

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 amongst 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 the utmost 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 noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-12 against 38 grants and four appropriations was as given in **Table 2.1**:

Table 2.1: Summarised position of Actual Expenditure vis-à-vis Original/ Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
Voted	I Revenue	33215.18	4038.70	37253.88	33066.96	(-)4186.92
	II Capital	5833.92	316.09	6150.01	4657.06	(-)1492.95
	III Loans and Advances	628.20	150.00	778.20	621.01	(-)157.19
Total Voted		39677.30	4504.79	44182.09	38345.03	(-)5837.06
Charged	IV Revenue	4097.58	215.94	4313.52	2833.63	(-)1479.89
	V Capital	6.20	3.89	10.09	7.55	(-)2.54
	VI Public Debt- Repayment	2266.67	0.00	2266.67	2327.76	61.09
Total Charged		6370.45	219.83	6590.28	5168.94	(-)1421.34
Grand Total		46047.75	4724.62	50772.37	43513.97	(-)7258.40

Source: Odisha Appropriation Act 2011, Finance and Appropriation Accounts 2011-12

The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (₹ 1240.35 crore) and Capital heads (₹ 168.52 crore). The overall saving of ₹ 7258.40 crore was the result of saving of ₹ 7410.17 crore in all the 38 grants and one appropriation under Revenue Section and 19 grants and one appropriation under Capital Section, which is offset by excess of ₹ 151.77 crore in one grant under Revenue Section, one grant under Capital Section and one appropriation.

It was seen from the above table that against the original provision of ₹ 46047.75 crore, expenditure of ₹ 43513.97 crore was incurred, thereby not requiring any supplementary provision, as there was savings of ₹ 2533.78 crore from the original provision which clearly indicates inaccurate estimation of funds and lack of control mechanism.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 16 cases relating to 14 grants and one appropriation, savings exceeded ₹ 10 crore in each case and by more than 20 per cent of total provision (**Appendix 2.1**) amounting to ₹ 3219.29 crore. Out of the above, savings of as large as ₹ 3049.51 crore (95 per cent)¹⁴ occurred in 10 cases relating to eight grants and one appropriation as indicated in **Table 2.2**.

¹⁴ Exceeding ₹ 100 crore in each case.

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	2049-Interest Payments	4047.33	0	4047.33	2576.43	1470.90
Revenue (Voted)						
2	19-Industries	253.55	50.25	303.80	199.84	103.96
Capital (Voted)						
3	7-Works	1139.16	26.71	1165.87	931.00	234.87
4	10-School and Mass Education	216.47	Negligible	216.47	40.77	175.70
5	13-Housing and Urban Development	380.49	0.01	380.50	267.73	112.77
6	16-Planning and Co- ordination	263.22	0	263.22	161.07	102.15
7	19-Industries	148.91	35.10	184.01	50.57	133.44
8	20-Water Resources	2210.90	1.26	2212.16	1754.39	457.77
9	30-Energy Department	502.00	Negligible	502.00	396.92	105.08
10	34-Co-operation	27.22	150.00	177.22	24.35	152.87
TOTAL		9189.25	263.33	9452.58	6403.07	3049.51

Source: Appropriation Accounts for the year 2011-12.

The reasons furnished by the departments for unspent provision under few major heads of account as reported in Appropriation Accounts are given below:

07-Works (Capital-Voted)

- Anticipated savings of ₹ 20.17 crore under major head “5054-Capital Outlay on Roads and Bridges-SP-SS-03-State Highways-337-Road Works-1581-Works Executed from Central Road Fund”, was due to (i) slow progress of work (ii) delay in finalising tender and (iii) non-receipt of sanction order from Government of India.
- Anticipated savings of ₹ 14.05 crore under major head “5054- Capital Outlay on Roads and Bridges -SP-SS-04-Roads-800-Other Expenditure-1219-Road works under Road Development Programme”, was due to (i) slow progress of work (ii) non-sanction of project by railway authority (iii) sub-judice of tender and (iv) non-sanction of administrative approval.
- Anticipated savings of ₹ 34.12 crore under major head “5054- Capital Outlay on Roads and Bridges -SP-SS-04-Roads-800-Other Expenditure-2161-Rural Infrastructure Development Fund (RIDF), was due to slow progress of work by contractor and as per actual requirement.

13-Housing and Urban Development (Capital-Voted)

- There was anticipated savings of ₹ 52.57 crore under major head “4215-Capital Outlay on Water Supply and Sanitation -NP-02-Swage and Sanitation-106-Swage Services-(61)-2138-EAP assisted by Japan Bank for International Co-operation (JBIC), Japan for integrated sewerage and

sanitation project for Bhubaneswar (BBSR) and Cuttack (CTC)”, from the original provision (₹ 73.61 crore) as the actual requirement was only ₹ 21.04 crore.

- Anticipated savings of ₹ 11.09 crore occurred under major head “4215-Capital Outlay on Water Supply and Sanitation -NP-02-Sewerage and Sanitation-796-Tribal Area Sub-Plan -(63)-2138-EAP assisted by JBIC Japan for integrated sewerage and sanitation project for Bhubaneswar and Cuttack”, as the actual expenditure was only ₹ 3.30 crore out of the total provision of ₹ 14.39 crore
- There was anticipated savings of ₹ 15.33 crore under major head “4215-Capital Outlay on Water Supply and Sanitation-SP-DS-01-Water Supply-101-Urban Water Supply-(65)-1561-Water Supply in Urban Areas”, as the actual expenditure came up to the level of ₹ 18.63 crore out of total provision of ₹ 33.96 crore.

19-Industries (Revenue-Voted)

- Anticipated saving of ₹ 54.40 crore under major head “2230-Labour and Employment was attributed to non-release of funds by Government of India.

19-Industries (Capital-Voted)

- Anticipated saving of ₹ 133.44 crore under major head “4202-Capital Outlay on Education, Sports, Arts and Culture-CP-SS-02-Technical Education was attributed to non-sanction of fund by Government.

20-Water Resources (Capital-Voted)

- There was anticipated saving of ₹ 10.85 crore out of the total original provision of ₹ 45.68 crore under major head “4701-Capital Outlay on Medium Irrigation-SP-SS-58-Telengiri Irrigation Project-Commercial-796-Tribal Area Sub Plan-(107)-2160-Accelerated Irrigation Benefit Programme (AIBP)”, due to (i) non-possession of land (ii) delay in tender process (iii) non-finalisation of spillway drawing and (iv) as per actual requirement. This indicated that budgetary provision was made without finalisation of site and drawings for execution of work leading to savings.

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 the OBM.

The Principal Secretary, Finance Department stated (November 2012) that savings occurred due to non-filling of vacant posts and non-implementation of projects. The reply was not acceptable as OBM specifically states that no provision should be made against the vacant posts. Hence, the reasons given for savings due to non-filling of vacant posts violated the provision of OBM. However, the Government accepted that the matter needs careful attention of the grant controlling authorities.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 10 crore in each case in 16 grants and in one appropriation during 2007-12 as detailed in **Appendix 2.2**. The savings ranged from ₹ 26.55 crore to ₹ 1470.90 crore during the year 2011-12. Persistent savings in a substantial number of grants over the years is indicative of over assessment of requirement of fund by the Government in Appropriation Act repeatedly without adequately scrutinising the need and examining the flow of expenditure. The CCOs of these grants need to be alerted by the Finance Department to remedy the situation.

The Principal Secretary, Finance Department stated (November 2012) that cases of committed liabilities like debt servicing, pension, court dues, provision was made to cover the likely requirement. Inadequate provision on these accounts may lead to excess expenditure. Hence, persistent savings occurred.

However, the savings should be surrendered as soon as it was anticipated, so that the same amount could be utilised where necessary.

2.3.3 Excess Expenditure

During the year, in three cases (two cases under grant No.05-Finance and one appropriation, 6004-Loans and Advances from Central Government), expenditure exceeded the said approved provision. In two cases, expenditure aggregating to ₹ 151.62 crore exceeded the approved provisions by ₹ 10 crore or more and by more than 20 per cent of the total provisions as detailed in **Appendix- 2.3**.

The Principal Secretary, Finance Department stated (November 2012) that excess expenditure occurred mainly due to grant of debt relief (write off of loans availed from Ministries other than Ministry of Finance) by GoI as per the recommendation of ThFC, loans & advances to Government servants for Group Insurance Scheme advance at the enhanced rate under the charged appropriation. The expenditure under these items could not be estimated to this extent due to which the excess expenditure occurred. Steps would be taken for regularisation of excess expenditure on the recommendations of Public Accounts Committee.

However, excess expenditure by the departments could have been deferred and met out of the budget provision of the next financial year.

2.3.4 Expenditure without provision

As per the provisions of OBM, expenditure should not be incurred on a scheme/service without provision of funds. However, expenditure of ₹ 45.25 lakh was incurred in four sub-heads (three grants and one appropriation) even without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect are indicated in **Table 2.3**

Table 2.3: Expenditure incurred without provision during 2011-12

Sl. No.	Number of the grant and name of the Department	Particulars	Amount of Expenditure without provision (₹ in lakh)	Reasons/Remarks
1	07-Works	4216-Capital Outlay on Housing-SP-SS-01-Government Residential Buildings-796-Tribal Area Sub-Plan-2194-Construction of building of Labour and Employment Deptt.	2.47	Reasons for expenditure even without a token provision had not been explained to the Pr. AG (A&E) (June 2012).
2	13-Housing and Urban Development	2059-Public Works-NP-01-Office Buildings-053-Maintenance and Repairs-1703-Maintenance of Non-residential Buildings under 12 th F C Award	1.69	-do-
3	20-Water Resources	2700-Major Irrigation-NP-80-General-799-Suspense-0373-Engineer-in-Chief-Office Establishment	28.67	-do-
4	6004-Loans and Advances from the Central Government	6004- Loans and Advances from the Central Government-NP-03-Loans for Central Plan Schemes-800- Other Loans-9090-Social Security and Welfare	12.42	-do-

Source: Appropriation Accounts for 2011-12

Expenditure without provision of fund was irregular and un-authorised.

2.3.5 Drawal of funds to avoid lapse of budget grant

According to the provisions of Odisha Treasury Code (OTC) Volume I (Rule 242) and OBM (Rule 141), no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in banks or under Civil Deposits to prevent the lapse of budgetary grants. The Thirteenth Finance Commission also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund avoiding transfer from Consolidated Fund to the Public Accounts.

As per the Finance Accounts for 2011-12, the minor head 8443-Civil Deposit-800-Other Deposit had accumulated balance of ₹ 559.73 crore (credit) at the close of the year (March 2012). During the year, ₹ 249.91 crore were added to the minor head against mere withdrawal of ₹ 46.21 crore. The accumulated balances at the close of the year should have been written back to the respective major heads of account under the Consolidated Fund from which these were originally transferred as the drawls from the above minor head of account in the subsequent year(s) neither required legislative approval nor were the expenditure incurred subjected to legislature scrutiny through the Appropriation Account mechanism.

The Principal Secretary, Finance Department admitted (November 2012) the observation made by audit.

2.3.6 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. However, excess expenditure amounting to ₹ 10145.25 crore for the periods from 1996-97 to 2010-11 is yet to be regularised as detailed in **Appendix 2.4**.

PAC in its fourth report of Fourteenth Assembly recommended regularisation of the excess expenditure from the year 1996-97 to 2009-10 in 48 grants and 10 appropriations out of 60 grants and 10 appropriations cases except 12 departments like Finance, Commerce, Housing and Urban Development, Panchayati Raj and Rural Development where the Committee imposed certain conditions for regularisation. Few of them are given below:

- **Finance Department:** Finance Department is to regularise through sanction order and then only the Committee will recommend for regularisation. As legal issues are involved, the matter should be thoroughly examined and steps taken by the State Government be intimated to the Committee.
- **Commerce:** The Committee desired that a compliance note be further furnished by the department as to who were responsible for the excess expenditure.

Despite being commented in the earlier audit reports about the occurrence of excess expenditure, no action was taken up by the Government to regularise it.

The Principal Secretary, Finance Department stated (November 2012) that steps would be taken to regularise the excess expenditure for the period from 1996-97 to 2009-10 through a separate Appropriation bill in the next session of the Legislative Assembly.

2.3.7 Excess expenditure over Consolidated Fund of the State during 2011-12 requiring regularisation by the State Legislature

Table 2.4 contains the summary of total excesses in one grant and one appropriation amounting to ₹ 151.77 crore over and above what was authorised from the Consolidated Fund of the State (CFS) by the State Legislature during 2011-12. No demand for consideration of regularisation, if any, by the State Legislature has yet been placed. Thus, these excess expenditures remain unauthorised and hence are irregular. The details are given in **Table 2.4** below:

Table 2.4: Excess expenditure over provisions during 2011-12 requiring regularisation.

(₹ in lakh)

Sl. No	Number and title of Grant / Appropriation	Total Grant / Appropriation	Expenditure	Excess
Revenue (Charged)				
1	05-Finance	17.14	31.25	14.11
Capital (Charged)				
2	6004-Loans and Advances from Central Government	48484.00	54669.47	6185.47

Sl. No	Number and title of Grant / Appropriation	Total Grant / Appropriation	Expenditure	Excess
Capital (Voted)				
3	05-Finance	19113.68	28091.04	8977.36
TOTAL		67614.82	82791.76	15176.94 Or (151.77 Crore)

Source: Appropriation Accounts for 2011-12.

The Finance Department did not furnish reasons for excess expenditure over authorisation from the Consolidated Fund of the State (CFS) to the Principal Accountant General (A&E).

When similar occurrence of excess expenditure during 2010-11 was pointed out, the Principal Secretary, Finance Department assured (October 2011) that online distribution of allotment and checking of bills against allotment was being enforced through a new and computerised Integrated Odisha Treasury Management System (iOTMS) system which would eliminate instance of excess expenditure over allotments in future. Despite such assurances, there were excess expenditure in the grants and appropriation during 2011-12 under the control of the Finance Department.

The Principal Secretary, Finance Department stated (November 2012) that the expenditure under these items could not be estimated to this extent for which the excess expenditure occurred. Steps would be taken for regularisation of excess expenditure on the recommendations of Public Accounts Committee. Despite the commitment made in October 2011 to eliminate instances of excess expenditure over allotment, the Finance Department failed in its commitment.

2.3.7.1 Recommendations of Public Accounts Committee on regularisation of excess expenditure over provisions

The Public Accounts Committee in their first report (14th Assembly) recommended (December 2011) the following measures to be taken with a view to minimise the extent of excess expenditure through appropriate systems improvement measures.

- The State Government should amend the FRBM Act suitably to make a disclosure statement indicating Grant/Appropriation-wise excess expenditure as brought out in the Appropriation Account for the previous year to be laid on the table of the legislature. Such disclosure statement should be made public.
- Excess expenditure detected in the Appropriation Account of the previous year should be regularised in the year following by all means. In order to facilitate such regularisation, Administrative Departments should ensure submission of explanatory notes during the prescribed time period. Finance Department should offer their comments on the explanatory notes in time. The Accountant General should also vet the explanatory notes of the Administrative Department along with comments of the Finance Department and transmit the same to the Assembly Secretariat for consideration by the PAC. The PAC ought to consider these vetted explanatory notes expeditiously.
- It is the duty of the State Government to ensure timely regularisation of excess expenditure.

- Where excess expenditure could have been deferred and met out of budget provision of the next financial year, responsibility should be fixed on the concerned officials incurring expenditure without budget provision.
- The entire budget formulation, execution, accounting, reporting, reconciliation and compliance to external audit observations including excess expenditure should be brought on a single integrated information management platform. This would ensure accuracy of the budget estimate, spending within the budgetary ceiling, timely reporting and reconciliation of expenditure and proper monitoring of response to audit observations. The new Integrated Odisha Treasury Management System (*iOTMS*) should evolve into such an over-arching platform.

Despite such recommendations, the State's FRBM Act was not amended to incorporate such a provision. Similarly, steps to regularise the excess expenditure incurred during 2010-11 were not initiated by the five departments in which there were excess expenditure amounting to ₹ 428.51 crore.

The Principal Secretary, Finance Department stated (November 2012) that steps would be taken to regularise the excess expenditure through an Appropriation bill in the next session of the Legislative Assembly.

2.3.8 Unnecessary/Excessive supplementary provision

Supplementary provision aggregating to ₹ 820.68 crore obtained in 24 cases, during the year 2011-12 proved unnecessary as the actual expenditure (₹ 17291.80 crore) did not come up to the level of original provision (₹ 19160.65 crore) as detailed in **Appendix-2.5**. This indicates that the CCOs were not aware of the actual requirement of funds for the remaining period of the financial year due to failure to monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of the OBM.

Similarly, supplementary provision aggregating to ₹ 3616.59 crore proved excessive by ₹ 1521.28 crore over the total required provision of ₹ 2095.31 crore in 14 cases under 13 grants (one crore or more in each case) as detailed in **Appendix-2.6**.

The Principal Secretary, Finance Department stated (November 2012) that in anticipation of taking up of schemes, supplementary provision were made. However, due to some reasons if the schemes did not take off, the supplementary provision remained un-utilised and resulted in surrender. Further, the matter needs careful attention of the grant controlling authorities.

2.3.9 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 199 sub-heads, of which excess / saving was more than ₹ one crore in 56 sub-heads (savings of ₹ 98.96 crore in 26 sub-heads under 10 grants and excess of ₹ 272.19 crore in 30 sub-heads under 13 grants and one appropriation) as detailed in **Appendix- 2.7**. In two cases (i) 05-Finance -7610-Loans to Government Servants

etc.-800-Other Items and (ii) 36-Women and Child Development-2235-Social Welfare-102-Child Welfare-0731-Integrated Child development Service Scheme re-appropriation proved insufficient as there was excess expenditure of ₹ 89.77 crore and ₹ 25.11 crore respectively. This indicated that re-appropriations were made without making assessment of actual requirements under a head.

The Principal Secretary, Finance Department while admitting the observation stated (November 2012) that steps would be taken to ensure timely re-appropriation of funds.

2.3.10 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 2011-12, 871 re-appropriation orders amounting to ₹ 3310.02 crore were issued out of which eight re-appropriation orders aggregating ₹ 288.61 crore were issued on 31 March 2012, the last day of the financial year where there was no scope for expenditure during that year. The details are given in the **Table 2.5** below:

Table 2.5: List of re-appropriations on the last day of the financial year

SI No	Number 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	20-Water Resources Deptt	2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation, 2711-Flood Control and Drainage, 2801-Power, 4700-Capital Outlay on Major Irrigation, 4701-Capital Outlay on Medium Irrigation, 4702-Capital Outlay on Minor Irrigation, 4711-Capital Outlay on Flood Control and Drainage	265.86	9930/ 31.03.2012
2	32- Tourism & Culture Deptt	2205-Art and Culture	0.15	831/ 31.03.2012
3		2205-Art and Culture		834/ 31.03.2012
4		2205-Art and Culture		837/ 31.03.2012
5		2205-Art and Culture		840/ 31.03.2012
6	2049-Interest Payment (Finance Deptt)	2049-Interest Payment	19.82	14128(3)/ 31.03.2012
7	6003-Internal Debt of the State Government (Finance Deptt)	6003-Internal Debt of the State Government	1.65	14126/ 31.03.2012
8	6004-Loans and Advances from the Central Government (Finance Department)	6004-Loans and Advances from the Central Government	1.13	14124/ 31.03.2012
TOTAL			288.61	

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

Issue of such belated re-appropriation orders persisted during the year despite the irregularity being pointed in the earlier Audit Reports.

2.3.11 Substantial surrenders

Surrenders (100 *per cent* of total provision) of ₹ 472.75 crore were made under 19 sub heads (₹ 10 crore or more in each case) under eight grants representing different schemes / programmes / projects / activities due to non-implementation or tardy implementation of the same which are given at **Appendix-2.8**. The surrenders were attributed to non-release/non-receipt/non sanction of Central share (nine cases), cut in Annual Plan by Government of India and direct release of funds by Government of India to the executing agency etc. (two cases), non-finalisation/receipt of project proposals (four cases), introduction of cash management system (one case), non-drawal of funds (one case) and no reasons were assigned in remaining (two) cases.

2.3.12 Surrender in excess of savings

As against savings of ₹ 1947.01 crore, the amount surrendered was ₹ 2006.08 crore resulting in excess surrender of ₹ 59.07 crore in nine grants (₹ 25 lakh or more in each case) as detailed in **Appendix-2.9**. The surrender indicated that the departments failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

The Principal Secretary, Finance Department admitted (November 2012) that surrender should not be made in excess of savings.

2.3.13 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. However, at the close of the year 2011-12 in, (i) Grant No.12-Health and Family Welfare under revenue (charged) section, savings of ₹ 7.50 lakh, (ii) Grant No.17-Pachayati Raj under revenue (charged) section, saving of rupees one thousand (token money provided in the original budget) and (iii) Grant No.22-Forest and Environment under revenue (charged) section savings of ₹ 3.34 lakh were noticed but no part of such savings were surrendered by the concerned departments. The Chief Controlling Officers and the Heads of the Department, thus overlooked the budgetary controls laid down in the OBM.

Similarly, of the total savings of ₹ 2609.89 crore in 12 Grants (15 cases), savings of ₹ one crore and above in each Grant / Appropriation aggregated to ₹ 488.43 crore (19 *per cent* of total savings) were not surrendered, the details are given in **Appendix 2.10**. Thus, the CCOs and the Heads of the Departments ignored the budgetary controls laid down in the OBM and the Finance Department failed to exercise the overall financial control over the State budget.

Besides, as per information furnished by the office of the Principal Accountant General (A&E) there were surrender of funds under different major heads of accounts in excess of ₹ 10 crore on the last working day of the financial year i.e. on 31 March 2012 in 61 cases aggregating to ₹ 4178.97 crore covering eight *per cent* of the entire budget (**Appendix 2.11**). These indicated improper budgeting exercises and inadequate financial control by the DDOs to monitor actual expenditure against available budget provisions.

The Principal Secretary, Finance Department admitted the fact and stated (November 2012) that there was a gap between savings and surrender. Surrenders from DDOs to Controlling Officer onwards routed through iOTMS could remove such gap.

2.3.14 Rush of expenditure

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 41 sub-heads listed in **Appendix 2.12**, revenue / capital expenditure exceeding ₹ 10 crore and also more than 50 *per cent* (in each case) of the total expenditure for the year was incurred in March 2012. **Table 2.6** also represents the sub-heads (14 cases) where 100 *per cent* of expenditure was incurred during the last month of the financial year. Expenditure to be spread through the year was incurred in the last month of the year.

Table 2.6: Cases of rush of expenditure towards the end of the financial year 2011-12

Sl. No.	Grant No.	Major Head	Total expenditure during the year (₹ in crore)	Expenditure during March 2012	
				Amount (₹ in crore)	Percentage of total expenditure
1	2	2052-SP-SS-090-2616-District Innovation Fund	15.00	15.00	100
2	2	2052-NP-090-2631-Implementation of HRMs	10.59	10.59	100
3	10	4202-SP-SS-01-202-2257-Establishment of Model Schools in Backward Blocks of the State	27.23	27.23	100
4	10	4202-SP-SS-01-796-2257-Establishment of Model Schools in Backward Blocks of the State	11.22	11.22	100
5	11	2225-CP-SS-03-277-2418-Post Matric Scholarship and stipend to OBC Students	11.14	11.14	100
6	13	3604-NP-191-2665-Devolution recommended by 3rd State Finance Commission	18.28	18.28	100
7	16	3451-SP-SS-092-1822-Orissa State Employment Mission	12.17	12.17	100
8	17	2501-SP-DS-01-001-1745-Targetted Rural Initiative for Poverty Termination and Infrastructure (TRIPTI)-EAP	17.73	17.73	100
9	17	3604-NP-197-2672-Maintenance and Repair under the Award of 3rd SFC	13.59	13.59	100
10	23	2401-SP-DS-800-2006-One time ACA	20.00	20.00	100
11	30	6801-SP-SS-789-2612-CAPEX Programme for development and upgradation of Distribution System	65.00	65.00	100
12	30	6801-SP-SS-796-2612-CAPEX Programme for development and upgradation of Distribution System	71.92	71.92	100
13	34	2425-SP-SS-107-2699-Grants for Revival Package of Co-operative Credit Institute	17.87	17.87	100
14	37	2852-SP-SS-07-202-0776-Implementation of e-Governance Project as per the National e-Governance Programme- One time ACA	18.77	18.77	100
TOTAL			330.51	330.51	100

Source: Monthly Appropriation Reports for the month of March 2012.

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 revenue expenditure mismatches during a particular month arising out of unanticipated heavy expenditure in that particular month. Besides, quality of the assets being created out of such expenditure can be maintained if expenditure is incurred in a planned manner.

The Principal Secretary, Finance Department stated (November 2012) that introduction of Cash Management System in major Departments had resulted in substantial reduction in rush of expenditure towards the fag end of financial year. However, as indicated in the paragraph 2.5.2 five departments out of 15 violated the cash management system during the month of March 2012 itself.

2.4 Advances from Contingency Fund

Contingency Fund of the State has been established under the Orissa 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 enhanced (October 2008) from ₹ 150 crore to ₹ 400 crore. During 2011-12, advances of ₹ 2.81 crore were withdrawn from the fund but not recouped during the year. During the year ₹ 375 crore was recouped out of previous years balance of ₹ 388.08 crore leaving a total of ₹ 15.89 crore as of March 2012 as detailed in **Table 2.7**. Government may take appropriate steps to recoup ₹ 13.08 crore which was pending for more than 10 years.

Table 2.7: Un-recouped amount of the Contingency Fund of the State

(₹ in crore)

Period	Amount	Remarks
1998-1999	0.75	Pending recoupment for more than 11 years
1999-2000	12.33	Pending recoupment for more than 5 years and less than 10 years
2011-2012	2.81	Pending recoupment for below one year
TOTAL	15.89	

Source: Information furnished by the office of the Principal Accountant General (A&E) and Finance Accounts 2011-12

The Principal Secretary, Finance Department stated (November 2012) that the Odisha Contingency Fund (OCF) advance of ₹ 2.81 crore was sanctioned after the Supplementary Budget 2011-12 for which there was no scope for its recoupment. This would be recouped in the Supplementary Budget 2012-13. Recoupment of the old OCF advance of ₹ 13.08 crore pertaining to the years 1998-99 & 1999-2000 would also be taken up in the Supplementary Budget 2012-13 after obtaining the details from Principal Accountant General (A&E).

2.5 Errors in Budgetary Process

The Odisha Budget Manual (Rule 46) requires that the Controlling Officers 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.

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) the original grants and supplementary grants were ₹ 33215.18 crore and ₹ 4038.70 crore respectively aggregating at ₹ 37253.88 crore against which the actual expenditure was ₹ 33066.96 crore resulting in savings of ₹ 4186.92 crore. This was more than the supplementary provision.
- Similarly under Capital (voted), the original and supplementary grants were ₹ 6462.12 crore and ₹ 466.09 crore respectively aggregating ₹ 6928.21 crore against which the actual expenditure was ₹ 5278.07 crore resulting in savings of ₹ 1650.14 crore. This was more than the supplementary grants.

In the above two cases, the supplementary provision of ₹ 4038.70 crore in Revenue (voted) and ₹ 466.09 crore Capital (voted) were obtained during the year, proved unnecessary as the expenditure did not come up to the level of original provision as indicated in **Table 2.8**:

Table 2.8: Actual Expenditure vis-à-vis Original/Supplementary provisions

Sl No	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
1	Revenue (voted)	33215.18	4038.70	37253.88	33066.96	(-)4186.92
2	Capital (voted)	6462.12	466.09	6928.21	5278.07	(-)1650.14
TOTAL		39677.3	4504.79	44182.09	38345.03	(-)5837.06

Source: Odisha Appropriation Act 2011, Finance and Appropriation Accounts 2011-12

Besides, in the following cases there were injudicious re-appropriations during the year which resulted in excess expenditure / savings.

- In 18¹⁵ cases, the reduction of provisions through re-appropriation proved injudicious, as there were excess expenditure as indicated in **Appendix 2.7**.
- In nine¹⁶ cases, the augmentation of funds through re appropriation proved excessive as there were large savings and even in some cases, savings exceeded the re-appropriation provision as detailed in **Appendix 2.7**.

The aim of Budget preparation must be to make as accurate as possible not to overestimate and show large savings at the end of the year. However it was noticed that 16 departments continued to make savings of more than ₹ 10 crore during last

¹⁵ Sl Nos -27, 31, 32, 34, 36, 37, 38, 39, 40, 44, 45, 48, 50, 51, 52, 53, 54 and 55

¹⁶ Sl Nos -1, 7, 10, 11, 12, 14, 15, 24 and 25

five years, despite our repeated comments in the Audit Reports from 2007-08 to 2010-11 as detailed in *Appendix 2.2*.

2.5.1 Unrealistic forecasting of resources

Rule 46 of OBM stipulates that Budget of a State is based on the departmental estimate submitted by the Controlling officers. Both the departmental and the district estimate should always receive careful personal attention of the officers who submit them. They should be neither inflated nor under-pitched, but should be accurate as possible. However, it was noticed that revised estimate 2011-12 for non-tax revenue projection was ₹ 5000 crore while actual realisation was ₹ 6443 crore, resulting in upward variation of resources of ₹ 1443 crore nearly 29 per cent above the original forecast. Similarly, tax revenue for the year 2011-12 was projected at ₹ 13399 crore while actual realisation was ₹ 13443 crore resulting in upward variation of ₹ 44 crore above the projection. In this connection trend of revenue projection for last five years (2007-08 to 2011-12) are appended below.

Table 2.9: Variation between Revised Estimate and Actuals on Revenue Resources for the periods 2007-08 to 2011-12

(₹ in crore)

Sl No.	Year		Revised Estimate	Actuals	Differences (Column 5-4)
1	2	3	4	5	6
1	2007-08	Tax Revenue	6793	6856	63
		Non-Tax Revenue	1916	2654	738
2	2008-09	Tax Revenue	7672	7995	323
		Non-Tax Revenue	2617	3176	559
3	2009-10	Tax Revenue	8920	8982	62
		Non-Tax Revenue	2912	3212	300
4	2010-11	Tax Revenue	10608	11193	585
		Non-Tax Revenue	3317	4780	1463
5	2011-12	Tax Revenue	13399	13443	44
		Non-Tax Revenue	5000	6443	1443

Source: Budget at a glance and Finance Accounts for the respective years

It could be seen from the table above that revenue projection of tax and non-tax revenue were made in such a way that the actual achievements were more than the projections as the latter were understated for last five years. This shows that the projections were made in an unrealistic manner. Had the same assessment been done in a realistic manner, there would have been greater impact on plan size/ceiling. In other words, plan size could have been larger and resources thereof could have been utilised towards developmental work as the State needed.

The Principal Secretary, Finance Department stated (November 2012) that in cases of some items, there may be some windfall collection on account of decree on court cases or onetime payment by organisations which may lead to variation of actuals from Budget provisions. Further, Planning Commission also assesses the resources of the State Government while approving the Plan size of the State. Resource constraints have not affected the Plan performance of the State during last five years. Resources had been provided for larger plan outlay. The revenue surplus generated has enabled the State Government to refrain from market borrowing.

However, Government could have utilised surplus revenue generated towards Capital expenditure for creation of new assets.

2.5.2 Analysis of cash management system

Government of Odisha in their Budget circular for 2011-12 (October 2011) introduced the cash management in 15 departments. The objectives were to even pacing of expenditure within the financial year, reduce the rush of expenditure during last quarter especially in the last month of the financial year, front loading of expenditure in the first three quarters in the financial year so that correction measures can be taken in the mid year to achieve fiscal objectives, curb tendency of parking of funds outside the Government account, effective monitoring of the expenditure pattern and improve the quality of expenditure.

As per circular, the level of expenditure at the end of 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 revised estimate.

However, it was noticed that only seven out of 15 departments spent 60 per cent of the allocations by the end of the third quarter while the rest eight failed to do so during 2011-12. Further, six out of eight departments, spent less than 50 per cent up to December 2011. Similarly, nine out of 15 departments failed to adhere to the norms of spending limit within 15 per cent of the total allocation during the month of March 2012 as indicated in **Table 2.10**.

Table 2.10: Analysis of cash management system

Sl No	Grant No/ Deptt	Original Budget Provision	Aprl. 2011- Dec. 2011		Total Provision	March 2012	
			Expenditure during first 3 quarters	Percentage of Expenditure		Expenditure during the month	Percentage of Expenditure
1	7-Works	2130.38	1039.50	49	2176.01	503.88	23
2	10-School and Mass Education	5315.44	3394.31	64	5528.38	794.24	14
3	11-ST, SC Dev. and Minorities and Other Backward Development	1286.33	746.93	58	1430.62	329.16	23
4	12- Health and Family Welfare	1451.66	891.55	61	1494.05	193.33	13
5	13-Housing and Urban Development	1582.17	673.19	43	1613.32	458.04	28
6	17-Panchayati Raj	2181.74	1391.43	64	2426.08	716.28	30
7	19-Industry	402.45	143.12	36	487.81	60.39	12
8	20-Water Resources	3259.61	1531.30	47	4083.78	723.13	18
9	22-Forest and Environment	609.61	410.74	67	669.57	91.19	14
10	23-Agriculture	1167.98	809.62	69	1377.40	172.98	13
11	28-Rural Development	1557.39	769.51	49	1566.61	375.26	24
12	30-Energy	525.80	85.10	16	526.77	260.09	49
13	33-Fisheries and Animal Resources Development	377.70	210.82	56	379.91	32.65	9
14	36-Women & Child Development	2517.51	1730.96	68	3306.61	807.79	24
15	38-Higher Education	1126.06	677.70	60	1216.85	272.52	22

Source: Monthly Appropriation Accounts for December 2011 and March 2012

The Principal Secretary, Finance Department stated (November 2012) that the departments covered under the cash management system were asked to surrender the shortfall in expenditure.

2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of Water Resource Department (Grant No - 20) and Tourism and Culture Department (Grant No - 32) as reported in the Appropriation Accounts revealed the following irregularities:

2.6.1 Surrender in lower than the savings /excess of savings /belated surrenders

OBM provides (Rule 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 2011-12, the Water Resource Department (Grant No.20) surrendered ₹ 529.69 crore as against total savings of ₹ 639.60 crore, resulting in non-surrender of ₹ 109.91 crore and the Tourism and Culture Department (Grant No.32) surrendered ₹ 18.54 crore as against total savings of ₹ 18.17 crore, resulting in excess surrender of ₹ 0.37 crore. Besides, in violation of above provisions of OBM, these amounts were surrendered on 31 March 2012. Thus, the amounts surrendered were not in conformity with the actual savings 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. But it was noticed that in Grant No 20 (Water Resource Department), supplementary provision of ₹ 37.68 crore under revenue (voted) section and ₹ 1.26 crore under capital (voted) section obtained during December 2011 proved unnecessary in view of sizeable savings of ₹ 141.86 crore and ₹ 456.51 crore respectively from the original Budget provision in the year. In Grant No 32 (Tourism and Culture Department), supplementary provision of ₹ 6.18 crore under Revenue (Voted) section obtained during December 2011 proved unnecessary, as the department spent ₹ 58.43 crore out of the original provision of ₹ 70.42 crore, thereby resulting a savings of ₹ 11.99 core out of original provision. This showed that the CCOs of these two departments were not aware of the 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 re-appropriation and surrenders

The Water Resource and Tourism and Culture Departments made a provision of ₹ 12.00 crore and ₹ 16.25 crore respectively under different heads/schemes during 2011-12, but the total provisions were withdrawn by way of re-appropriation and surrendered on the last day of the financial year 2011-12 are indicated in the **Table 2.11**

Table 2.11: Withdrawal of entire provision by way of re-appropriation and surrender by the Chief Controlling Officers of the Grants No.20 and Grant No.32.

(₹ in crore)

Sl No	Head of Account	Total Allotment	Expenditure	Amount withdrawn	Remarks
20-Water Resource Department					
1	4701-Capital outlay on Medium Irrigation-State plan-State Sector-97-Other Pipeline Projects-Commercial-789-Special Component plan for Scheduled Castes-2622-Hirakud Command Area Development under RIDF	3.00	Nil	3.00	No specific reasons given to Pr. Accountant General (A&E)
2	4702-Capital outlay on Minor Irrigation-State Plan-District Sector-796-Tribal Area Sub-Plan 2624-Mega Lift Project under State Plan	9.00	Nil	9.00	No specific reasons given to Pr. Accountant General (A&E)
TOTAL		12.00		12.00	
32-Tourism and Culture Department					
25	2205-Art and Culture-State Plan-State Sector-001-Direction and Administration-2592-13th FC Award for preservation of Monuments and Budhist Heritage	16.25	Nil	16.25	Due to non-drawal of funds
TOTAL		16.25		16.25	

Source: Appropriation Accounts 2011-12.

This indicated that the CCOs prepared the budgets and made allocation to different schemes/projects/objects of expenditure without any basis and without carrying out the required due diligence as prescribed in the OBM.

2.6.4 Provision of vacant posts

As per Rule 61(b) of OBM, provisions should be made in the budget only for men on duty (excluding vacant posts). But a provision of ₹ 3.92 crore and ₹ 0.15 crore were seen to have been made by the Water Resource Department and Tourism and Culture Department respectively for vacant posts which ultimately remained unutilised and was surrendered. The details are given in the **Table 2.12** below:

Table 2.12: Provisions for vacant posts under Grant No. 20 and 32 during 2011-12

Sl No.	Grant No./Name and Head of Account/Name of the Scheme	Amount surrendered (₹ in crore)	Reasons furnished by the Department
1	20-Water Resource-4700-Capital Outlay on Major Irrigation-SP-SS-15-Lower Indra Irrigation Project-Commercial-001-Direction and Administration-2160-Accelerated Irrigation Benefit Programme(AIBP)	3.63	Non-fulfillment of vacant posts.
2	20-Water Resource-4701-Capital Outlay on Medium Irrigation-SP-SS-51-Manjore Irrigation Project-Commercial-001-Direction and Administration-2160-Accelerated Irrigation Benefit Programme(AIBP)	0.29	Non-posting of staffs.
3	32-Toursim and Culture Department-3451-Secretariat Economic Services-NP-090-Secretariat-1467-Tourism Department	0.15	The amount is surrendered due to vacancy of posts.
TOTAL		4.07	

Source: Appropriation Accounts for 2011-2012

This indicated that the CCOs prepared the budgets as a matter of routine ignoring the provisions of the OBM. Thus, there was tendency to disregard and frustrate the budgetary controls envisaged in the OBM.

The Principal Secretary, Finance Department stated (November 2012) that in cases where steps for recruitment had been taken, it was necessary to make provision against those vacant posts to meet the salary of the personnel to be recruited. The reply was not acceptable as in such cases, provision made was not surrendered within stipulated date, wherever vacant posts were not filled up. All surrenders were made on 31 March 2012.

2.6.5 Rush of expenditure

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, during the last month under some schemes/sub-heads in the Water Resource Department, the expenditure incurred ranged between 59 and 100 *per cent* of the total expenditure as detailed in **Table 2.13**.

Table 2.13: Statements showing rush of expenditure in Water Resource Department

(₹in crore)				
Sl No	Name of the Scheme/Sub-heads	Net Budget Amount	Expenditure in March	Percentage
1	2059-80-053-2448-Maintenance of Non Residential Buildings	3.90	2.48	64
2	2700-11-101-0840-Maintenance and Repair of Left Canal System	8.53	5.29	62
3	2700-80-800-2587-13th FC Award for Water Sector Management	13.17	9.44	72
4	2701-13-101-0851-Maintenance and Repair	4.22	4.02	95
5	2701-19-101-0851-Maintenance and Repair	3.17	3.00	95
6	4701-45-789-2161-Rural Infrastructure Development Fund (RIDF)	4.04	2.97	74
7	4701-47-796-2161- Rural Infrastructure Development Fund (RIDF)	7.99	5.09	64
8	4701-80-789-2621-Periphery Development Reservoirs	4.54	2.66	59
9	4701-80-800-2006-One time ACA	4.18	3.14	75
10	4702-00-789-1886-Odisha Community Tank Management Project(EAP)	5.00	5.00	100
11	4702-00-789-2535-Construction of Control Structure for In stream Storage Schemes Check dams	26.36	15.57	59
12	4702-00-796-1886- Odisha Community Tank Management Project(EAP)	5.00	5.00	100
13	4702-00-800-0147-Clearance of Liabilities	3.63	2.38	66
14	4711-01-103-2223-Flood Management Programme	15.29	9.11	60
TOTAL		109.02	75.15	69.00

Source: Monthly Appropriation Accounts for March 2012

2.7 Misclassification of Grants-in-aid

Grants-in-Aid to any institution/body must constitute the revenue expenditure of the Government. But during the year 2011-2012 a sum of ₹ 763.22 crore has been disbursed as Grants-in-Aid under following capital major heads of expenditure against approved budgetary provision in violation of Indian Government Accounting Standard prescribed in IGAS-2 as detailed in **Table 2.14**

Table 2.14: Misclassification of grants-in-aid under capital Major Heads

Head	Amount (₹ in crore)
4059 - Capital Outlay on Public Works	2.49
4202 - Capital Outlay on Education Sports, Art and Culture.	87.87
4215 - Capital Outlay on Water Supply and Sanitation	22.92
4217 - Capital Outlay on Urban Development	6.75
4225 - Capital Outlay on Welfare of S.C, S.T and OBCs	236.20
4250 - Capital Outlay on Other Social Services	17.15
4406 - Capital Outlay on Forestry and Wild Life	61.12
4425 - Capital Outlay on Cooperation	4.00
4435 - Capital Outlay on Other Agricultural Programmes.	6.00
4575 - Capital Outlay on other Special Areas Programmes	161.07
4702 - Capital Outlay on Minor Irrigation	9.50
4801 - Capital Outlay on Power Projects	33.15
5054 - Capital Outlay on Roads and Bridges	115.00
TOTAL	763.22

Source: Finance Accounts for 2011-12

The Principal Secretary, Finance Department stated (November 2012) that misclassification in 2012-13 (BE) shall be rectified in the Supplementary Budget, 2012-13 and for future budgets; a system based check had been incorporated in the Budget software which would not allow grants under any Capital Major Head. However, fact remained that despite commitment by Finance Department in October 2011 to set right such misclassification, it has increased alarmingly from ₹ 40.84 crore to ₹ 763.22 crore (19 times) and is a matter of concern.

2.8 Outcome of Inspection of Treasuries

2.8.1 Excess payment of pension and gratuity

During inspection of treasuries/sub-treasuries for the year ended 31 March 2012 by the office of the Principal Accountant General (A&E), excess payment of pension and gratuity amounting to ₹ 26.99 lakh was noticed as indicated in **Table 2.15** below:

Table 2.15: Outcome of inspection of treasuries

Sl No	Category	Amount (in ₹)
1	Due to wrong calculation (arithmetic inaccuracy) of pension	92715
2	Due to delayed commencement of reduced pension on account of commuted value of pension	205854
3	Due to payment of enhanced rate of Family Pension beyond stipulated date	80630
4	Due to payment of inadmissible temporary increase on pension	9954
5	Due to non-adjustment/non-regularisation of commuted value of pension	2248784
6	Due to other miscellaneous reasons	60938
TOTAL		2698875

Source: Office of the Principal Accountant General (A&E)

There is a need to tighten the controls at the level of treasury in so far as pension and pension-related payments are concerned, possibly by introducing computers and automating arithmetic calculations.

The Principal Secretary, Finance Department stated (November 2012) that a software has been developed in iOTMS for calculation of pension and generation of pension bill for drawal in the treasury so as to prevent over payment.

2.8.2 Non-adjustment of Provisional Death-cum-Retirement Gratuity

During the inspection of treasuries, it was noticed that provisional Death-cum-Retirement Gratuity (DCRG) sanctioned and paid to the tune of ₹ 5.49 lakh had not been adjusted even after 10 years of retirement of the employees which was a serious deviation from codal procedure as indicated in the **Table 2.16** below:

Table 2.16: Non-adjustment of provisional DCRG

IR No.	Para	Try / Sub-Try	Name & PPO No.	Amount (in ₹)	Date of retirement
02 / 11-12	2 (d)	Sub-Try Khariar	Digambar Harijan, PPO- 41733 / AEI	60618	31.08.2003
			Amruta Bachha PPO- 4055 / AEI	73900	01.10.2002
			Dwajamani Singh Babu PPO- 46321 / AEI	53650	31.12.2003
			Gopal Ch. Pandey PPO- 43218 / AEI	77200	30.09.2003
117 / 11-12	1 (b)	Dist-Try Bargarh	Purna Chandra Dhala PPO- 69231	283960	-
TOTAL				549328	

Source: Annual review report on the working of Treasuries 2011-12 prepared by Principal. Accountant General (A&E)

The Principal Secretary, Finance Department stated (November 2012) that steps would be taken to adjust the unadjusted provisional DCRG.

2.8.3 Outstanding pension claims from Central Pay and Accounts Office, New Delhi / Defence / Railways.

Treasuries in Odisha are not rendering Central Civil Pension/Central political pension vouchers to concerned accounting circle for reimbursement for which claims of State Government to the tune of ₹ 5.59 crore as calculated up to 31 March 2012 remained in Suspense head. The details are given in **Table 2.17** :

Table 2.17: Outstanding pension claims from different Accounting Circle

Sl. No.	Name of the Accounting Circle	Outstanding amount (₹ in crore)
1	Central Pay & Accounts Office, New Delhi	2.86
2	Defence	2.33
3	Railways (SE Railway/ Eastern Railway/Western Railway/ Central Railway/ North Frontier Railway)	0.40
TOTAL		5.59

Source: Annual review report on the working of Treasuries 2011-12 prepared by office of the Principal. Accountant General (A&E)

The Principal Secretary, Finance Department stated (November 2012) that the requirement for direct submission of original pension vouchers to CPAO and accounting authorities of Railway and Defence organisation would be reiterated by Finance Department and Director of Treasuries and Inspection would be advised to enforce the discipline.

2.8.4 Non-submission of vouchers in support of payment by treasuries leading to increase in suspense balance.

As per provision contained in SR 34 OTC Vol-I, vouchers pertaining to the cash account or the list of payments shall be numbered consecutively in a separate monthly series and kept in the custody of the accountant under lock and key in the order of payment till they are despatched. Before despatch of the list of payment and schedules, the Treasury officer shall by inspection, satisfy himself that the required vouchers are all attached. As no payment can be made without a voucher, there can be no excuse for the absence of any, unless it is for a specific remittance.

However, during compilation of treasury accounts for the year ended 31 March 2012 by the Principal Accountant General (A&E), Odisha, it was noticed that the vouchers were not submitted along with the payment schedule in 322 cases which resulted in accumulation of objection book suspense to ₹ 11.82 crore in the Annual Finance Accounts. Such non-submission of vouchers in support of payment is fraught with the risk of fraudulent drawals, if any, remaining undetected for long.

2.8.5 Non-submission of schedules/challan in support of General Provident Fund /House Building Advance /Motor Cycle Advance recoveries.

Subsidiary Rule 53 of OTC, Vol-I, stipulates that when an amount is paid to the Government in respect of loan or advance made by Government, the challan presented at the Treasury or Bank shall contain the date and amount of the loan or advance or other particulars sufficient to identify it to facilitate the posting of the amounts in the respective subscriber's / loanee's account.

However, while accounting for recovery of General Provident Fund /House Building Advance /Motor Cycle Advance for the year ended 31 March 2012 by the Principal Accountant General (A&E), Odisha, it was noticed that in 203 cases the requisite recovery challans/schedule were not submitted along with the salary bills as a result of which an amount of ₹ 61.19 lakh could not be accounted for in the accounts of the respective subscribers/loanees. This led to accumulation of missing credits in respect of PF, HBA/MCA accounts.

2.8.6 Misclassification of debit by the treasury under major head 8009-101-General Provident Fund (State)

The Treasury shall classify the amount under the major head of account mentioned on the body of the challans / vouchers by the DDOs. In course of compilation of treasury accounts for the year ended 31 March 2012 by the Principal Accountant General (A&E), Odisha, it was noticed that an amount of ₹ 3.97 crore pertaining to Aided Educational Institute Provident Fund (AEIPF) Teachers Provident Fund (TPF)) classifiable under major head of account 8009-SPF-60-Other PF-103-Other Misc. PF,

AEIPF(TPF) was misclassified under major head of Account 8009-GPF-101-GPF(State) by the treasuries.

2.9 Conclusion and Recommendations

- Excess expenditure over the provision was incurred during 2011-12 violating Constitutional provisions (**Paragraphs 2.3.3, 2.3.6 and 2.3.7**).

The unauthorised and irregular expenditure may be placed before the State Legislature under Article 205 of the Constitution for its consideration of approval/regularisation, if any. As observed (October 2011) by the Finance Department, the iOTMS system may be strengthened to ensure elimination of excess expenditure in future.

- Unnecessary supplementary provisions being made, excessive re-appropriation of fund and re-appropriation orders being issued on the last day of the year were indicative of imprudent financial management by the Chief Controlling Officers-cum-Heads of the Departments (**Paragraphs 2.3.8, 2.3.9 and 2.3.10**).

Chief Controlling Officers-cum-Heads of the Department should strictly observe the provisions of OBM to ensure budgetary and expenditure controls. They should specifically strengthen the monthly expenditure control and monitoring mechanism.

- Hundred *per cent* of revenue and capital provision were spent in some schemes /sub-heads during March 2012 instead of spreading it throughout the year leading to rush of expenditure (**Paragraph 2.3.14**).

The revenue and capital expenditure may be spread evenly over the year so as to avoid the quality related pitfalls usually associated with such rush of expenditure.