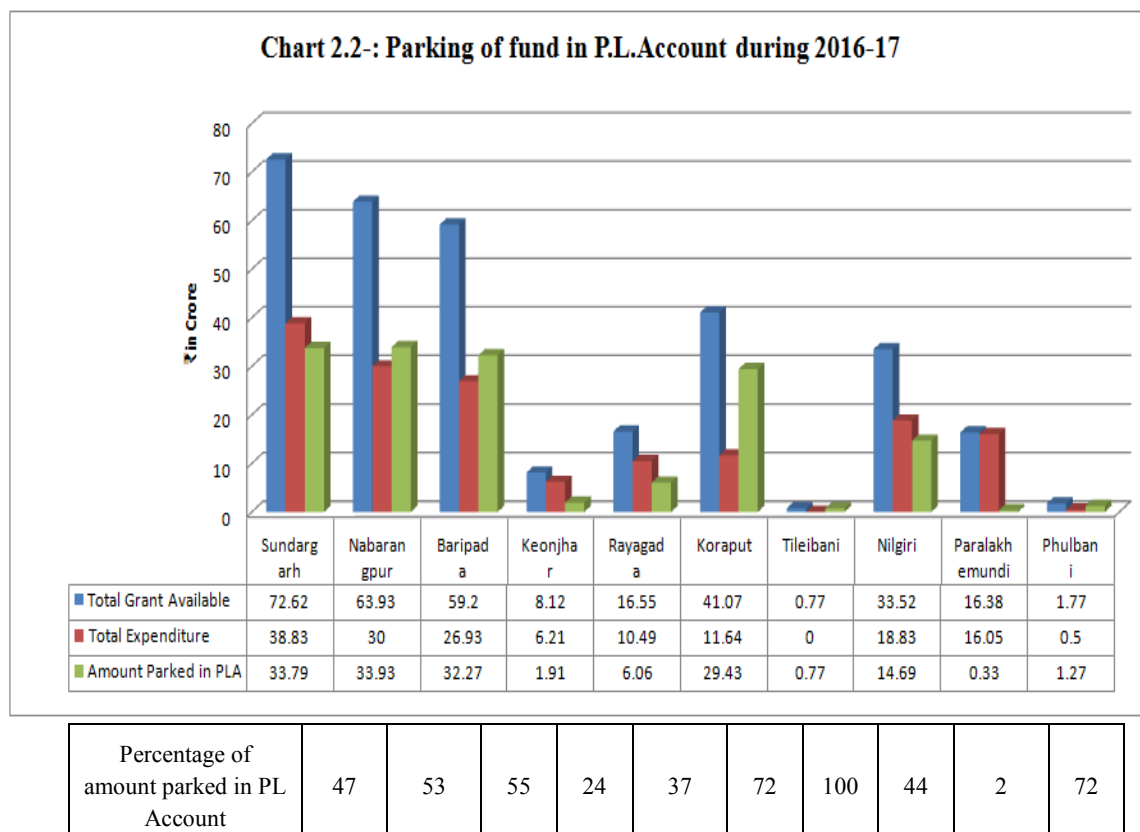
The above actions not only violated guidelines of the Cash Management System but also stood in the way of achieving the objectives thereof, like (i) even pacing of expenditure within the financial year, (ii) reduction of rush of expenditure during the last month of the financial year and (iii) effective monitoring of the expenditure pattern.

### 2.6.6 Parking of Public Money in PL Accounts

As per Odisha Treasury Code, DDOs can draw money from the treasury under Revenue heads of accounts as per budget provision and place it in Deposit head of account like PL/PD account (Deposits not bearing interest) with proper permission of the Government and drawn amounts are kept in the custody of respective treasuries and un-utilised money will not lapse at the end of financial year. ST & SC Development, Minorities and Backward Classes Welfare Department is implementing various Schemes for the development of Scheduled Tribes in educational, social and economic sector. At the district level, 22 Integrated Tribal Development Agencies (ITDAs) are functioning for implementation of various schemes. Test check of records of 10 ITDAs revealed that during the last five years funds ranging from ₹ 154.83 crore to ₹199.70 crore were parked in Personal Ledger (P.L) Accounts as detailed in **Chart 2.1**.



Source: Compiled from information collected from ITDAs



Analysis of data revealed that there was (i) frequent parking of funds in the P.L. Accounts in I.T.D.A, Nabarangpur, I.T.D.A, Baripada and I.T.D.A, Sundargarh, (ii) in 2016-17 unutilised amounts ranging from two to 100 per cent were outside legislative/budgetary control as shown in **Chart 2.2**.

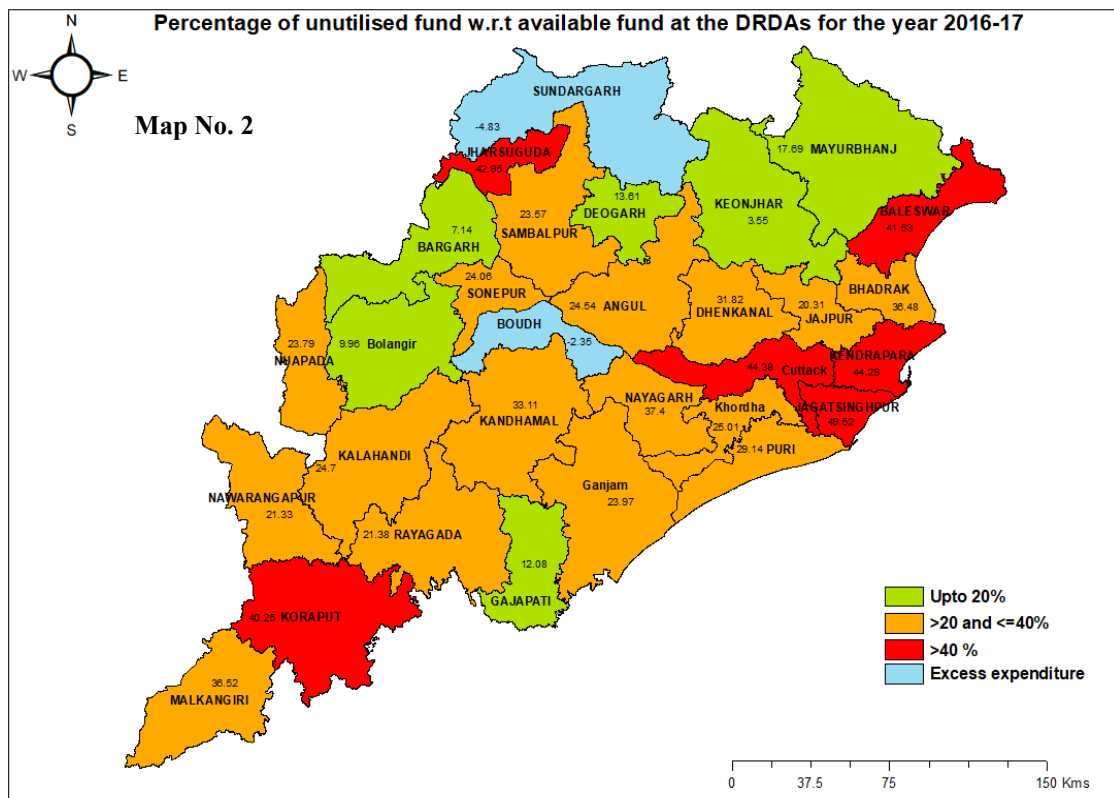
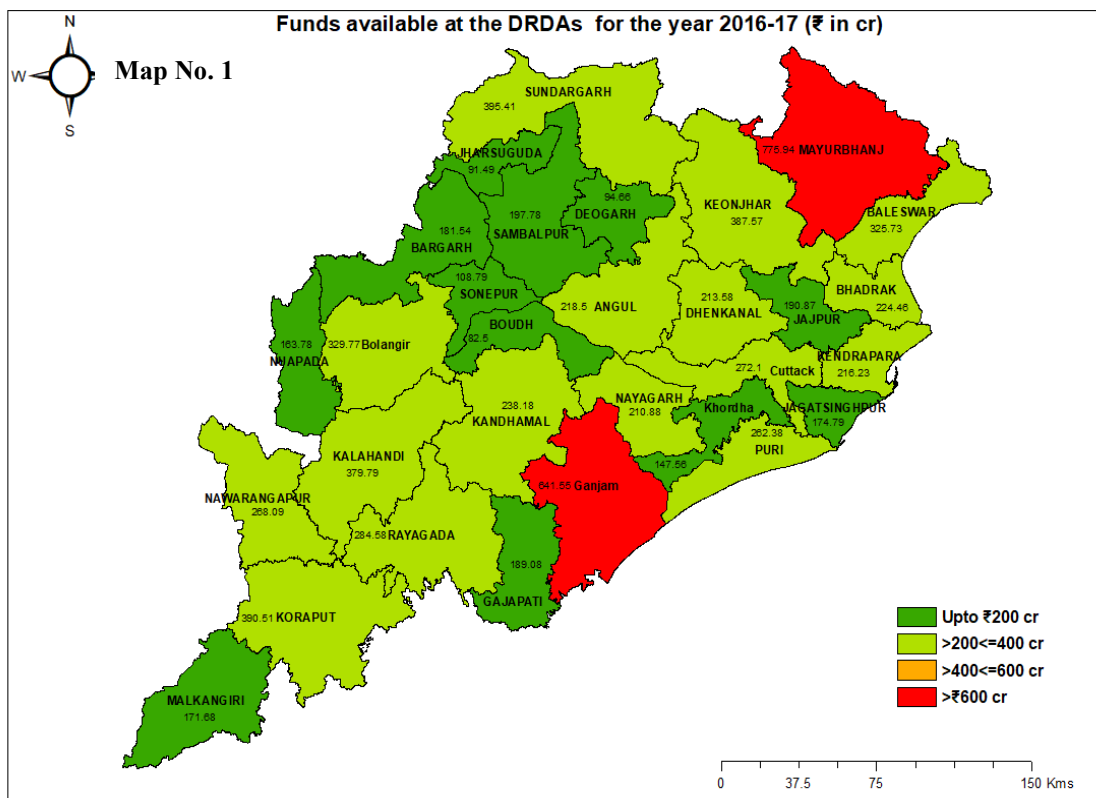
The Government accepted (November 2017) the fact that funds available in PD/PL Account should be utilized for the purpose for which it was earmarked. Government also stated that parking of huge balances in PD/PL Account should be avoided.

### 2.6.7 Availability and utilisation of scheme funds

The Government had allotted funds for various schemes for improving the status of people in rural and tribal areas. Separate schemes are implemented by the Panchayati Raj Department and ST&SC Development, Minorities and Backward Classes Welfare Department.

#### 2.6.7.1 Panchayati Raj Department

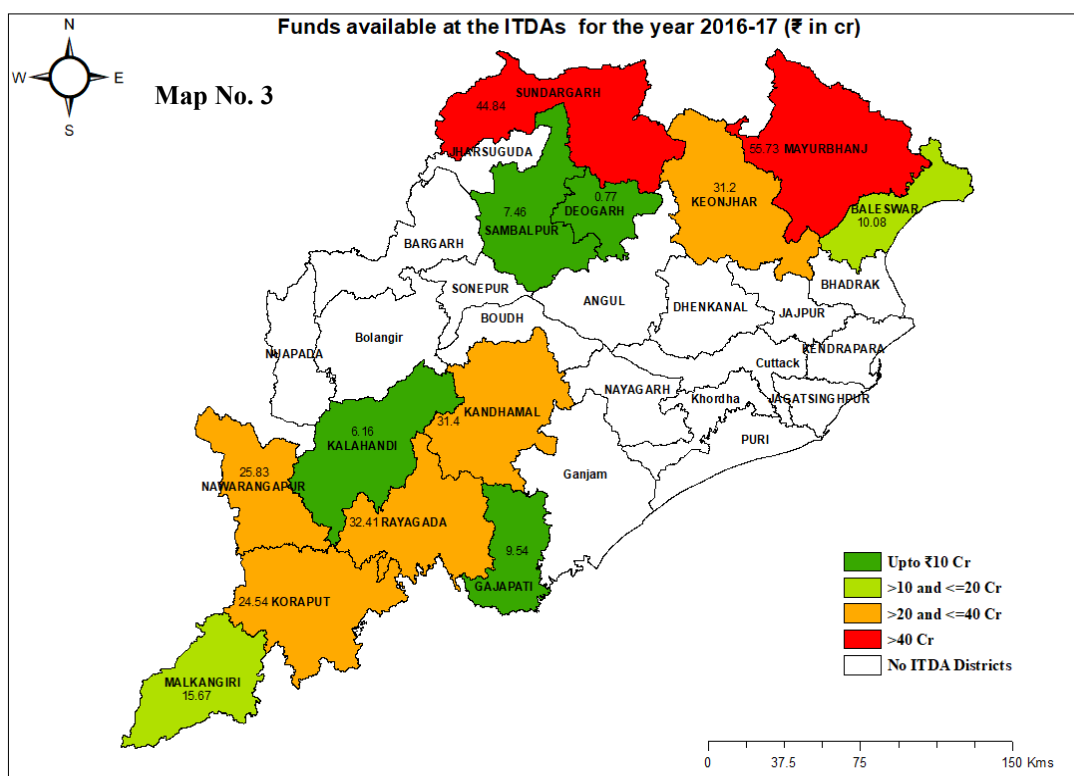
The Panchayati Raj department implemented 18 schemes in all the 30 districts. During 2016-17, it was observed that ₹12,903.33 crore was available for these schemes. Of this, ₹ 7,226.24 crore was utilised (56 per cent), leaving unutilized amount of ₹5,677.09 crore at the end of March 2017. Availability of funds and its utilisation in the state are given in **Maps No.1 and 2**.

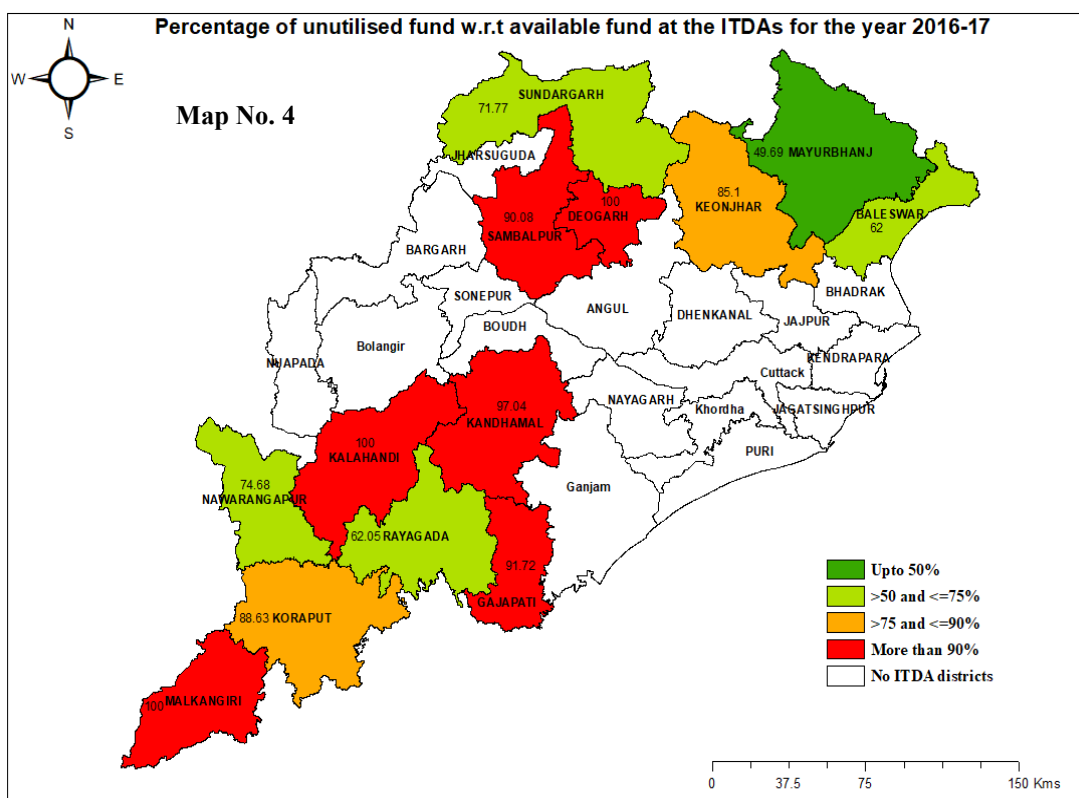


On review of scheme-wise financial progress, it was observed that there was very low utilization of funds in Nirman Shramik Pucca Ghar Yojana (NSPGY) (15 per cent), Pradhan Mantri Awas Yojana (PMAY) (26 per cent), Biju Pucca Ghar Yojana (BPGY) (36 per cent) and Rashtriya Gram Swaraj Abhiyan (RGSA) (37 per cent).

**2.6.7.2 ST & SC Development, Minorities and Backward Classes Welfare Department**

Funds were allotted under five schemes in the ST & SC Development, Minorities and Backward Classes Welfare Department such as Article-275(1), Special Central Assistance to Tribal Area Sub-Plan, State Plan, Non Plan and SP Hostel. It was observed that out of the total available fund of ₹ 295.62 crore with the Integrated Tribal Development Agencies (ITDAs) during 2016-17, only ₹ 73.27 crore (24.79 per cent) was expended. ITDA-wise availability of fund and non-utilisation are depicted in Maps No. 3 and 4.





It could be seen that in six<sup>4</sup> Integrated Tribal Development Agencies (ITDAs) more than 90 *per cent* of available funds remained un-utilised at the end of the financial year 2016-17. In three ITDAs namely Teileibani (₹ 1.16 crore), Thuamul Rampur (₹ 6.16 crore) and Malkangiri (₹ 15.67 crore), entire amount of ₹ 22.99 crore had remained idle.

## 2.7 Outcome of Inspection of Treasuries

During 2016-17, 30 District Treasuries, eight Special Treasuries and 62 Sub-Treasuries were inspected by the officials of the Principal Accountant General (A&E), Odisha. Irregularities and lapses observed during 2016-17, were brought to the notice of the Treasury Officers / Sub-Treasury Officers concerned through Inspection Reports. Some of the important irregularities and lapses noticed during inspection are given below:

### 2.7.1 Excess payment of pension and family pension through Treasuries

During inspection of treasuries/ sub-treasuries for the year ended 31 March 2017 by the office of the Principal Accountant General (A&E), excess payment of pension and family pension amounting to ₹ 53.25 lakh was observed as indicated in **Table 2.14**.

<sup>4</sup> ITDA Tileibani (100 *per cent*), ITDA Paralakhemundi (91.72 *per cent*), ITDA Phulbani (97.04 *per cent*), ITDA Thuamul Rampur (100 *per cent*), ITDA Malkangiri (100 *per cent*) and ITDA Kuchinda (90.08 *per cent*).

**Table 2.14: Excess payment of pension and family pension through Treasuries**

Sl. No.	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy	4.12
2	Excess payment due to delayed commencement of reduced pension on account of commuted value of pension	9.77
3	Excess payment of family pension due to payment at enhanced rate beyond the stipulated date	8.91
4	Excess payment of pension due to other miscellaneous reasons	30.45
<b>TOTAL</b>		<b>53.25</b>

**Source:** Annual Treasury Review Report of Office of the Principal Accountant General (A&E), Odisha.

### 2.7.2 Excess payment of pension through Bank

Pensions/ family pensions were also paid through nationalised banks. Audit was conducted in respect of State Bank of India, Centralised Pension Processing Cell, Bhubaneswar, seven<sup>5</sup> branches of Indian Overseas Bank, two<sup>6</sup> branches of UCO Bank and two<sup>7</sup> branches of Central Bank of India. It was observed that excess payment of pension/ family pension aggregating ₹ 107.24 lakh was made, as detailed in **Table 2.15**.

**Table 2.15: Excess payment of pension and family pension through Bank**

Sl. No.	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy	8.07
2	Excess payment of family pension due to payment at enhanced rate beyond the stipulated date	76.56
3	Excess payment due to regular credit of pension after death of pensioners	0.20
4	Excess payment of pension/family pension due to other miscellaneous reasons	22.41
<b>TOTAL</b>		<b>107.24</b>

**Source:** Inspection Reports of Accountant General (G&SSA), Odisha, Bhubaneswar.

### 2.7.3 Outstanding pension claims on Central Pay and Accounts Office, New Delhi / Railways

Pension payments to the Central Civil Pensioners and Central Political Pensioners are initially made by the Treasuries and the expenditure subsequently reimbursed by the CPAO, New Delhi. The treasuries initially book the expenditure under "8658-Suspense Account 101- PAO Suspense" adjustable by the CPAO, New Delhi and the Principal Accountant General(A&E), Odisha arranges to prefer the claims to the CPAO, for such amounts as booked by the Treasuries under suspense. For the purpose of settling the claims at the level of the CPAO, New Delhi, the treasuries are required to transmit the pension vouchers to the CPAO directly.

<sup>5</sup> Indian Overseas Bank at Kuruda, Rayagada, Bissam Katak, Jeypore, Jagannathpur, Charampa, Berhampur

<sup>6</sup> UCO Bank at Ashoka Market, Bapuji Nagar, Bhubaneswar

<sup>7</sup> Central Bank of India at Bada Bazar, Berhampur and Janapath, Bhubaneswar



However, during review it was observed that an amount of ₹ 28.14 crore remained un-recouped for central pension vouchers submitted to CPAO, New Delhi during the year 2016-17. Similarly, ₹ 0.24 crore and ₹1.23 crore were pending with Railways and Defence respectively during the year 2016-17. Details are given in **Table 2.16**.

**Table 2.16: Outstanding pension claims from different Accounting Circles**

Sl. No.	Name of the Accounting Circle	Outstanding amount (₹ in crore)
1	Central Pay & Accounts Office, New Delhi	28.14
2	Railways	0.24
3	Defence	1.23
<b>TOTAL</b>		<b>29.61</b>

**Source:** Annual Treasury Review Report of office of the Principal Accountant General (A&E), Odisha

## 2.8 Significant Findings

- There were savings of ₹10,603 crore (10.77 per cent) from the original budget provision (₹98,417 crore) in 2016-17 (**Paragraph 2.2**).
- Excess expenditure amounting ₹ 60.26 crore (two cases) over budget provision were made in 2016-17 (**Paragraph 2.3.3**).
- Re-appropriation orders amounting to ₹ 272.61 crore (17 cases) were issued on the last day of the financial years (**Paragraph 2.3.7**).
- Excess funds amounting to ₹ 139.35 crore (ten cases) were surrendered over the actual savings (**Paragraph 2.3.9**).
- Funds amounting to ₹ 44.14 crore (7 cases) were released on the last day of the financial year (**Paragraph 2.5.2**).