

Executive Summary

Background

This Report on the Finances of the Government of Odisha is being brought out with a view to assess objectively the financial performance of the State during 2015-16 and to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data. In order to provide a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in the Fiscal Responsibilities and Budget Management (FRBM) Amendment Act 2012 under Mid Term Fiscal Plan (MTFP) in the Budget Estimates of 2015-16, and norms recommended by the Fourteenth Finance Commission (FFC).

The Report

Based on the audited accounts of the State Government for the year ended March 2016, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed with reference to the FRBM Act, budget documents, Fourteenth Finance Commission recommendations and other financial data obtained from various Government departments and organisations. The Report is structured in three chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of Odisha Government's fiscal position as of 31 March 2016. It provides an insight into trends in committed expenditure, borrowing pattern, resource allocation and resource generation.

Chapter II is based on audit of Appropriation Accounts and it gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions and outcome of Inspection of Treasuries have also been included in Chapter II.

Chapter III is an inventory of Government's compliance with various reporting requirements and financial rules. The Report also has an appendix of additional data collected from several sources in support of the findings.

Appendix 4.1 at the end gives a glossary of selected terms used in this Report.

Audit findings

Finances of the State Government

Amendment to the State FRBM Act: In accordance with the Thirteenth Finance Commission (ThFC) recommendations, the State Government had amended (February 2012) the FRBM Act incorporating therein the continuation of the already achieved zero revenue deficit, setting a target of three *per cent* of fiscal deficit and review of compliance with provisions of FRBM Act through an independent agency as required by the ThFC. The government complied with these requirements duly during 2015-16.

However, disclosures like projection of Revenue Consequences of Capital Expenditure (RCCE) in the MTFP, Public Private Partnerships (PPPs) and related liabilities and bringing out statements on physical and financial assets and vacant public land and building were not included, as recommended by ThFC, to be featured under MTFP. Further, the Government has not prepared the outcome indicators of Fiscal Correction Path (FCP) during the period covered by ThFC.

Revenue Receipts: Revenue Receipts showed progressive increase from ₹ 40267 crore in 2011-12 to ₹ 68941 crore in 2015-16, registering a growth of 71 *per cent*. The annual growth rate has increased by five *per cent* from 16 *per cent* during 2014-15 to 21 *per cent* during 2015-16.

Revenue Expenditure: Revenue Expenditure had a predominant share which was 77 *per cent* of Total Expenditure in 2015-16. Revenue Expenditure increased by ₹ 7670 crore during current year. Plan Revenue Expenditure (PRE) contributed 60 *per cent* (₹ 16659 crore) of the increase in Revenue Expenditure. Non Plan Revenue Expenditure (NPRE), as a proportion of Revenue Expenditure, decreased from 72 *per cent* in 2011-12 to 40 *per cent* in 2015-16.

Funds parked in Bank Accounts: Funds amounting to ₹ 899 crore were parked in bank accounts of 11 District Rural Development Agencies (DRDAs), 21 Block Development Offices (BDOs) and four Land Acquisition Offices (LAOs), violating the Odisha Treasury Code provision and Finance Department instructions.

Public Debt: Public Debt of the State Government increased from ₹ 24618 crore in 2011-12 to ₹ 33757 crore in 2015-16, registering an increase of 37.12 *per cent* during the period 2011-16. Debt repayment as a percentage of Debt Receipt showed a decreasing trend.

Fiscal position: Fiscal position of the State is viewed in terms of trends in deficit/surplus indicators. The State continued to maintain revenue surplus. The fiscal and primary deficit of the previous year continued during 2015-16, though it was within the limits prescribed by FRBM (Amendment) Act, 2012. The ThFC had recommended that by the year 2015-16, fiscal liability should be brought down to 25 *per cent* of GSDP. The Government has been able to achieve this target during 2015-16.

Greater priority to Capital Expenditure: Capital Expenditure (CE) increased significantly by 54 *per cent* over the previous year. However, the CE was 5.14 *per cent* of GSDP.

Review of Government Investments: As of 31 March 2016, Government had invested ₹ 3881.32 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 17.50 *per cent* in the last five years (14.26 *per cent* during 2015-16), while Government paid an average interest rate of 5.90 *per cent* to 6.56 *per cent* on its borrowings during 2011-12 to 2015-2016.

Financial Management and Budgetary Control

During 2015-16, there was overall saving of ₹ 16717.36 crore. The savings were mainly due to non implementation of schemes, less requirement of funds etc. Major Policy initiatives in the budget could not be implemented due to lack of prior planning. There were savings of ₹ 8393.66 crore in 10 cases under eight grants and two appropriations exceeding ₹ 100 crore in each case.

There were instances of persistent savings by the departments exceeding ₹ 10 crore in 20 cases relating to 17 grants and one appropriation during 2011-16. There were instances of excess expenditure and expenditure without provision of funds, unnecessary/excessive supplementary provision, substantial surrenders, non-surrender of anticipated savings during 2015-16.

Monthly expenditure during the year was highly erratic. Rush of expenditure was noticed during the month of March. Several instances of incurring 100 *per cent* expenditure during March were found.

Financial Reporting

There were delays in submission of Utilisation Certificates against Grants-in-Aid of ₹ 27611 crore. As such, State Government has no assurance and account of utilisation of this amount. This was mainly due to non adherence to the existing instructions for watching timely receipt of UCs from implementing agencies.

Information on financial assistance given to various institutions/authorities by different departments of the State Government have been furnished by 23 out of 40 departments to Audit as required under the provisions of Audit and Accounts Regulations 2007 and State Government rules.

Cases of misappropriation, losses and defalcations were pending for settlement in many departments of State Government despite the same being pointed out regularly in earlier Audit Reports.

The Chief Controlling Officers did not submit Detailed Contingent Bills against the advances drawn on Abstract Contingent (AC) Bills of ₹ 44.30 crore as of March 2016.

A large amount of unspent balance (₹ 1242.47 crore) was lying in 849 Personal Deposit (PD) Accounts and was not credited back to Government Account.

Labour Cess amounting to ₹ 965.26 crore at the end of 31 March 2016 was kept in bank accounts, keeping the collected cess out of purview of legislative scrutiny. This also violates Constitutional provisions.