

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the actual expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue Expenditure on various specified services 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 the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. It also seeks to 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 and neither larger nor smaller. 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 2015-16 against 40 grants and four appropriations was as given in **Table 2.1**:

Table 2.1: Position of actual expenditure vis-à-vis original/ supplementary provisions for the year 2015-16

(₹ 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
Voted	I Revenue	62146.54	7557.19	69703.73	56763.89	(-)12939.84	12045.19	11374.20	88
	II Capital	15288.43	3774.03	19062.46	17215.18	(-)1847.28	1665.39	1657.34	90
	III Loans and Advances	594.51	60.47	654.98	336.54	(-)318.44	314.91	314.91	99
Total Voted		78029.48	11391.69	89421.17	74315.61	(-)15105.56	14025.49	13346.45	88
Charged	IV Revenue	4958.71	6.10	4964.81	3429.65	(-)1535.16	1522.38	1522.38	99
	V Capital	9.54	4.39	13.93	9.07	(-) 4.86	0.94	0.94	19
	VI Public Debt -Repayment	2906.70	46.45	2953.15	2881.37	(-)71.78	71.78	71.78	100
Total Charged		7874.95	56.94	7931.89	6320.09	(-)1611.80	1595.10	1595.10	99
Grand Total		85904.43	11448.64	97353.06	80635.70	(-)16717.36	15620.59	14941.55	89

Source: The Odisha Appropriation Act 2015, Finance and Appropriation Accounts 2015-16, 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 (₹ 1387.83 crore) and the Capital heads (₹ 133.78 crore). The overall savings of ₹ 16717.36 crore was due to savings in all the 40 grants and two appropriations under Revenue Section and 33 grants and two appropriations under Capital Section, which is offset by excess of ₹ 0.25 crore in one grant under Capital Section.

It is seen from the above table that against the original provision of ₹ 85904.43 crore, expenditure of ₹ 80635.70 crore was incurred, thereby not requiring any supplementary provision, as there were savings of ₹ 5268.73 crore from the original provision, which clearly indicates inaccurate estimation of funds and lack of control mechanism.

Further, it was also observed that against the total savings of ₹ 16717.36 crore during the year, departments surrendered ₹ 15620.59 crore, out of which ₹ 14941.55 crore (96 per cent) was surrendered on the last day of the financial year, i.e., 31 March 2016.

Evidently, the concerned Chief Controlling Officers (CCOs) 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 year, the outcome of the appropriation audit showed that in 20 cases relating to 16 grants and two appropriations, savings exceeded ₹ 10 crore and by more than 20 per cent of total provision in each case (*Appendix 2.1*) amounting to ₹ 8797.23 crore. Out of the above, savings of as large as ₹ 8393.66 crore (95 per cent)¹ occurred in 10 cases relating to eight grants and two appropriations 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	Supple- mentary	Total	Actual Expenditure	Savings
Revenue (Charged)						
1	2048-Appropriation for Reduction or Avoidance of Debt	500.00	0	500.00	0	500.00
2	2049- Interest Payments	4350.00	0 ²	4350.00	3343.30	1006.70
Revenue (Voted)						
3	3-Revenue and Disaster Management	2913.49	2306.18	5219.67	3181.26	2038.41
4	5-Finance	9844.34	0	9844.34	6610.41	3233.93
5	16-Planning and Co-ordination	1178.19	0 ³	1178.19	610.90	567.29
6	22-Forest and Environment	717.15	68.56	785.71	578.43	207.28
Capital (Voted)						
7	1-Home	442.48	77.00	519.48	318.58	200.90
8	30-Energy	1156.87	798.82	1955.69	1517.39	438.30
9	34-Co-operation	240.95	133.13	374.08	273.26	100.82
10	36-Women and Child Development	300.00	20.00	320.00	219.97	100.03
TOTAL		21643.47	3403.69	25047.16	16653.50	8393.66

Source: Appropriation Accounts for the year 2015-16, Government of Odisha.

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

¹ Exceeding ₹ 100 crore in each case

² ₹ 4000 only

³ ₹ 9000 only

01-Home (Capital-Voted)

- Anticipated savings of (i) ₹ 6.44 crore under major head “4059- Capital Outlay on Public Works-SP-SS-60-Other Buildings-789-Special Component Plan for Scheduled Castes-2378-Construction of Buildings for Courts” and (ii) ₹ 1.15 crore under major head “4059- Capital Outlay on Public Works-SP-SS-60-Other Buildings-796-Tribal Area Sub-Plan-3023-National Scheme for Modernisation of Courts” were surrendered due to non-finalisation of sites for district courts.

05-Finance (Revenue-Voted)

- Anticipated savings of (i) ₹ 7.11 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-0308-District Establishment,” (ii) ₹ 4.04 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-0617-Headquarters Establishment” and (iii) ₹ 3.23 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-1158-Range Administration” were surrendered due to vacancy of posts, non-settlement of claims, non-completion of procurement process and observance of economy.
- Anticipated savings of ₹ 2.45 crore under major head “2040- Taxes on Sales, Trade etc.-NP-001-Direction and Administration-1515-Upgraded Check Gates in Commercial Tax Organisations” were due to (i) vacancy of posts and non-regularisation of salaries, (ii) non-receipt of admissible claims and (iii) non-availing of LTC by staff.
- Anticipated savings of ₹ 632.89 crore under major head “2052-Secretariat-General Services- NP- 090- Secretariat- 0488- Finance Department” was attributed to meet the additional requirement under other heads as per Supplementary Statement of Expenditure and vacancy of posts.
- Entire provision of ₹ 7.50 crore under major head “2054-Treasury and Accounts Administration-NP-800-Other Expenditure-2555-Thirteenth Finance Commission (ThFC) Grant for setting up of a Database for Government Employees and Pensioners” was surrendered due to non-sanction of fund by ThFC.

16- Planning and Co-ordination (Revenue-Voted)

- Budgeted provision of (i) ₹ 234.12 crore under major head “3451-Secretariat-Economic Services-SP-DS-102-District Planning Machinery-2918-Additional Central Assistance (ACA) for Left Wing Extremism (LWE) affected districts,” (ii) ₹ 71.79 crore under major head “3451-Secretariat-Economic Services-SP-DS-789-Special Component Plan for Scheduled Castes-2918-ACA for LWE affected districts” and (iii)

₹ 158.45 crore under major head “3451-Secretariat-Economic Services-SP-DS-796-Tribal Area Sub-Plan-2918-ACA for LWE affected districts” were surrendered due to non-receipt of additional central assistance.

- Anticipated saving of ₹ 20.23 crore under major head “3454-Census Surveys and Statistics-CP-SS-02-Surveys and Statistics-001-Direction and Administration-2570-Sixth Economic Census” was surrendered due to non-completion of works and non-receipt of claims.

22-Forest and Environment (Revenue-Voted)

- Anticipated savings of (i) ₹ 10 crore under major head “2406-Forestry and Wildlife-SP-SS-01-Forestry-102-Social and Farm Forestry-3074-Management of Plantation and Forest,” (ii) ₹ 5.60 crore under major head “2406-Forestry and Wildlife-SP-SS-01-Forestry-789-Special Component Plan for Scheduled Castes-3074-Management of Plantation and Forest” and (iii) ₹ 6.40 crore under major head “2406-Forestry and Wildlife-SP-SS-01-Forestry-796-Tribal Area Sub-Plan-3074-Management of Plantation and Forest” were surrendered due to non-introduction of schemes as per decision of the Government of Odisha.
- Anticipated saving of ₹ 10 crore under major head “3435-Ecology and Environment-CP-SS-03-Environmental Research and Ecological Regeneration-102-Environmental Planning and Co-ordination-2693-Climate Change Action Plan” were surrendered due to non-release of fund by GoI.

30-Energy (Capital-Voted)

- Anticipated savings of ₹ 210 crore under major head “4801-Capital Outlay on Power Projects-SP-SS-05-Transmission and Distribution-800-Other Expenditure-0140-Reimbursement of Land Acquisition Establishment Cost” were surrendered due to introduction of Cash Management System in the department.

34-Co-operation (Capital-Voted)

- Anticipated savings of ₹ 70 crore under major head “6425-Loans for Co-operation-SP-SS-108-Loans to Other Co-operatives-2980-Corpus Fund for Odisha State Co-operative Marketing Federation Ltd.” were surrendered due to short release of fund by the Government.

36-Women and Child Development (Capital-Voted)

- Withdrawal of anticipated savings of (i) ₹ 37.40 crore under major head “4235-Capital Outlay on Social Security and Welfare-SP-DS-02-Social Welfare-102-Child Welfare-2596-ThFC Award for Construction of Anganwadi Centres,” (ii) ₹ 22 crore under major head “4235-Capital Outlay on Social Security and Welfare-SP-DS-02-Social Welfare-789-Special Component Plan for Scheduled Castes-2596-ThFC Award for

Construction of Anganwadi Centres” and (iii) ₹ 40.60 crore under major head “4235-Capital Outlay on Social Security and Welfare-SP-DS-02-Social Welfare-796-Tribal Area Sub-Plan-2596-ThFC Award for Construction of Anganwadi Centres” was due to non-release of state specific grants by ThFC.

2048-Appropriation for Reduction or Avoidance of Debt (Revenue-Charged)

- Entire provision of ₹ 500 crore under major head “2048-Appropriation for Reduction or Avoidance of Debt-NP-101-Sinking Funds-1202-Reserve Funds” was surrendered as per decision of the Government of Odisha.

2049-Interest Payments (Revenue-Charged)

- Anticipated savings of ₹ 210.13 crore under major head “2049-Interest Payments-NP-01-Interest on Internal Debt-101-Interest on Market Loans-0754-Interest Payment on Market Loans” was due to short receipt of loan during the financial year by the State Government.

The above cases indicate lack of monitoring of the flow of expenditure in the department by the Chief Controlling Officers (CCOs) of such grants as required under Chapters IV and VI of OBM.

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 ₹ 598.85 crore was incurred over the provisions during 2010-11, 2011-12, 2013-14 and 2014-15 as detailed in **Table 2.3**.

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

Year	Number of		Grants/ Appropriations	Amount of excess expenditure (₹ in crore)
	Grants	Appropriations		
2010-11	4	1	07-Works, 22-Forest and Environment, 23-Agriculture, 28-Rural Development, 6004-Loans and Advances from Central Government	428.51
2011-12	1	1	05-Finance, 6004 – Loans and Advances from Central Government	151.77
2013-14	3	--	22-Forest and Environment, 26-Excise and 31-Handlooms, Textile and Handicrafts	18.56
2014-15	1	--	26-Excise	0.01 ⁴
Total	9	2		598.85

Source: Appropriation Accounts for the respective years, Government of Odisha.

⁴ ₹ 87,887.00 only

Excess expenditure over the provisions amounting to ₹ 580.28 crore pertaining to the year 2010-11 and 2011-12 was recommended for regularisation by the Public Accounts Committee in its Seventh Report of 14th Assembly (December 2013), which has not been done.

2.3.3 Excess expenditure over Budget provision from Consolidated Fund of the State during 2015-16 requiring regularisation by the State Legislature

During 2015-16, Forest and Environment Department incurred an expenditure of ₹ 3.93 crore against the total provision of ₹ 3.67 crore in the Capital (voted) section, leading to excess expenditure of ₹ 0.25 crore⁵ over and above the amount authorised from the Consolidated Fund of the State (CFS) by the State Legislature. The excess expenditure occurred under the head “4406-Capital Outlay on Forestry and Wildlife-State Plan-District Sector-01-Forestry-070-Communication and Buildings-2327-Construction and Renovation of Forest Buildings.” 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.

2.3.4 Persistent Savings

There were persistent savings of more than ₹ 10 crore in 20 cases in 17 grants and one appropriation during 2011-16 as detailed in **Appendix 2.2**. The savings ranged between ₹ 50.92 crore and ₹ 3233.94 crore during the year 2015-16. Persistent savings in a substantial number of grants over the years are indicative of over assessment of requirement of funds by the Government in Appropriation Act repeatedly without taking into account the previous years’ trends and adequately scrutinising the need for funds.

This has been pointed out repeatedly in earlier Audit Reports; however, no action has been taken by the Government.

2.3.5 Unnecessary/ Excessive supplementary provision

Supplementary provision aggregating ₹ 2682.53 crore (₹ one crore or more in each case) obtained in 31 cases (23 grants) during the year 2015-16 proved unnecessary as the actual expenditure (₹ 37829.97 crore) did not come up to the level of original provision (₹ 40631.48 crore) in these cases as detailed in **Appendix-2.3**.

Similarly, supplementary provision aggregating ₹ 8746.26 crore proved excessive by ₹ 5173.19 crore over the total required supplementary provision of ₹ 3573.07 crore in 18 cases under 15 grants and one appropriation (₹ one crore or more in each case) as detailed in **Appendix-2.4**.

⁵ ₹ 25,40,175.00 only

This indicated that the CCOs did not adequately watch the actual requirement of funds for the remaining period of the financial year and monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of OBM.

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. Re-appropriations proved excessive or insufficient and resulted in savings/ excess of over ₹ 10 lakh (in each case) in 107 sub-heads, of which excess / saving was more than ₹ one crore (in each case) in 27 sub-heads (savings of ₹ 159.16 crore in 23 sub-heads under nine grants and excess of ₹ 26.33 crore in four sub-heads under three grants) 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 which 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), during 2015-16, 661 re-appropriation orders amounting to ₹ 4628.59 crore were issued, out of which 17 re-appropriation orders aggregating ₹ 623.79 crore were issued by the following Departments on 31 March 2016, the last day of the financial year when there was no scope for expenditure during that year as given in **Table 2.4** below.

Table 2.4: Re-appropriations on 31 March 2016 (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)	Order No./ Date
1	05-Finance	2030-Non Plan	0.51	10136 / 31-03-2016
2	05-Finance	2071-Non Plan	100.90	10138 / 31-03-2016
3	05-Finance	7610-Non Plan	1.03	10140/31-03-2016
4	08-Odisha Legislative Assembly	2011-Non Plan	0.02	4688/31-03-2016
5	13-Housing and Urban Development	2217-Non Plan	9.42	8299/31-03-2016
6	20-Water Resources	4700- State Plan	24.08	8015/31-03-2016
7	20-Water Resources	4701- State Plan	0.14	8017/31-03-2016
8	20-Water Resources	4701-State Plan	14.30	8013/31-03-2016
9	23-Agriculture	2401-Non Plan	10.01	5933/31-03-2016
10	23-Agriculture	2402-Non Plan	3.02	5997/31-03-2016
11	23-Agriculture	2402-Non Plan	4.80	6000/31-03-2016
12	23-Agriculture	2402-Non Plan	0.83	6015/31-03-2016
13	28-Rural Development	4215-State Plan 5054-State Plan	43.29	42013/31-03-2016
14	30-Energy	6801-Non Plan	70.00	2606/31-03-2016

Sl No	No. of the Grant/Appropriation and Name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)	Order No./ Date
15	2049-Interest Payments	2049-Non Plan	341.36	10341/31-03-2016
16	6003-Internal Debt	6003-Non Plan	0.009	10343/31-03-2016
17	6004-Loans and Advances	6004-Non Plan	0.07	10345/31-03-2016
TOTAL			623.79	

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

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

2.3.8 Substantial surrenders

Surrenders of 100 per cent of total provision of ₹ 2731.20 crore were made under 58 sub heads (₹ 10 crore or more in each case) under 21 grants representing different schemes / programmes / projects and activities which are given in **Appendix-2.6**. The surrenders were attributed to non-release/ non-receipt of central share (23 cases), introduction of the cash management system (three cases), delay in floating tenders and slow progress of construction work (two cases) and as per decision of the Government of Odisha (five cases). No reasons were assigned by the departments to the Principal Accountant General (A&E) in 25 cases.

2.3.9 Surrender in excess of savings

In case of two grants, against savings of ₹ 3456.65 crore, the amount surrendered was ₹ 3460.50 crore, resulting in excess surrender of ₹ 3.85 crore as detailed below.

Table 2.5 : Surrender in excess of actual savings during 2015-16

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation (₹ in crore)	Savings (₹ in crore)	Amount surrendered (₹ in crore)	Amount surrendered in excess (₹ in crore)
1	5-Finance (Revenue Voted)	9844.34	3233.94	3235.07	1.13
2	12-Health and Family Welfare (Revenue Voted)	3356.73	222.71	225.43	2.72
TOTAL		13201.07	3456.65	3460.5	3.85

Source: Appropriation Accounts 2015-16, Government of Odisha.

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

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 at the end of 2015-16 and surrender thereof by the departments concerned showed the following:

- In 24 cases (17 grants) savings of more than ₹ one crore in each case remained to be surrendered; however the departments partially refunded savings, resulting in retention of ₹ 1097.43 crore (17 *per cent* of the total savings of ₹ 6640.58 crore in these cases) as per details given in *Appendix 2.7*.
- Besides, as per information compiled by the Office of the Principal Accountant General (A&E), Odisha, there were surrenders of funds under different major heads of accounts in excess of ₹ 10 crore and by more than 20 *per cent* of the total provision in each case on the last working day of the financial year i.e. on 31 March 2016 in 33 cases (in 21 grants) aggregating ₹ 6774.44 crore covering 35 *per cent* of the budgetary provision of ₹ 19,115.06 crore (*Appendix 2.8*).

Thus, the Chief Controlling Officers overlooked the budgetary controls laid down in OBM.

2.4 Advances from Contingency Fund

Contingency Fund of the State has been established under the Odisha Contingency Fund Act, 1967 in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the 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 and required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned. Its corpus was ₹ 400 crore.

During 2015-16, advance of ₹ 122.90 crore was drawn (29 March 2016) from the Contingency Fund of the State which was not recouped by the close of the financial year. The advance was drawn for implementation of the Centrally Sponsored Scheme “National Health Mission” (NHM) under Grant No.12-Health and Family Welfare (Major Head-2210-Medical and Public Health) and transferred to the Mission Directorate, NHM, Odisha. Further scrutiny showed that out of the above grant received by the Mission Director, NHM, Odisha, an amount of ₹ 21.86 crore was kept in savings bank accounts as on 31 March 2016 after incurring an expenditure of ₹ 1.45 crore and making further fund transfers of ₹ 93.11 crore to the executing agencies.

2.5 Errors in Budgetary Process

The Odisha Budget Manual (Rule 46) requires the Controlling Officers to see that proper estimates are made which 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, not to over-estimate and show large savings at the end of the year.

During 2015-16, 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 grants and supplementary grants were ₹ 62146.54 crore and ₹ 7557.19 crore, respectively, aggregating ₹ 69703.73 crore against which the actual expenditure was ₹ 56763.89 crore, resulting in savings of ₹ 12939.84 crore. Supplementary provision of ₹ 7557.19 crore obtained during the year, 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 ₹ 15288.43 crore and ₹ 3774.03 crore, respectively, aggregating ₹ 19062.46 crore against which the actual expenditure was ₹ 17215.18 crore resulting in savings of ₹ 1847.28 crore.

However, it was also observed from the audit of Appropriation Accounts that 17 departments continued to make savings of more than ₹ 10 crore during last four years, despite repeated comments in the Audit Reports from 2011-12 to 2014-15 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 18 departments for 2015-16.

As per Finance Department circular No.12453/F., dated 20 April 2015, 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 budget provision.

However, it was observed that out of 18, only 12 departments had spent minimum 60 *per cent* of the budget provision by the end of third quarter, while the remaining six departments had failed to achieve the norm during 2015-16. Similarly, 12 departments exceeded 15 *per cent* of the budget provision for the month of March 2016 as indicated in **Table 2.6**.

Table 2.6: Analysis of cash management system

(₹ in crore)

Sl. No.	Grant No/ Department	Original Budget Provision	April - December 2015		March 2016	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	4302.07	3205.97	75	1256.99	29
2	10-School and Mass Education	10014.49	6045.15	60	1346.99	13
3	11-ST & SC Development, Minorities and Backward	2374.84	1409.73	59	619.97	26

Sl. No.	Grant No/ Department	Original Budget Provision	April - December 2015		March 2016	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
	Classes Welfare					
4	12- Health and Family Welfare	3877.88	2601.26	67	472.50	12
5	13-Housing and Urban Development	2932.29	1288.99	44	1019.96	35
6	17-Panchayati Raj	7066.10	5314.77	75	510.97	7
7	19-Industry	46.92	28.60	61	17.71	38
8	20-Water Resources	6236.36	3989.93	64	1124.32	18
9	22-Forest and Environment	720.82	379.71	53	79.93	11
10	23-Agriculture	3131.38	2110.43	67	636.38	20
11	28-Rural Development	5976.97	3987.54	67	1172.89	20
12	30-Energy	1187.35	591.35	50	192.09	16
13	31-Handloom, Textile & Handicrafts	152.74	94.92	62	25.00	16
14	33-Fisheries and Animal Resources Development	629.80	417.33	66	74.74	12
15	36-Women & Child Development	4162.63	2162.32	52	998.71	24
16	38-Higher Education	1993.11	1265.65	64	358.18	18
17	39- Skill Development and Technical Education	712.97	488.53	69	69.54	10
18	40-Micro, Small and Medium Enterprises	114.61	54.99	48	19.33	17

Source: Monthly Appropriation Reports for December 2015 and March 2016.

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, in respect of 34 schemes (sub-heads) listed in **Appendix 2.9**, Revenue / Capital Expenditure exceeding ₹ 10 crore and also more than 90 *per cent* of the total expenditure (in each case) was incurred in March 2016. Out of this, in 22 cases, hundred *per cent* expenditure was incurred in March 2016.

Maintaining uniform pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

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. From examination of sanction orders, it was observed that the government released ₹ 588.78 crore in respect of five departments (**Appendix 2.10**) during the last week of March 2016. There was no possibility of proper utilisation of these funds during the financial year 2015-16. Department-wise release of funds is mentioned below:-

Table-2.7- Department-wise amount released (₹ in crore)

Sl.No	Name of Department	Amount in crore	Purpose
1	Panchayati Raj	39.22	For implementation of Odisha Livelihood Mission(OLM)
2	Housing & Urban Development	354.75	Development of Bhubaneswar as Smart City under Smart City Mission
3	Women and Child Welfare	89.04	For implementation of ICDS project
4	Co-operation	90.00	For construction of Godowns.
5	Agriculture	15.77	CSP on Mission for integrated Development of Horticulture and National Food Security Mission.
Total		588.78	

2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of Home Department (Grant No. 1) and Women and Child Development Department (Grant No. 36) as reported in the Appropriation Accounts showed the following irregularities:

2.6.1 Short/ Excess surrender of savings / belated surrenders

Odisha Budget Manual provides (Rules 144 and 146) 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 2015-16, Home Department (Grant No.1) surrendered ₹ 139.18 crore as against total savings of ₹ 255.57 crore under revenue (voted) section and ₹ 0.47 crore as against total savings of ₹ 13.05 crore under revenue (charged), resulting in non-surrender of ₹ 116.39 crore and ₹ 12.58 crore respectively. Women and Child Development Department (Grant No.36) surrendered ₹ 348.27 crore against total savings of ₹ 351.31 crore under revenue (voted) section, resulting in non-surrender of ₹ 3.04 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 CCOs before passing the surrender orders.

2.6.2 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.1 (Home Department), supplementary provision of ₹ 54.63 crore under revenue (voted), ₹ 5.98 crore under revenue (charged) and ₹ 77 crore under capital (voted) sections, obtained during December 2015, proved unnecessary in view of sizeable savings of ₹ 200.93 crore, ₹ 7.07 crore and ₹ 123.89 crore, respectively, from the original Budget provision in the year. In Grant No.36 (Women and Child Development Department), supplementary provision of ₹ 81.23 crore under revenue (voted) and ₹ 20 crore under capital (voted) sections, obtained during December 2015, proved unnecessary, as the department saved ₹ 270.08 crore in revenue (voted) and

₹ 80.03 crore under capital (voted) sections, respectively, out of the original provision. This showed that the CCOs of these two departments did not watch actual requirement of funds for the remaining period of the financial year due to failure of monthly expenditure control mechanism prescribed in the OBM.

2.6.3 Withdrawal of entire provision by way of surrender and re-appropriation

Home and Women and Child Development Departments made provisions of ₹ 152.38 crore and ₹ 123.53 crore, respectively, under different heads/ schemes during 2015-16; however the total provisions were withdrawn by way of re-appropriation and surrender during the financial year 2015-16, as indicated in **Appendix 2.11**.

The above indicated that the CCOs had prepared the budget and made allocations to different schemes/projects/objects of expenditure without sufficient basis and without carrying out due diligence as prescribed in the OBM.

2.6.4 Non-adherence to Cash Management System

Government of Odisha (Finance Department) in their circular (April 2015) laid down the guidelines for timely spending of budgetary grants through the Cash Management System in 2015-16 in 18 departments including the Women and Child Development Department.

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 for of the Budget Estimates in the first, second, third and fourth quarter, respectively, as prescribed by the Finance Department for the year 2015-16. The distribution of the QEA vis-à-vis quarterly expenditure for the departments during 2015-16 is given in **Table 2.8**.

Table 2.8: Budget Estimate and Quarterly Expenditure Allocation by Women and Child Development Department (₹in Crore)

Sl No	Budget Estimate	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
		QEA	Expenditure	QEA	Expenditure	QEA	Expenditure	QEA	Expenditure
36-Women and Child Development Department									
1	4162.63	624.39 (15%)	384.11 (9%)	624.39 (15%)	811.13 (19%)	1248.79 (30%)	966.80 (23%)	1665.05 (40%)	1650.19 (40%)

Source: Monthly Appropriation Accounts 2015-16.

Women and Child Development Department failed in adhering to the stipulated expenditure norms by six per cent and seven per cent during first quarter and third quarter, respectively, against the targeted norm and also fell short of achieving the third quarter norm (60 per cent of BE) by nine per cent.

Further, it was also seen that Women and Child Development Department had incurred expenditure of ₹ 998.71 crore (24 per cent) in March 2016, i.e. the last month of the year, which exceeded the norm (15 per cent) by 9 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.

2.7 Outcome of Inspection of Treasuries

During 2015-16, 30 District Treasuries, 8 Special Treasuries and 62 Sub-Treasuries were inspected by the officials of the Principal Accountant General (A&E), Odisha. Irregularities and lapses observed during 2015-16, 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 2016 by the office of the Principal Accountant General (A&E), excess payment of pension and family pension amounting to ₹ 49.22 lakh was observed as indicated in **Table 2.10** below:

Table 2.10: Excess payment of pension and family pension through Treasuries

Sl. No.	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy	0.78
2	Excess payment due to delayed commencement of reduced pension on account of commuted value of pension	4.56
3	Excess payment of family pension due to payment at enhanced rate beyond the stipulated date	14.71
4	Excess payment of pension due to other miscellaneous reasons	29.17
TOTAL		49.22

Source: Provisional Treasury Inspection Report of the Office of the Pr. Accountant General (A&E), Odisha.

2.7.2 Excess payment of pension through Bank

Pensions/ family pensions are also paid through nationalised banks out of the purview of treasuries. Audit was conducted in respect of two branches of State Bank of India, Centralised Pension Processing Cell, Bhubaneswar and Indian Overseas Bank, Balasore and it was observed that excess payment of pension/ family pension aggregating ₹ 62.70 lakh was made, as indicated in **Table 2.11** below:

Table 2.11: Excess payment of pension and family pension through Bank

Sl. No.	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy	15.00
2	Excess payment of family pension due to payment at enhanced rate beyond the stipulated date	47.11
3	Excess payment due to regular credit of pension after death of pensioners	0.59
TOTAL		62.70

Source: Inspection Report of SS-II Group of Accountant General (G&SSA), Odisha, Bhubaneswar.

Thus, there is a need to improve the internal controls in treasuries and banks in respect of pension and pension-related payments.

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

Treasuries in Odisha are not rendering Central Civil Pension/ Central Political Pension vouchers to the concerned accounting circles for reimbursement due to which claims of State Government to the extent of ₹ 28.97 crore as calculated up to 31 March 2016 remained under “8658- Suspense Account 101- PAO Suspense” head. Details are given in **Table 2.12**:

Table 2.12: 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	27.83
2	Railways	1.14
TOTAL		28.97

Source: Provisional Annual Review Report on the working of Treasuries 2015-16 prepared by Office of the Principal Accountant General (A&E), Odisha.

2.8 Conclusion

- Avoidable supplementary provisions, defective orders for re-appropriation of fund, issue of re-appropriation orders on the last day of the year, substantial surrenders, surrender in excess of savings and non-surrender of anticipated savings did not reflect prudent financial management by the Chief Controlling Officers (*Paragraphs 2.3.5 to 2.3.10*).
- Hundred *per cent* of Revenue and Capital provision were spent in some schemes /sub-heads during March 2016, instead of spreading it throughout the year leading to rush of expenditure (*Paragraph 2.5.2*).
- Instructions on Cash Management System were not strictly adhered to by the departments, resulting in non-achievement of targeted periodical expenditure norm fixed by the State Government (*Paragraph 2.5.2*).

Recommendations

- Government may consider issuing instructions to all the departments to ensure surrender of unutilised allocations as soon as they are foreseen so that the funds can be allocated to other needy departments.
- Excess expenditure over provision in the grants out of the Consolidated Fund of the State needs to be regularised.
- Cash Management System may be adhered to strictly by the departments, so that the expenditure norm fixed by the Government is achieved.