

A sound internal financial reporting with relevant and reliable information significantly contributes to the efficient and effective governance by the State Government. The reports on compliance and controls, if operational and effective, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government on the compliance of various broad significant financial rules, procedures and directives in so far as financial reporting is concerned, during the current year.

3.1 Delay in furnishing Utilization Certificates and inaccurate reporting

Orissa General Financial Rules¹ (OGFR) provide that for the grants in which conditions are attached to the utilization of the grants, utilisation certificates (UCs) should be furnished by the grantee institutions in duplicate (in form OGFR-7A) countersigned by the disbursing authorities so as to reach the Administrative Department by 1st June of the succeeding year. One copy of the certificate was to be retained in the Administrative Department and another copy was to be sent to the office of the Principal Accountant General (A&E), Odisha, by 30 June of that year.

Through the instrument of utilisation certificate, the grantor obtains assurance about non-diversion and proper utilization of the funds placed at the disposal of the grantee and also gets a certificate from the grantee that the intended list of works have been executed, the details of which are available with him/her. A prototype of utilization certificate is given at the *Appendix 3.1*. Any delay in furnishing this report to the grantor or any inaccuracy in such reporting essentially undermines this control mechanism designed to ensure non-diversion and non mis-utilisation. It also entails responsibility being taken by the grantee for proper utilization of the funds granted to him, which he assures by certifying these twin aspects of non-diversion and non mis-utilisation. This certificate from the final spending authority/official/agency/grantee is subsequently countersigned by his/its senior officials at different stages/ levels till it reaches the level of the Chief Controlling Officer-cum-Head of the Department who ultimately countersigns it and submits it to the Government. At every stage of counter-signature, necessary due diligence was required to be exercised by that counter-signing authority.

At the close of March 2011, an amount of ₹ 20903.77 crore remained outstanding in the books of Principal Accountant General (A&E) due to want of UCs from the grantee institutions out of the total amount of ₹ 25701.14 crore drawn. Year wise break up of wanting UCs is given below:

¹ Rule 173 of OGFR

Table 3.1: Year wise break up of wanting utilisation certificates in respect of grants in aid

(₹ in crore)				
Year	Total amount drawn during the year	UC wanting	Percentage of outstanding amount	Number of grants-in-aid(GIA) vouchers awaiting UCs
2003-04	1485.63	12,66.66	85.26	13086
2004-05	1367.24	1257.00	91.94	9554
2005-06	1862.52	1586.06	85.16	13202
2006-07	2597.29	19,59.05	75.43	8074
2007-08	3696.03	29,90.27	80.90	9754
2008-09	4585.64	37,15.17	81.02	11064
2009-10	5273.70	41,82.86	79.32	9556
2010-11	48,33.09	39,46.70	81.66	13017
TOTAL	257,01.14	209,03.77	81.36	87289

Source: Finance Accounts for the year 2010-2011 (Notes to Accounts)

- Similarly, at the end of August 2011, utilisation certificates (UCs) due in respect of grants aggregating to ₹ 2830.41 crore were found to be in units audited during the year by Accountant General (Civil Audit), viz. Autonomous bodies (57), Urban Local Bodies (68) and Panchayati Raj Institutions (1356). The department-wise break-up of outstanding UCs is given in **Appendix 3.2 and Appendix 3.3**.
- Besides, information furnished by eight departments indicated that UCs of ₹ 4688.32 crore was pending as of March 2011(**Appendix 3.4**). The huge pendency was mainly on account of non-adherence to the existing instructions in OGFR for watching timely receipt of UCs by Chief Controlling Officers-cum-Heads of the Department and further release of grants to them as a matter of routine without insisting on UCs for earlier grants as stipulated in the OGFR and sanction orders. In absence of UCs, the two certificates (certifying non-diversion and non mis-utilisation) that the authority spending the Government grant is supposed to furnish, i.e. Heads of Departments/ Chief Controlling Officers gets uncompleted. Thus Government which is the granter received no assurance about the correct use of its grant. Such delays are also prone to fraudulent expenditure / transactions, diversion of funds and creation of fake assets.

3.1.1 Issue of inaccurate utilisation certificates

As per the instructions of GOI (July 2009), Utilisation Certificates for funds released under "Modernization of Police Force" scheme was to be submitted indicating the actual expenditure incurred, the unspent balances and the interest earned which is lying with the Implementing Agencies. The Government in Home Department reported (May 2011) to have spent and submitted Utilisation Certificates (UCs) for ₹ 568.81 crore out of ₹ 579.49 crore received under the scheme during 2001-11 leaving ₹ 10.68 crore unutilized as of March 2011. However, Audit noticed (August 2011) that scheme funds of ₹ 96.99 crore remained unutilized with the executing agency viz., Odisha State Police Housing and Welfare Corporation (OSPHWC) in its bank account as on 31 March 2011. This was due to submission of UC without

obtaining expenditure figures from OSPHWC. This resulted in submission of inaccurate UC for ₹ 86.31 crore (₹ 96.99 crore less ₹ 10.68 crore) and the same is indicative of lack of integrity in financial reporting. Furnishing UCs with inaccurate certificates was fraught with the risk of fraudulent expenditure and should be shunned at all cost.

3.2 Non-submission / delay in submission of details of Grants / Loan paid

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971(C&AG's DPC Act), the Government / Heads of the Departments are required to furnish to Audit every year the detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts 2007 provides that Governments and heads of departments which sanction grants and / or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating rupees ten lakh or more were paid during the preceding year indicating (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority. Mention was also made in the Comptroller and Auditor General's Report on State Finances for the years ended 31 March 2009 and 2010 (paragraph 3.2) on Government of Orissa about the above obligation of the Government Departments and their heads of departments for furnishing the information. As of October 2011, no department of the Government has furnished such details for the year 2010-11 even after references were made (October 2010, 2011) by the office of the Accountant General (Civil Audit), Orissa to all the departments of Government and the Finance Department. This resulted in Audit not being able to provide assurance to Legislatures/Government about the manner in which the grants sanctioned/ paid by them has been utilised, specifically on the issue of non-diversion and non mis-utilisation. This dilutes expenditure control in Government systems.

However, three new bodies/units² were identified under Section 14(1) of C&AG's DPC Act 1971 during the year 2010-2011. Further, two departments such as Information and Public Relation Department and Labour and Employment Department were selected under Section 15 of C&AG's DPC Act 1971 for audit during the year. Due to non-furnishing of the above details to the office of the Accountant General (Civil Audit), the bodies / institutions could not be identified in Audit to bring them under audit purview, as a result of which the correctness of expenditure of loans and grants given out of Consolidated Fund of the State could not be examined in Audit.

Principal Secretary, Finance department agreed (October 2011) with the audit observation and concurred with Audit on the need for a database on entity-wise loans and advances and list of grantee institutions to be maintained at the level of each and every department.

² (i) Institute of Material Science, (ii) Institute of Entrepreneurship and (iii) Institute of Textile Technology.

3.3 Delays in Submission of Accounts / Audit Reports of Autonomous Bodies

As many as 216 autonomous bodies under various sectors of the Government of Odisha have been identified for audit by the Comptroller and Auditor General of India with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of all their transactions, review of internal management and financial control and review of systems and procedures etc. Forty-four bodies / authorities were identified for Separate Audit Reports (SARs) as per provisions of respective legislations. Of these one body, viz. Odisha State Legal Services Authority and 30 District Legal Services Authorities and one body i.e. Odisha Forestry Sector Development Corporation (OFSDC) have rendered their accounts to Accountant General (Civil Audit), Orissa and the audit of accounts were completed and SARs were issued during 2010-11. Of the remaining 12 bodies / authorities, though entrustment of audit under Section 19 (3) of C&AG's DPC Act were received in respect of 10 bodies / authorities³ in the office of the Accountant General (Civil Audit) Orissa between November 2010 and January 2011, their accounts have not been received by the above Audit office as of October 2011. The entrustment of audit of balance two⁴ bodies / authorities was under correspondence (October 2011).

Apart from the above, audit of another 57 bodies out of 216 were completed during 2010-11 under different Sections of C&AG's DPC Act.

3.4 Departmentally Managed Commercial Activities

Government departments which are performing activities of quasi commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of departmentally managed commercial and quasi-commercial activities reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that these units prepare such accounts and submit the same to Accountant General (Civil Audit) for audit within a specified time frame. As of August 2011, there were 16 such undertakings and none had prepared accounts up to 2010-11. Out of 16, four undertakings/activities remained inoperative or closed. Their assets and liabilities were not fully disposed of or liquidated by the Government. In respect of two

³ (1) Nine Development Authorities viz., (i) Bhubaneswar Development Authority, (ii) Berhampur Development Authority, (iii) Cuttack Development Authority, (iv) Kalinganagar-Jajpur Development Authority, (v) Paradip Development Authority, (vi) Puri-Konark Development Authority, (vii) Sambalpur Development Authority, (viii) Rourkela Development Authority, (ix) Talcher-Angul-Meramundali Development Authority and (2) Orissa State Women's Commission

⁴ Orissa Industrial Infrastructure Development Corporation (IDCO), (ii) Orissa State Housing Board.

schemes, viz. (i) purchase and distribution of quality seeds to cultivators and (ii) Poultry Development, Government had not yet prescribed the preparation of proforma accounts; only Personal Ledger Accounts were opened during 1977-78 and 1979-80 respectively. The Comptroller and Auditor General of India have repeatedly commented about the arrears in preparation of accounts in Audit Reports (Civil) but there is no improvement so far in preparation of proforma accounts by these undertakings. This was also pointed out by the office of the Accountant General (Civil Audit) to the Finance Department in the review meeting taken (January 2010) by the Finance Minister. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in **Appendix 3.5**. Government may take special steps for preparation and finalisation of the accounts without any further delay since delays suppress misappropriation, defalcation etc.

Principal Secretary, Finance department attributed (October 2011) this to the lack of proficiency of staff in commercial accounting in these institutions/organizations and appreciated the need for capacity building.

3.5 Misappropriations, losses, defalcations etc.

As per Rule-19 of OGFR Vol. I, Government Officers are empowered to report such cases of loss of money, departmental revenue, stores or other properties to his immediate superior officers as well as to Accountant General (Audit) where amount is ₹ 500 or more. Various departments of the State Government reported that there were 1769 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 17.11 crore up to the period ending March 2011 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.6** and nature of these cases is given in **Appendix 3.7**. The age-wise profile of the pending cases and the number of cases pending under each category of theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.2**.

Table 3.2: Profile of misappropriations, losses, defalcations, etc.

Age-Profile of the pending cases			Nature of the pending cases		
Range in Years	Number of cases	Amount involved (₹ in crore)	Nature/Characteristics of the cases	Number of cases	Amount involved (₹ in crore)
0 - 5	39	1.24	Theft	805	4.29
5 - 10	101	3.06			
10 - 15	254	2.76	Misappropriation/Loss of material	964	12.82
15 - 20	347	4.35			
20 - 25	271	0.86			
25 and above	757	4.84			
Total	1769	17.11	Total pending cases	1769	17.11

Two cases of losses involving 0.57 lakh written off during the year 2009-10 are detailed in **Appendix 3.8**.

The reasons for which the above cases were outstanding are classified into five categories, a summary of which is given in **Table 3.3** below.

Table 3.3: Category-wise cases of misappropriations, losses, defalcations, etc. pending finalisation

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	475	4.89
ii)	Departmental action initiated but not finalised	608	7.07
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	33	0.20
iv)	Awaiting orders for recovery or write off	498	1.98
v)	Pending in the courts of law	155	2.97
Total		1769	17.11

It may be seen from the table above that as many as 475 cases involving ₹ 4.89 crore have been awaiting departmental and criminal investigation up to 45 years since the year 1966-67. Similarly, 498 cases involving 1.98 crore have been awaiting orders for recovery or write off of the competent authority. The Heads of the concerned Departments of Government have failed to write off the cases after taking appropriate action under the Orissa General Financial Rules (Rule 42). The Departments concerned did not furnish the reasons for non-finalisation of misappropriation and loss cases on the 608 cases involving ₹ 7.07 crore on which departmental action has been initiated, though called for in Audit (August 2010 and October 2011). This indicated that the Chief Controlling Officers are indifferent to the vigilance cases pending in their departments

3.6 Abstract Contingent Bills

As per provisions of SR 260 and 261 of Odisha Treasury Code Vol. I (OTC) read with Rule 84 of the Odisha General Financial Rule (OGFR), every drawing officer has to certify in each Abstract Contingent (AC) bill that detailed bills for all contingent charges drawn by him prior to first of the current month have been forwarded to the respective Controlling Officers for counter signature and transmission to the Accountant General. The total amount of Detailed Countersigned Contingent (DCC) bills received up to 2010-11 was only ₹ 214.84 crore against the amount of AC bills of ₹ 265.46 crore drawn during 2004-11 leading to an outstanding balance of AC bills of ₹ 50.62 crore as on 31 March 2011. Year wise details are given in **Table 3.4**

Table 3.4: Pendency in submission of DCC Bills against AC Bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills outstanding	Outstanding DCC bills as percentage of AC bills	No of the outstanding AC bills
Up to 2004-05	63.26	11.20	17.70	2755
2005-06	14.48	1.06	7.32	262
2006-07	39.51	2.50	6.33	370
2007-08	23.31	1.50	6.44	297
2008-09	51.72	5.00	9.67	526

Year	Amount of AC bills	Amount of DCC bills outstanding	Outstanding DCC bills as percentage of AC bills	No of the outstanding AC bills
2009-10	48.95	5.37	10.97	703
2010-11	24.23	24.00	99.09	5762
Total	265.46	50.63	19.07	10681

Source: Finance Accounts, 2010-11 (Vol-I)

Department-wise pending DCC bills for the years up to 2010-11 is detailed in **Appendix 3.9**. As the amount is already charged to the works/activities concerned as a revenue /capital expenditure, delayed adjustment of unspent balances may lead to booking of excess of cost than actual expenditure, temporary/permanent misappropriation of funds and amounts of unspent advances remaining out of Government account. Such situation is also fraught with the risk of embezzlement of Government funds. No reply was received from the Government (October 2011) though was requested (July 2011) to intimate the reasons for such huge outstanding position.

3.7 Un-reconciled expenditure

To enable Controlling Officers of Departments to monitor the progress of expenditure so as to keep it within the budget grants and also to ensure accuracy of their accounts, Odisha Budget Manual (Rule 133) and Odisha General Financial Rules (Rule 318 and 319) stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General (A&E). Even though non-reconciliation of departmental figures is being pointed out regularly in C&AG's Audit Report year after year, two Controlling Officers did not reconcile expenditure amounting to ₹ 5.60 crore and four Controlling Officers partly reconciled for ₹ 57.63 crore out of their total expenditure of ₹ 221.93 crore leaving a balance of ₹ 164.30 crore unreconciled. The details are in **Table 3.5** below:

Table 3.5: List of Controlling Officers who have partly reconciled during 2010-11

Sl No.	Controlling Officer	Demand Number	Head of Account	Amount reconciled (₹ in crore)	Amount unreconciled (₹ in crore)	Remark
1	Director, State Institute of Health and Family Welfare	12	2210	Nil	0.89	Not-reconciled
			2211	Nil	2.15	Not-reconciled
2	Secretary to Government, Rural Development Department	28	3451	Nil	2.56	Not-reconciled
3	Chief Engineer, Lower Indra and Lower Suktel	20	4700	42.06	113.09	Partly reconciled
4	Chief Construction Engineer, Upper Kolab	20	4701 2700	Nil	0.40	Not-reconciled

Sl No.	Controlling Officer	Demand Number	Head of Account	Amount reconciled (₹ in crore)	Amount unreconciled (₹ in crore)	Remark
	Irrigation Project			4.17	11.45	Partly reconciled
5	Chief Engineer-cum-Project Director, Project Management Unit (OIIAWMIP)	20	4701	11.24	39.22	Partly reconciled
6	President, State Selection Board	38	2251	0.16	0.14	Partly reconciled
TOTAL				57.63	169.90	

Source: Information furnished by Principal Accountant General (A&E)

3.8 Personal Deposit Account

Note below Rule 141 read with sub-rule (3) of Odisha Budget Manual (OBM) provides that no money should be withdrawn from the treasury unless it is required for immediate use. Nor is it permissible to draw money from the treasury and then to place it in Deposit head in order to avoid lapse of allotment. If under any special circumstances money is drawn in advance (under the orders of Competent Authority), then the unspent balance of the amount so drawn should be refunded to the treasury at earliest possible opportunity and in any case before the end of the financial year in which the amount was drawn. Parking of fund in PD account adversely affected the transparency of State accounts as it inflated the revenue expenditure to that extent and locked up of resources which could have been utilized elsewhere for development. Further, according to the provisions of the Odisha Treasury Code, Volume I (Rule 423) Personal Deposit (PD) accounts remaining in-operative for three full financial years are to be closed automatically and the unspent balances are to be transferred to Government Account for which the Treasury Officers are to furnish detailed information to the Accountant General (A&E) immediately after 31 March of each financial year.

There were 926 Personal Deposit (PD) Account holders in the State with a closing balance (unspent) of ₹ 575.08 crore operating under the head 8443-Civil Deposits-106-Personal Deposits as of March 2011. During 2010-11, ₹ 1264.18 crore were transfer credited from the Consolidated Fund of the State to these PD Accounts and expenditure incurred there from to the tune of ₹ 1244.11 crore resulting in a net increase of ₹ 20.07 crore (3.60 per cent) of the cumulative balance. Besides, 16 treasuries requested for closure of 50 PD accounts amounting ₹ 3.52 crore to Principal Accountant General (A&E) during 2010-11 (*Appendix-3.10*) which was not closed as of March 2011.

On test check of 80 Drawing and disbursing Officers (DDOs) operating PD Accounts we found that ₹ 145.72 crore under PD accounts had been irregularly kept rolling for years together. Of this, ₹ 3.90 crore were lying unutilized/un-surrendered in the Personal Deposit Accounts of seven DDOs for more than three years. As per codal provision those accounts were to be automatically closed after three years but no action was taken by the respective PD Account holders and treasuries to the accounts and transfer the balances to the Government account as of March 2011. The details are in **Table 3.6** below:

Table 3.6: List of PD Account holders for more than three years

Sl. No.	Name of the DDO	Name of the Treasury	Amount kept in PD Account (in ₹)	Period from which kept	Remarks
1	Executive Officer Zilla Parishad, Jagatsinghpur	District Treasury, Jagatsinghpur	29,01,862	Prior to 2007-08	More than 3 years
2	BDO, Panchayat Samiti, Rasulpur	District Treasury, Jajpur	39,31,356	Since 2004	More than 5 years
3	Executive Officer Zilla Parishad, Angul	District Treasury, Angul	28,76,012	Prior to 2002-03	More than 5 years
4	Executive Officer Zilla Parishad, Balasore	District Treasury, Balasore	97,14,109	Prior to 2005-06	More than 5 years
5	Executive Officer Zilla Parishad, Cuttack	District Treasury, Cuttack	58,07,979	Prior to 2004-05	More than 5 years
6	BDO, Panchayat Samiti, Kamakshyanagar	Sub-Treasury, Kamakshyanagar	17,739	Prior to 1995	More than 10 years
7	BDO, Panchayat Samiti, Sukinda	Sub-Treasury, Sukinda	1,37,75,374	Prior to June 1999	More than 10 years
Total			3,90,24,431		

All such irregular drawals had the approval of the Chief Controlling Officers of the concerned Departments and also of the Finance Department. This irregular practice resulted in erosion of legislative control over expenditure, as the drawls from Personal Deposits in the subsequent years neither required legislative approval nor were the expenditure incurred subject to legislative authority through the appropriation mechanism. Thus, it also erodes budgetary control mechanism put in place by Government.

The Principal Secretary, Finance Department stated (October 2011) that the Treasury Officers had been instructed to furnish proposal for closure of inoperative PL Accounts in January 2010.

3.9 Conclusion and Recommendations

- There is a huge pendency in receipt of utilization certificates relating to grants-in-aid paid to various autonomous bodies, Panchayati Raj institutions and Urban Local Bodies. This was due to release of grants by the Government as a matter of routine without watching for timely receipt of UCs for earlier grants as provided in the General Financial Rules and sanction orders for release of grants.
- Submission of inaccurate utilization certificates without actual utilization of funds was also noticed (*Paragraph 3.1*).

Internal controls need to be strengthened in the executing agencies to utilise the fund within the stipulated time so as to avoid delay in submission of utilisation certificates. It would also ensure utilization certificates to be furnished only after actual utilisation of the earmarked funds; and funds were not being diverted for other purposes or getting mis- utilized.

- Administrative Departments of the Government did not furnish to the Principal Accountant General (Civil Audit) information on the list of bodies / authorities to whom grants and / or loans were paid, the purposes for which such assistance was paid and position of utilisation of such assistance during 2010-11 as required under the provisions of C&AG's Audit and Accounts Regulations 2007. Besides, as many as 16 departmentally managed commercial entities did not prepare accounts up to 2010-11 despite repeated comments in the earlier Audit Reports. (**Paragraph 3.2 and 3.4**).

Administrative Departments of Government need to furnish timely information to Accountant General (Civil Audit) in respect of bodies/authorities to whom grant/loans have been paid and for finalisation of arrears in accounts of the departmentally managed commercial activities in order to obtain assurance about the financial transactions in these bodies/institutions and also in order to avoid the possibility of any fraud, misappropriation or non-transparent transaction remaining suppressed and uncovered.

- As per reports of different departmental offices, 1769 cases of misappropriation, defalcation involving Government money of ₹ 17.11 crore were pending for enquiry up to 25 years or more (**Paragraph 3.5**).

Government Departments must expedite departmental enquiries and finalise all fraud/misappropriation cases by drawing up a time bound programme.

- Contrary to the provisions of financial rules, Controlling Officers did not submit (July 2011) Detailed Countersigned Contingent Bills to the Accountant General (A&E) in respect of ₹ 50.63 crore drawn on Abstract Contingent Bills (10681 cases) up to 31 March 2011. Many of these cases related to periods prior to 2004-05 (**Paragraph 3.6**). Besides, some departments allowed drawal of AC Bills despite AC Bills, of earlier years remaining unadjusted.

Government should ensure timely adjustment of pending DCC bills as stipulated in the financial rules for improved monitoring of the quality of expenditure incurred through these bills as also to preclude the possibility of temporary/permanent misappropriation and fraud/embezzlement.

- Although set procedure for department-wise reconciliation with the books of accounts of the office of AG (A&E) exists, the same was not observed by two departments of the Government for an amount of ₹ 5.60 crore (**Paragraph 3.7**).

The Chief Controlling Officers should ensure monthly reconciliation of expenditure with that of the books of AG (A&E) in order to avoid inaccuracy

of the accounts and possible frauds/embezzlement of Government funds remaining suppressed.

- Funds were remaining unspent in many inoperative PD Accounts for years together without being credited back to Government Accounts at the end of year. Transfer of budgetary allocation from the Consolidated Fund to PD Account in the Public Account at the end of the financial year to avoid lapses adversely affected the transparency of the State's accounts; it inflated the expenditure to that extent and locked up resources which could otherwise have been used. Further it also erodes budgetary and legislative control over public finances (*Paragraph 3.8*).

Government should take suitable measures for prompt closure of the inoperative PD accounts and transfer the balance of unspent funds lying in these accounts to the Consolidated Fund of the State as provided in the codal provisions.

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APPENDICES

