

A reliable financial reporting mechanism aids exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

3.1 Personal Deposit (PD) Account

3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. As per Subsidiary Rule 423 of Odisha Treasury Code (OTC) Volume-I, Permission for opening of PD Accounts shall not be granted except after consultation with the Accountant General.

Note below Rule 141 read with sub-rule (3) of Odisha Budget Manual (OBM) provides that money should not be withdrawn from the Treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury under Revenue heads of accounts for placing it in Deposit head under Public Account of the State to avoid lapse of allotment.

There were 831 PD Account holders with a closing unspent balance of ₹17,503.50 crore as of 31 March 2019 as detailed in **Table 3.1**. There was a 29.57 per cent increase in outstanding balances over the previous year mainly due to increase in the balance in PD Account of Odisha Mineral Bearing Areas Development Corporation (OMBADC) from ₹11,568.18 crore in 2017-18 to ₹14,328.50 crore in 2018-19, an increase of 23.86 per cent.

3.1.2 Status of PD Accounts in Odisha

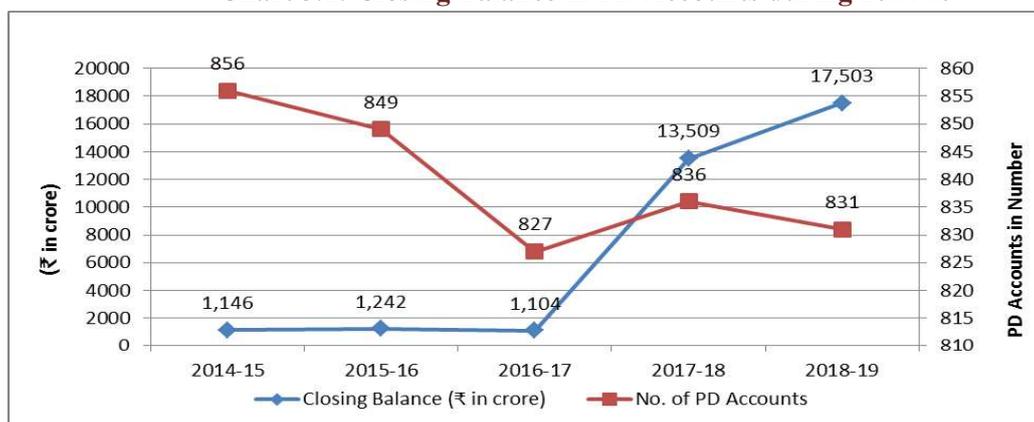
Table-3.1: Personal Deposit Account

Opening Balance as on 01/04/2018		Addition during the year 2018-19		Number of PD accounts closed	Expenditure during the year including closed PD Accounts	Outstanding Balance as on 31/ 03/2019	
Number	Amount	Number	Amount			Number	Amount
836	13,509.35	1	8,459.10	6	4,464.96	831	17,503.50

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

It could be seen from the **Table 3.1** that while six inoperative PD Accounts were closed during the year 2018-19, one new PD Account was opened with prior approval of Principal Accountant General (A&E), Odisha. A sum of ₹8,459.10 crore¹ was transferred to these Accounts. There was a net increase of ₹3,994.15 crore (29.57 per cent) in the cumulative closing balance at the end of the year 2018-19 as detailed in **Chart 3.1** below:

Chart 3.1: Closing Balance in PD Accounts during 2014-19



Source- Finance Accounts of respective years

An analysis of closing balance revealed that out of ₹ 17,503.50 crore as on 31 March 2019, an amount of ₹14,328.50 crore (81.86 per cent) related to one PD account of Chief Executive Officer, Odisha Mineral Bearing Areas Development Corporation. Balance ₹ 3,175 crore (₹17,503.50 crore – ₹14,328.50 crore) was as follows: (i) ₹ 1,081.48 crore in 115 PD Accounts of Urban Local Bodies, (ii) ₹ 675.82 crore in 314 PD Accounts of Rural Local Bodies, (iii) ₹ 82.43 crore in 297 PD Accounts of Educational Institutions and (iv) ₹ 1,335.27 crore in 104 PD Accounts of Other Agencies or Institutions like District Rural Development Agencies, Integrated Tribal Development Agencies, Medical and Charitable Institutions etc. Non-transfer of unspent balances lying in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

3.1.3 In-operative PD Accounts

As per Subsidiary Rule 423 of OTC Vol-I, if a PD Account remains in-operative for a period of three full financial years after the year of last transaction, the account shall be closed automatically and the balance, if any, lying in the account shall lapse to Government. For this, the Treasury Officer shall submit to the Accountant General immediately after 31 March, a list of such PD Accounts indicating the balances lapsed.

During 2018-19, six PD Accounts were closed. Fifteen in-operative PD Accounts, where no transaction had taken place for over three financial years after the year of last transaction, however, are yet to be closed. These 15 Accounts had unspent balances of ₹ 5.86 crore as detailed in **Appendix 3.1**. Out of the 15 inoperative PD Accounts, six Accounts had zero balances. The remaining nine Accounts had balances ranging from less than ₹ one lakh to ₹ 288.55 lakh.

¹ ₹ 8439.10 crore in the existing PD Accounts and ₹ 20 crore in the newly created PD Account.

3.1.4 Non-reconciliation of PD Accounts

The balances in the PD accounts are required to be reconciled annually by the administrator with that of Treasury accounts. Out of 831 PD accounts, 747 PD accounts (90 per cent) had been reconciled as of 31 March 2019.

The State Government stated (May 2020) that reconciliation of PD accounts is being taken up on regular basis to avoid irregularities in their management and further steps would be taken to analyse the 15 inoperative PD accounts in a time bound manner and would be closed if their continuance was not required.

Recommendation 9: The Finance Department is required to review all PD Accounts and ensure that all amounts unnecessarily lying in these accounts are immediately remitted to the Consolidated Fund and all inoperative PD Accounts are closed.

3.2 Opaqueness in accounts

Minor Head- 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged as it renders the accounts opaque. Transactions under this Minor Head during the years 2017-18 and 2018-19 are detailed in **Table 3.2:**

Table 3.2: Receipts and Expenditure under Minor Head 800

Year	Receipts ² (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Receipts under Minor Head 800 (₹ in crore (per cent))	Expenditure ³ (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Expenditure under Minor Head 800 - ₹ in crore (per cent)
2017-18	85,204	52	1,585 (2)	92,946	56	14,006 (15)
2018-19	99,546	55	1,469 (2)	108,838	59	14,774(14)

Source: Finance Accounts of respective years

Further, it was observed that the entire receipts (₹ 114.57 crore) under eight Major Heads (**Appendix-3.2**) were booked under Minor Head-800 (other receipts). Similarly, more than 50 per cent of the total expenditure under each of the 15 Major Heads (**Appendix 3.3**) were booked under Minor Head – 800 (Other Expenditure).

Though the issue of classification of the receipts / expenditure under Minor Head 800 – Other Receipts / Expenditure had been continuously reported in the previous reports of the Comptroller and Auditor General of India, there has been little improvement. The fact that such substantial proportions of the receipts / expenditure under the concerned Major Head are booked under Minor Head 800 is a cause for concern, since it severely impacts transparency.

² Revenue Receipts.

³ Includes both Revenue and Capital.

3.3 Non-Submission of Annual Accounts by Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG’s DPC Act are required to submit the annual accounts to audit before 30 June every year. In respect of 11 ABs which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to more than seven years as shown in **Table 3.3**.

Table 3.3: Age-wise details of delay in submission of Annual Accounts of ABs

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	Nil	1
2	1	1
3	7 and above	9
Total		11

Source: Finance Department, Government of Odisha

Of these 11 bodies/ authorities, only two bodies / authorities viz. Odisha State Legal Services Authority (OSLSA) and Odisha State Police Housing and Welfare Corporation Ltd, submitted their accounts for financial audit up to 2017-18 and 2018-19 respectively.

Annual accounts for remaining nine bodies/ authorities⁴ due up to 2018-19 were not received as of January 2020. The accounts of these bodies/ authorities were in arrears for more than seven years.

In the absence of annual accounts, the accounting/ utilization of the grants and loans disbursed to these bodies/ authorities could not be verified in audit.

Accepting the audit observation, the State Government stated (May 2020) that a communication would be sent to Housing & Urban Development Department and Development Authorities under it to complete all their pending Annual Accounts. To begin with, they should start furnishing accounts pertaining to recent years on priority basis. An Action Plan needs to be furnished by the concerned Autonomous Bodies to clear up pending Annual Accounts.

Recommendation 10: *The Finance Department should review the cases of all Autonomous Bodies that are in arrears of accounts and ensure that the accounts are made current within a reasonable period.*

3.4 Non-submission of Utilisation Certificates

The Government gives grants to various bodies for specific purposes. Rule 173 of Odisha General Financial Rules (OGFR) stipulates that Utilisation Certificates (UCs) in respect of Grants-in-Aid (GIA) provided for specific purposes, should be obtained by the departmental officers from the grantees and forwarded to PAG (A&E) by 30 June of the

⁴ (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 of H&UD Department.

succeeding year of expenditure to ensure that the funds have been utilised for intended purposes. Non-submission /delay in submission of the UCs weakens the control on utilisation and provides scope for misutilisation / misappropriation / diversion of funds.

During the year 2018-19, Government released ₹25,957.25 crore as Grants-in-Aid (34,317 vouchers), for which, UCs were not received in respect of ₹19,371.21 crore (74.63 per cent) (3,078 vouchers). There is, therefore, no assurance that the expenditure of ₹19,371.21 crore had actually been incurred for the purposes for which it was authorised. Further, UCs for an amount aggregating ₹ 45,340.89 crore remained outstanding against 37 departments⁵ of the State as of March 2019 in the books of the PAG (A&E), Odisha from 2003-04 onwards. Year-wise break-up of pending UCs against 29,138 GIA vouchers is summarized in **Table 3.4**.

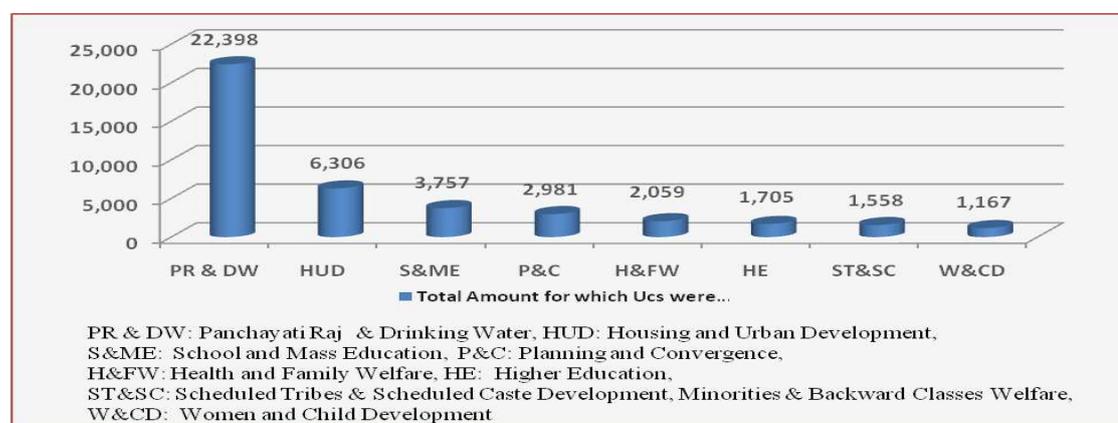
Table 3.4: Year-wise break up of pending UCs against GIA

Years	Grants-in-Aid (G.I.A) against which UCs are awaited as of March 2019	
	Number of UCs	Amount (₹ in crore)
Up to 2014-15	18,705	6,111.71
2015-16	2,146	3,724.44
2016-17	2,808	5,910.65
2017-18	2,401	10,222.88
2018-19	3,078	19,371.21
TOTAL	29,138	45,340.89

Source: Finance Accounts, Government of Odisha

Department-wise outstanding position of UCs of 37 departments is given in **Appendix 3.4**. The eight major defaulting departments accounted for 92.47 per cent of the total amount for which UCs were outstanding as of March 2019 (**Chart 3.2**). In comparison to 2017-18, the total amount for which the UCs were pending increased by ₹ 6,913 crore (17.99 per cent) in 2018-19.

Chart 3.2: Department-wise amounts for which UCs were outstanding as on 31 March 2019
(₹ in crore)



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

⁵ Excluding the following departments – Odisha Legislative Assembly, Public Grievances & Public Administration, Steel & Mines, Information & Public Relations, Excise and Public Enterprises, Odia Language Literature & Culture

3.4.1 UCs pending for more than ten years

UCs amounting to ₹ 1,234.46 crore (7,021 vouchers) were pending for more than ten years in 19 departments as of March 2019 as detailed in **Appendix-3.5**. Panchayati Raj (₹428.85 crore), Revenue & Disaster Management (₹219.23 crore), Housing & Urban Development (₹246.44 crore) and Planning and Convergence (₹170.41 crore) Departments alone accounted for 86.27 per cent of the amount for which UCs were pending. Position with respect to submission of UCs had, however, not improved so far. Huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

The State Government stated (May 2020) that review of Department-wise pendency of Utilisation Certificates would be carried out centrally by the Finance Department, in order to improve pendency of the UC position. The Government agreed to hold review meeting with all the Departmental heads under the chairmanship of Chief Secretary on this issue.

Recommendation 11: *The Finance Department should develop a mechanism to ensure submission of UCs which have become due without delay and review all UCs pending for submission before release of fresh grants.*

3.5 Non-submission of Detailed Contingent Bills

The Odisha Treasury Code (Rule 261) requires that advances drawn through Abstract Contingent (AC) bills are adjusted within one month through Detailed Contingent (DC) bills.

It was observed that 15 Departments had drawn 939 Abstract Contingent bills for an amount of ₹210.19 crore from Government accounts in the financial year 2018-19 and submitted only 214 Detailed Contingent (DC) Bills for an amount of ₹ 11.46 crore. Thus, 725 DC bills amounting to ₹198.73 crore were not submitted by 12 departments before the close of the financial year. There is, therefore, no assurance that the amount of ₹ 198.73 crore had actually been incurred during the financial year for the purpose for which it was sanctioned / authorised by the Legislature. This is a possible overstatement of expenditure in the year 2018-19. Further, a total of 446 DC bills amounting to ₹11.70 crore for the years up to 2016-17 and 100 DC bills amounting to ₹2.98 crore for the year 2017-18 were yet to be submitted by the Departments. Advances drawn and not accounted for, increase the possibility of wastage / misappropriation / malfeasance etc. Details of pending DC Bills are given in **Table 3.5**.

Table-3.5: Details of pending DC bills

Year	No. of pending DC Bills	Amount (₹ in crore)
2003-04 to 2016-17	446	11.70
2017-18	100	2.98
2018-19	725	198.73
Total	1,271	213.41

Source: Compiled from the VLC database maintained by the Office of the PAG (A&E), Odisha.

It was further observed that three⁶ departments accounted for 99.67 per cent of the total outstanding DC bill.

3.5.1 Money drawn on AC bills in the month of March

An analysis of VLC data indicated that during 2014-15 and 2018-19, out of total AC bills of ₹ 435.59 crore, ₹ 210.29 crore (48.27 per cent) were drawn during last month of the respective financial years. The percentage drawl of AC bills in the month of March ranged from 12.15 per cent to 75.33 per cent of the total amount of AC bills drawn during 2014-15 to 2018-19 as detailed in **Table 3.6**.

Table-3.6: Year-wise details of Money drawn on AC bills in the month of March
(₹ in crore)

Financial Year	Total amount drawn on AC bills	Total AC bills amount drawn in March	Percentage of AC bills drawn in March
2014-15	72.23	17.38	24.06
2015-16	62.39	7.58	12.15
2016-17	73.15	15.03	20.54
2017-18	17.63	11.97	67.89
2018-19	210.19	158.33	75.33
Total	435.59	210.29	48.27

Source: Compiled from the VLC database maintained by the Office of the PAG (A&E), Odisha.

Further analysis of VLC data revealed that AC bills aggregating ₹ 3.11 crore (1.48 per cent) were drawn on the last week of the financial year. Thus, it was evident that substantial drawls in the month of March and last week of the financial year were made to avoid lapse of appropriations.

Non-submission of DC bills within the prescribed time is a breach of financial discipline and enhances risk of misappropriation of public money and is an unhealthy practice.

The State Government stated (May 2020) that the matter was being reviewed by Finance Department regularly and that the Financial Advisors and Controlling Officers were being sensitised about the importance of timely submission of DC Bills. The Government accepted the suggestion of Audit as to not consider 2nd AC Bill in the case of pendency of previous AC Bills, if any.

Recommendation 12: Finance Department may ensure that all Controlling Officers submit the required DC bills to adjust all pending AC bills in a time-bound manner.

3.6 Financial Reporting Issues

3.6.1 Non submission of details of grants/loans paid

Regulation on Audit and Accounts 2007 provides that Government and Heads of Departments who sanction grants and / or loans to bodies or authorities shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year. Only twenty two out of 43 departments had furnished (as of March 2020), the details of

⁶ Home (₹189.44 crore), General Administration (₹ 7.49 crore) and Higher Education (₹ 1.14 crore).

grants-in-aid given to various bodies and authorities in the year 2018-19. In the absence of the information from remaining 21 departments⁷, reasonable assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned / released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

3.6.2 Departmentally Managed Commercial Undertakings

Government departments which perform 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. As of March 2019, out of 16 departmental undertakings/schemes, no department had prepared proforma accounts.

3.6.3 Under-utilisation of Building and Other Construction Workers (BOCW) Welfare Fund

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through levy and collection of cess on the cost of construction. The Labour Cess collected from all construction works was required to be deposited in the Odisha Building and Other Construction Workers' Welfare Fund (OB&OCWW). The fund was to be utilised in extending different welfare measures to the registered beneficiaries engaged in different buildings and other construction works.

Though the collection of Labour Cess increased by ₹ 876.48 crore from ₹211.13 crore in 2014-15 to ₹ 1,087.61 crore in 2018-19, the percentage of utilisation of the fund ranged from 4.78 *per cent* in 2014-15 to 54.88 *per cent* in 2018-19. Due to poor utilisation of the funds, the objective of collection of Labour Cess could not be achieved.

In terms of Resolution (15 December, 2008) of Labour and Employment Department, Government of Odisha, the Cess was to be deposited under the Major Head of Account-0230 into the Government Treasury (the Consolidated Fund of the State).

Scrutiny of records of Odisha Building and Other Construction Workers' Welfare Fund showed that the Cess collected by various agencies was sent through cheques/ drafts to the Board and deposited in the savings bank account of the Board opened for the purpose, without being transferred from the Consolidated Fund of the State, in violation of Article 266(1) of the Constitution.

Further, as per Finance Accounts 2018-19, an amount of ₹ 2.38 crore was collected

⁷ General Administration, Revenue & Disaster Management, Works, Odisha Legislative, Food Supplies and Consumer Welfare, School and Mass Education Department, ST&SC Development Minorities & Backward Classes Welfare, Health & Family Welfare, Housing and Urban Development, Labour & ESI, Sports & Youth service, Panchayati Raj, Public Grievance and Pension Administration, Forest and Environment, Parliamentary Affairs, Co-operation, Electronics & IT Department, Higher Education, Micro, Small and Medium Enterprises, Social Securities and Empowerment of persons with disabilities Department and Disaster Management.

towards BOCW Cess Act through Treasury. The same was yet to be transferred to Board's Account. This had an impact of over statement of Revenue surplus of ₹ 2.38 crore and understatement of Fiscal Deficit of the same amount.

3.6.4 Discrepancy of ₹ 57.32 crore due to non-reconciliation between bank balance and cash book balance

Reconciliation of bank account figures with those of cash book figures is required to be done regularly at the end of each month in order to ensure accuracy of the transactions entered in the books of accounts. DDOs are required to carry out reconciliation at the end of each month to set right the mismatches/discrepancies, if any. In 17 sampled DDOs, it was observed that there was a difference of ₹ 57.32 crore (*Appendix 3.6*) between the balances in cash book and bank pass book as of March 2019. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouched for in audit.

Accepting the audit observation, the State Government stated (May 2020) that opening of bank accounts for drawal and parking of State Government funds is not allowed. Such practice is discouraged in view of the robust IT infrastructure and roll out of DBT facility in IFMS. All the cases will be reviewed and steps would be taken for closure of such bank accounts where there is no transaction.

Bhubaneswar

The

(BIBHUDUTTA BASANTIA)

Accountant General (Audit-I), Odisha

Countersigned

New Delhi

The

(RAJIV MEHRISHI)

Comptroller and Auditor General of India