

1.1 Profile of Odisha

Odisha, a state on the eastern coast of India, is divided into 30 administrative geographical districts. It is the ninth largest State of India in terms of geographical area (1,55,707 sq. km) having 4.87 *per cent* of total area of the nation. According to the 2011 census of India, the total population of Odisha is 4.20 crore (11th largest state), of which 2.12 crore (50.54 *per cent*) are male and 2.08 crore (49.46 *per cent*) are female. The percentage of population below the poverty line was 32.59 *per cent*, which was higher than the national average of 21.9 *per cent*. Odisha has a lower literacy rate, lower life expectancy at birth and higher infant mortality rate, when compared to the all-India average. A profile of the State with demographic and other details is at **Appendix-1.1**.

The structure of Government Accounts is explained in **Part A** and the layout of Finance Accounts of Government of Odisha is given in **Part B** of **Appendix-1.2**.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the Accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

The Office of the Accountant General (Accounts & Entitlements), Odisha prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These Accounts are audited independently by the Office of the Accountant General (Audit-I), Odisha and the Accounts are certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit);

- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India. An exit conference was held in December 2021 with Finance Department, Government of Odisha, wherein the issues taken up in the State Finances Audit Report were discussed and the draft Report was forwarded to the State Government for comments. Replies of the Government, wherever received, have been incorporated in this Report at appropriate places.

1.3 Report Structure

The State Finances Audit Report is structured into the following five Chapters:

Chapter – 1	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government Accounts, budgetary processes, macro-fiscal analysis of key indices and State’s fiscal position including the deficits/ surplus.
Chapter – II	Finances of the State This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter – III	Budgetary Management This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter – IV	Quality of Accounts & Financial Reporting Practices This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various Departmental officials of the State Government.
Chapter – V	State Public Sector Enterprises This Chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.

1.4 Overview of Government Account Structure and Budgetary Processes

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This ‘Annual Financial Statement’ constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

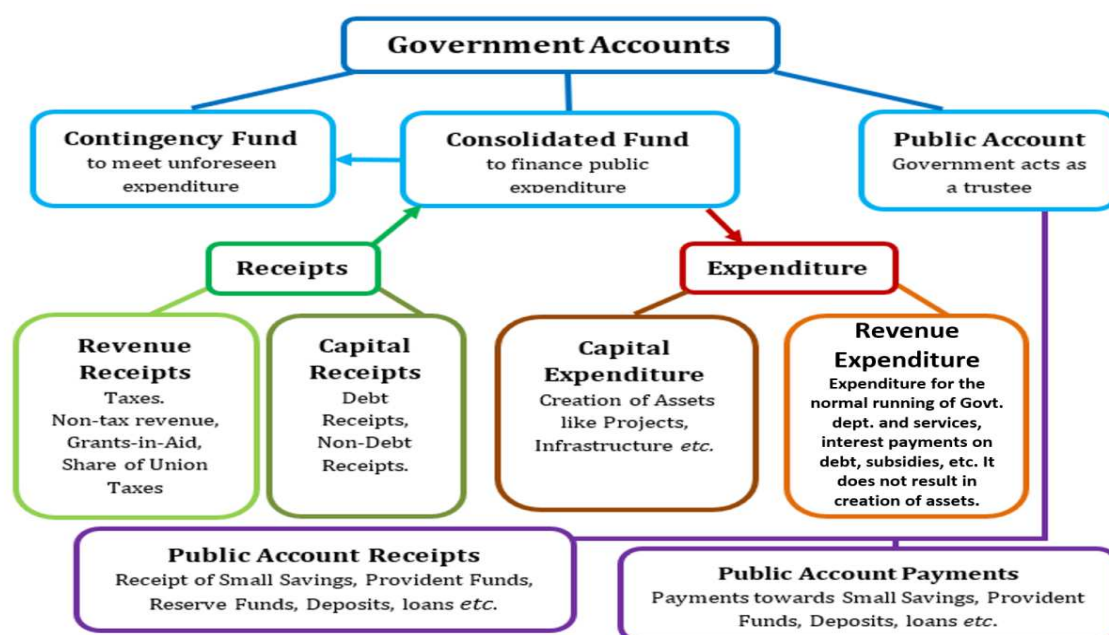
Revenue Receipts consist of Own Tax Revenue, Non-Tax Revenue, share of Union Taxes/ Duties and Grants-in-Aid from Government of India.

Revenue Expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government and Grants-in-Aid given to various institutions (even though some of the grants may be meant for creation of assets).

The main items of **Capital Receipts** are loans raised by the Government called market borrowings, borrowings by the Government from the Reserve Bank and commercial banks and other financial institutions through the sale of treasury bills, and recoveries of loans granted by the Government. Other items include small savings (Post-Office Savings Accounts, National Savings Certificates, *etc.*), provident funds and net receipts obtained from the sale of shares in Public Sector Undertakings (PSUs).

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to PSUs and other parties.

Structure of Government Accounts



The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State constituted under Article 266(1) of the Constitution of India.
2. Contingency Fund of the State constituted under Article 267(2) of the Constitution of India.
3. Public Account of the State constituted under Article 266(2) of the Constitution.

At present, we have an accounting classification system in Government that is both functional and economic.

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub- scheme	Detailed Head (2-digit)
	Economic nature/ Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 are for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of the State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget *etc.*

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.4.1 Gross State Domestic Product of the State

Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refer to the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period of time, accounted without duplication and are important indicators of the Country and State's economy. The Gross State Domestic Product (GSDP) of Odisha in 2020-21 at current prices was ₹5,09,574 crore. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year: 2011-12) are in **Table 1.1**. Economic growth in Odisha and for India as a whole was adversely impacted during 2020-21, due to the COVID-19 outbreak.

Table 1.1: GDP of India and GSDP of the State

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Current Prices					
India's GDP (₹ in crore)	153,91,669	170,90,042	188,86,957	203,51,013	197,45,670
Growth rate (<i>per cent</i>)	11.76	11.03	10.51	7.75	-2.97
State's GSDP (₹ in crore)	3,92,804	4,40,879	4,87,805	5,21,275	5,09,574
Growth rate (<i>per cent</i>)	19.56	12.24	10.64	6.86	-2.24
Constant Prices (Base Year 2011-12)					
India's GDP (₹ in crore)	123,08,193	131,44,582	140,03,316	145,69,268	135,12,740
Growth rate (<i>per cent</i>)	8.26	6.80	6.53	4.04	-7.25
State's GSDP (₹ in crore)	3,37,348	3,61,568	3,76,877	3,96,499	3,76,998
Growth rate (<i>per cent</i>)	15.44	7.18	4.23	5.21	-4.92

Source: GDP- Central Statistical Office (2016-17: Final, 2017-18: Third Revised, 2018-19: Second Revised, 2019-20: First Revised and 2020-21: Provisional)

GSDP- Directorate of Economics & Statistics, Odisha (2016-17: Final, 2017-18: Third Revised, 2018-19: Second Revised, 2019-20: First Revised and 2020-21: Advance)

1.4.1.1 Sectoral Composition

In respect of sectoral composition of GSDP, the share of Agriculture and Allied Activities Sector remained more or less the same during 2020-21 as compared to contribution during 2016-17 even after the regular natural calamities such as drought, flood and cyclone.

The share of the Industry Sector was 31.73 *per cent* of GSDP during 2020-21, which was significantly lower than its share of 35.55 *per cent* during 2016-17, due to the shut-down and restrictions imposed on operations of industries during the Covid-19 outbreak. This Sector comprises (i) Mining and Quarrying, (ii) Manufacturing, (iii) Electricity, Gas and Water-supply and (iv) Construction activities. Manufacturing is the leading sub-sector, with a 48.40 *per cent* share under Industry Sector.

The share of Services Sector during 2020-21 was 37.16 *per cent* of GSDP. This Sector comprises (i) Trade, Repair, Hotels and Restaurants, (ii) Transport, Storage, Communication *etc.*, (iii) Financial Services, (iv) Real estate, OD Professional Services, (v) Public Administration and Defence and (vi) Other Services. Other Services is the leading sub-sector with 23.73 *per cent* share under Services Sector. Restaurants were

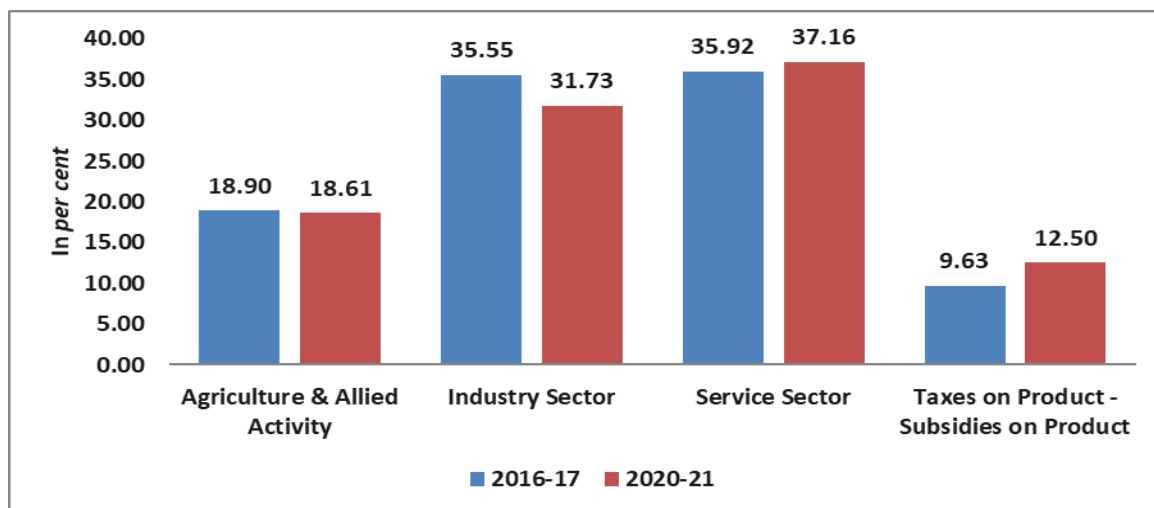
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permitted to operate with limited restrictions during the Covid-19 outbreak, and activities such as transport and storage of goods were not as adversely impacted as other Sectors. There was increased expenditure under Public Administration during the Covid-19 outbreak in the form of various pandemic response measures.

The share of Taxes on Product (less subsidy) showed an increase from 9.63 *per cent* in 2016-17 to 12.50 *per cent* share of GSDP in 2020-21.

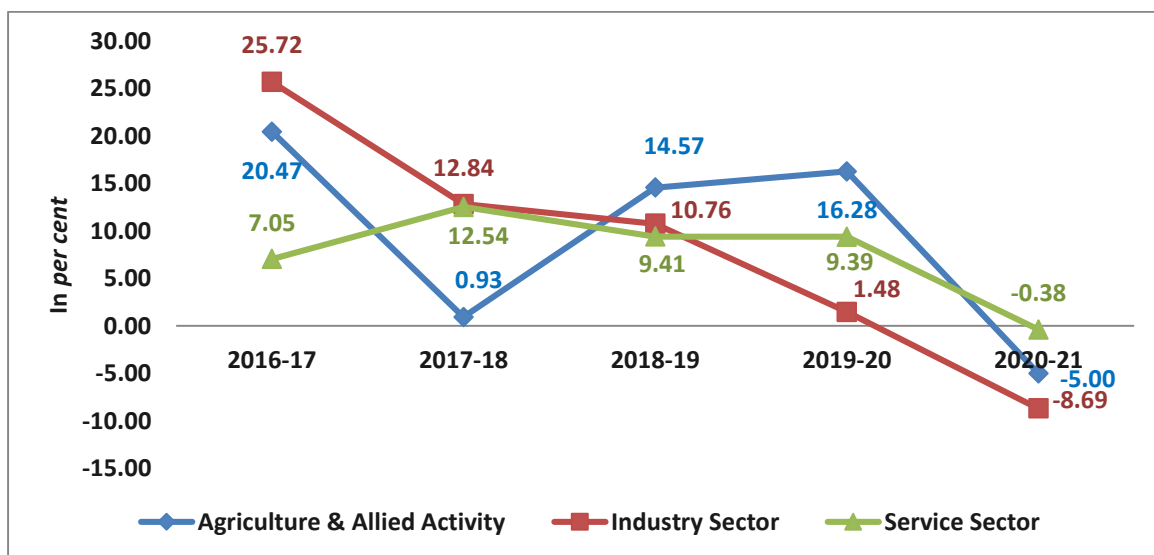
The changes in sectoral contribution to GSDP and trends in sectoral growth of GSDP over the years 2016-17 to 2020-21 are detailed in **Charts 1.1 and 1.2** below.

Chart 1.1: Change in Sectoral Contribution to GSDP (2016-17 to 2020-21)



Source: Directorate of Economics & Statistics, Government of Odisha

Chart 1.2: Sectoral Growth in GSDP (Over Previous Year)



Source: Directorate of Economics & Statistics, Government of Odisha

However, the Sectoral growth rate of all three sectors during 2020-21 witnessed negative growth due to the pandemic. There was a decreasing trend in all three Sectors compared to 2019-20, with the Industry Sector being the most impacted, followed by Services Sector and then the Agriculture and Allied Activities Sector.

1.4.2 Snapshot of Finances

The following table provides the details of actual financial results *vis-à-vis* Budget Estimates for the year 2020-21 *vis-à-vis* actuals of 2020-21.

Table 1.2: Actual Financial Results *vis-à-vis* Budget Estimates

(₹ in crore)

Sl. No.	Components	2019-20 Actual	2020-21 B.E.	2020-21 Actual	Percentage of Actual to B.E.	Percentage of Actual to GSDP
1	Tax Revenue	32,315	38,350	34,258	89.33	6.72
2	Non Tax Revenue	14,647	17,650	19,518	110.58	3.83
3	Share of Union taxes / duties	30,454	36,300	27,543	75.88	5.41
4	Grants-in-Aid and Contributions	24,152	32,000	23,068	72.09	4.53
5	Revenue Receipts (1+2+3+4)	1,01,568	1,24,300	1,04,387	83.98	20.49
6	Recovery of Loans and Advances	287	250	684	273.60	0.13
7	Other Receipts	--	0	0	0.00	0.00
8	Borrowings and other Liabilities (a)	18,818	17,878	9,786	54.74	1.92
9	Capital Receipts (6+7+8)	19,105	18,128	10,470	57.76	2.05
10	Total Receipts (5+9)	1,20,673	1,42,428	1,14,857	80.64	22.54
11	Revenue Expenditure of which	99,137	1,14,791	95,311	83.03	18.70
12	Interest payments	6,063	7,160	6,644	92.79	1.30
13	Grant-in-Aid for creation of capital assets	7,487	9,102	8,567	94.12	1.68
14	Capital Expenditure of which (b)	21,536	27,637	19,546	70.72	3.84
15	Capital Outlay	20,277	26,263	17,949	68.34	3.52
16	Loan and advances	1,259	1,374	1,597	116.23	0.31
17	Total Expenditure (11+14)	1,20,673	1,42,428	1,14,857	80.64	22.54
18	Revenue Surplus (5-11)	2,430[#]	9,509	9,076	95.45	1.78
19	Fiscal Deficit {17-(5+6+7)}	18,819[#]	17,878	9,786	54.74	1.92
20	Primary Deficit (19-12)	12,756	10,718	3,142	29.32	0.62

Source: Finance Accounts & Budget at a Glance

[#] Difference of ₹ 1 crore is due to rounding off.

(a) Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance

(b) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed

The reason for increase in revenue receipts by ₹2,819 crore over last year was due to an increase in State's non-tax revenue by ₹4,871 crore and State's tax revenue by ₹1,943 crore. However, during the year Grants-in-aid and State share of union taxes decreased by ₹1,084 crore and ₹2,911 crore respectively.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation of ₹ 4,361.59 crore as revenue receipts, due to inadequate balance in GST compensation fund during the year 2020-21, Odisha also received back-to-back loan of ₹ 3,822 crore under debt receipts of the State Government, with no repayment liability for the State. Due to this

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arrangement, the revenue surplus of ₹ 9,076 crore and fiscal deficit of ₹ 9,786 crore during the year 2020-21 may be read in conjunction with debt receipt of ₹ 3,822 crore in lieu of GST compensation.

Table 1.3 below indicates the trend analysis of receipt *vis-a-vis* expenditure for the last five years:

Table 1.3: Trends of Receipts *vis-à-vis* Expenditure

Year	Revenue		Per cent of Revenue Expenditure to Revenue Receipts	Capital		Per cent of Capital Expenditure to Capital Receipts
	Receipts	Expenditure		Receipts	Expenditure	
2016-17	74,299	65,041	87.54	11,312	21,687	191.72
2017-18	85,204	71,837	84.31	13,119	25,674	195.70
2018-19	99,546	85,356	85.75	10,308	28,592	277.38
2019-20	1,01,568	99,137	97.61	14,966	26,030	173.93
2020-21	1,04,387	95,311	91.31	21,002	28,798	137.12

Source: Finance Accounts of respective years

- In 2019-20, for every ₹100 received as revenue, ₹97.61 had been on revenue expenditure which was reduced to ₹91 in 2020-21.
- While revenue expenditure increased by ₹30,270 crore (46.54 per cent) from 2016-17 to 2020-21, capital expenditure increased by ₹7111 crore (32.79 per cent).
- While the percentage of Revenue Expenditure over Revenue Receipts was increasing over the years, the percentage of Capital Expenditure over Capital Receipts declined from 2016-17 to 2020-21.

1.4.3 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the public account and reserve funds, and the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.4: Summarised position of assets and liabilities

Liabilities					Assets				
		2019-20	2020-21	Per cent increase / decrease			2019-20	2020-21	Per cent increase/ decrease
Consolidated Fund									
A	Internal Debt	60,595.30	67,521.41	11.43	A	Gross Capital Outlay on Fixed Assets	1,61,726.29	1,79,684.79	11.10
B	Loans and Advances from GoI	7,842.55	11,981.95	52.78	B	Loans and Advances	8,162.72	9,066.17	11.07
Contingency Fund		400.00	229.00	-42.75					
Public Account									
A	Small Savings,	24,337.84	24,949.37		A	Advances	10.61	16.48	55.32

Liabilities					Assets				
		2019-20	2020-21	Per cent increase / decrease			2019-20	2020-21	Per cent increase / decrease
	Provident Funds etc.								
B	Deposits	29,256.25	16,225.05	-44.54	B	Remittance	100.24	82.23	-17.97
C	Reserve Funds	21,362.47	20,333.44	-4.76	C	Suspense and Miscellaneous	--	--	--
D	Suspense and Miscellaneous balances	91.45	117.62	28.62	D	Cash Balance (including investment of Earmarked Fund)	42,437.50	32,636.04	-23.10
E	Miscellaneous Capital Receipts	698.15	698.15	--					
F	Cumulative excess of receipts over expenditure	67,853.36	79,429.72	17.06					
	Total	2,12,437.36	2,21,485.71	4.26		Total	2,12,437.36	2,21,485.71	4.26

Source: Finance Accounts of respective years

The growth rate of assets in Consolidated Fund increased by 11.10 *per cent* from ₹1,69,889 crore in 2019-20 to ₹1,88,751 crore in 2020-21, while that of liabilities also increased by 16.17 *per cent* from ₹68,438 crore in 2019-20 to ₹79,503 crore in 2020-21. The cash balance of the state at the end of the year was ₹32,636 crore which marginally decreased by ₹ 9,801 crore (23.10 *per cent*) over the previous year.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered to by the State with regard to deficit measures and debt level.

Achievements *vis-à-vis* fiscal targets prescribed in the State FRBM Act for the years 2016-21 is detailed in **Table 1.5** and comparison of targets for fiscal parameters projected in Medium Term Fiscal Plan (MTFP), 2020 presented to the State Legislature with actuals for the current year is presented in **Table 1.6**.

Table 1.5: Compliance with provisions of State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	9,258 ✓	13,367 ✓	14,190 ✓	2,430 ✓	9,076 ✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	3 per cent (5 per cent for 2020-21)	(-)2.39 ✓	(-)2.12 ✓	(-)2.08 ✓	(-)3.61 ×	(-)1.92 ✓
Ratio of total outstanding debt to GSDP (in per cent)	25 per cent	18.23 ✓	22.04 ✓	22.19 ✓	24.19 ✓	23.34 [#] ✓
Interest payment as percentage of Revenue Receipts	15 per cent	5.43 ✓	5.85 ✓	5.83 ✓	5.97 ✓	6.36 ✓
Ratio of Salary to State's Own Revenue	80 per cent	49.13 ✓	48.74 ✓	43.50 ✓	44.39 ✓	39.34 ✓
Primary Surplus as a percent of GSDP	2 per cent	(-)1.36 ×	(-)0.99 ×	(-)0.89 ×	(-)2.45 ×	(-)0.62 ×

Source: FRBM Act and Finance Accounts of respective years, Government of Odisha

The fiscal deficit target and annual borrowing limit for the year 2020-21 had increased by two per cent over and above the target fixed in clause (b) of Section 5 of the OFBRM Act, 2005 through Odisha Gazette (Extraordinary) of 13 May 2021. The State was able to achieve all the fiscal parameters set out in FRBM Act during 2016-17 to 2020-21, except the target set for achieving Primary Surplus.

Table 1.6: Actuals vis-à-vis projection in MTFP for 2020-21

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in per cent)
1	Own Tax Revenue	38,350	34,258	(-)10.67
2	Non Tax Revenue	17,650	19,518	(+)10.58
3	Share of Central Taxes	36,300	27,543	(-)24.12
4	Grants-in-Aid from GoI	32,000	23,068	(-)27.91
5	Revenue Receipts (1+2+3+4)	1,24,300	1,04,387	(-)16.02
6	Revenue Expenditure	1,14,791	95,311	(-)16.97
7	Revenue Deficit (-) / Surplus (+) (5-6)	9,509	9,076	(-)4.55
8	Fiscal Deficit (-) / Surplus (+)	17,878	9,786	(-)45.26
9	Debt-GSDP ratio (per cent)	18.99	23.34 [#]	(+)26.86
10	GSDP growth rate at current prices (per cent)	11.70	-2.24	(-)119.15

Source: Medium Term Fiscal Plan 2020 and Finance Accounts 2020-21, Government of Odisha.

[#] This debt does not include ₹3,822.00 crore, which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF-S/2021-22 dated 10-12-2021.

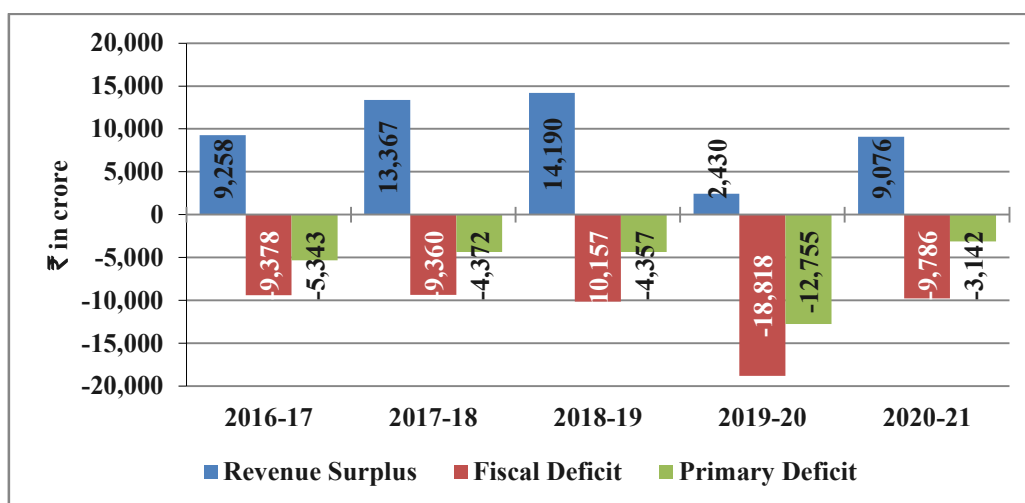
The effective debt to GSDP ratio (23.34 per cent) has been arrived at after excluding GST compensation of ₹ 3,822 crore received as back to back loan under debt receipts from the total outstanding liabilities as the Department of Expenditure, GoI has decided that it will not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

It is evident from the above **Table 1.6** that the State Government did not achieve its MTFP target for Revenue Surplus and Debt-GSDP Ratio. Even though the State's projections were adversely impacted by the sudden COVID-19 outbreak, the target for Fiscal Deficit was achieved by the State Government.

1.5.1 Fiscal parameters

Three key fiscal parameters *viz.*, (i) Revenue Surplus/Deficit¹, (ii) Fiscal Deficit² and (iii) Primary Deficit³ help in assessing the fiscal situation of the Government. The way these deficits are financed assist in assessing the fiscal health of the Government. Trends in fiscal parameters are shown in **Chart 1.3**. Trends in Debt Sustainability (*i.e.*, Ratio between Fiscal Liabilities and GSDP in *per cent*) are shown in **Chart 1.4**.

Chart 1.3: Trends of Fiscal parameters



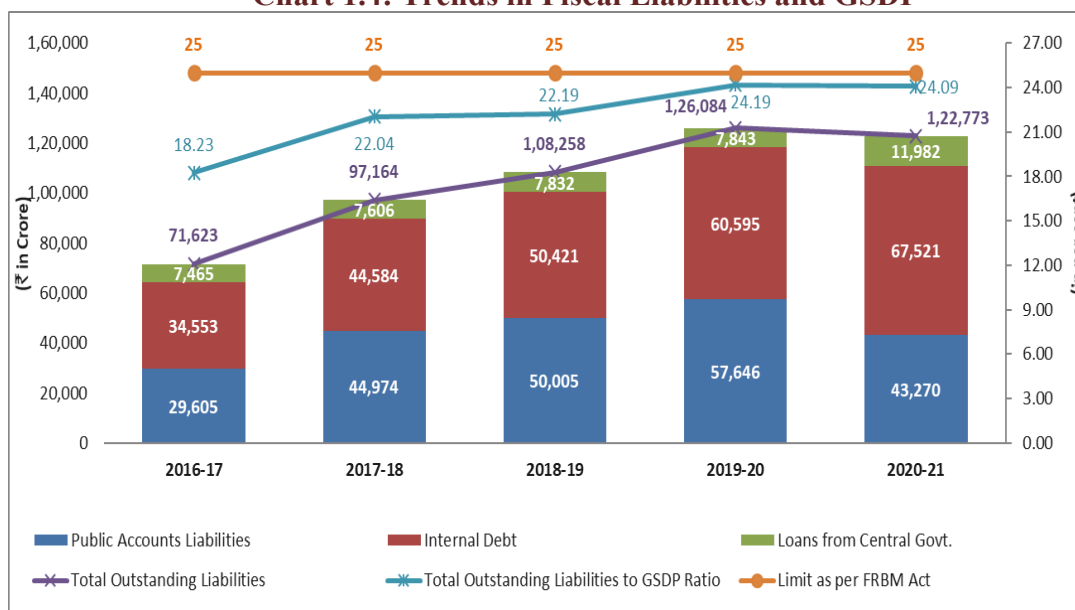
Source: Finance Accounts 2020-21, Government of Odisha

¹ Revenue Deficit = Revenue Expenditure - Revenue Receipts

² Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loans and Advances (-) Revenue Receipts (-) Miscellaneous Capital Receipts

³ Primary Deficit = Fiscal Deficit - Interest Payments.

Chart 1.4: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts 2020-21, Government of Odisha

Debt includes Internal Debt, Loans and Advances from Government of India (including back to back loan) & Public Accounts Liabilities.

Some important deficit parameters are discussed below:

- **Revenue Surplus** (₹9,076 crore) of the State in 2020-21 increased (273 per cent) compared to 2019-20 (₹2,430 crore). The State achieved the target of being a Revenue Surplus State as laid out in the State's FRBM (Amendment) Act 2016. However, the other targets included in the State's MTFP proved elusive, due to the sudden Covid-19 outbreak.
- **Fiscal Deficit** (₹9,786 crore) in 2020-21 decreased significantly (48 per cent) compared to 2019-20 (₹ 18,819 crore). However, the Fiscal Deficit as a percentage of GSDP was 1.92 per cent and well within the fiscal target set out in its FRBM (Amendment) Act 2021 of maintaining the Fiscal Deficit within 5 per cent of the GSDP.
- **Primary Deficit** (₹ 3,142 crore) in 2020-21 decreased significantly (-75 per cent) compared to 2019-20 (₹ 12,756 crore). Fiscal Deficit as a percentage of GSDP was 0.62 per cent and well within the fiscal target set out in its FRBM Act 2021 of maintaining the Fiscal Deficit within 2 per cent of the GSDP. However, the fact that there was a Primary Deficit indicates that the Non-debt Receipts⁴ were not sufficient to meet the Primary Expenditure during 2020-21.

The State Government stated (December 2021) that despite the negative effect of Covid-19 pandemic on the economy and short realization of Central transfers, the State could achieve all the fiscal parameters within FRBM limit. As per actuals, the GSDP at current prices contracted by 2.24 per cent which is the primary reason in wide variation of Debt-GSDP ratio against the projections in the MTFP of the State Government.

⁴ Non-debt receipts = Revenue receipts + Miscellaneous Capital receipts + Recoveries of Loans and Advances.

1.6 Deficits and Total Debt after examination by Audit

After examination by Audit, there may be identification of certain financial transactions of the State Government whose corresponding accounting entries have resulted in misclassification of expenditure between revenue and capital heads of account. The following section describes such identified financial transactions.

1.6.1 Post audit Surplus/ Deficit

Misclassification of revenue expenditure as capital expenditure impacts revenue surplus figure. Besides, non-credit of interest to Deposits and Reserve Fund bearing interest, not depositing cess/ royalty to Consolidated Fund *etc.* also impact the revenue surplus and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities need to be reversed.

Audit noticed overstatement of Revenue Surplus by ₹1,390.27 crore and understatement of Fiscal Deficit by ₹342.90 crore for 2020-21, as detailed in **Table 1.7**:

Table 1.7: Revenue Surplus and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Deficit (₹ in crore)	
	Over Statement	Under Statement	Over Statement	Under Statement
Misclassifications between Revenue and Capital Expenditure	1,047.37	--	--	--
Non Credit of Interest to Reserve Fund Deposits (bearing interest)	93.83	--	--	93.83
Un-recouped Contingency Fund	171.00	--	--	171.00
Labour Welfare Cess collected but not transferred to Board's Account	4.49	--	--	4.49
Non transfer of Land Revenue Cess to Local Bodies	73.58	--	--	73.58
Total Impact	1,390.27 (Over Statement)		342.90 (Under Statement)	

Source: Audited Finance Accounts 2020-21, Government of Odisha

Effectively, as a result of examination of misclassification during post audit, the Revenue Surplus reduced from ₹9,076.39 crore (reported figure of Finance Account) to ₹7,686.12 crore (certified figure of Finance Account) and Fiscal Deficit increased from ₹9,785.54 crore (reported figure in Finance Account) to ₹10,128.44 crore (certified figure of Finance Account) in 2020-21.

Government stated (December 2021) that it has always given due importance to the advices of Accountant General from time to time for proper classification of expenditures and the best practices in public financial management. Many accounting corrections have already been incorporated in the Annual Budget, 2021-22 as per Audit recommendations in C&AG's previous State Finances Audit Reports. The fiscal parameters are still within the mandated fiscal targets after due adjustments and proper classifications. Recommendations of Audit would be considered during the next Budget cycle.