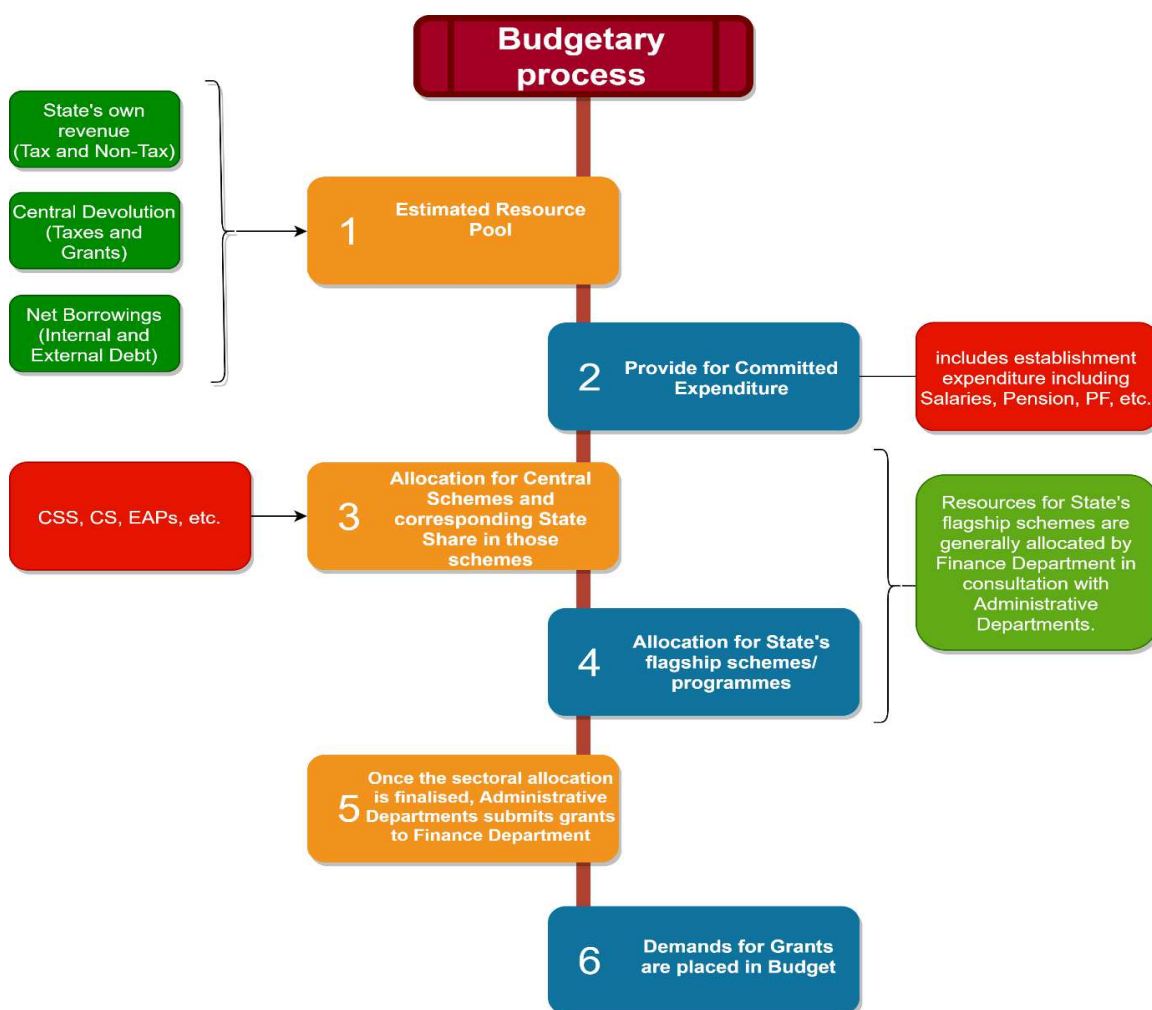


## 3.1 Budget Process

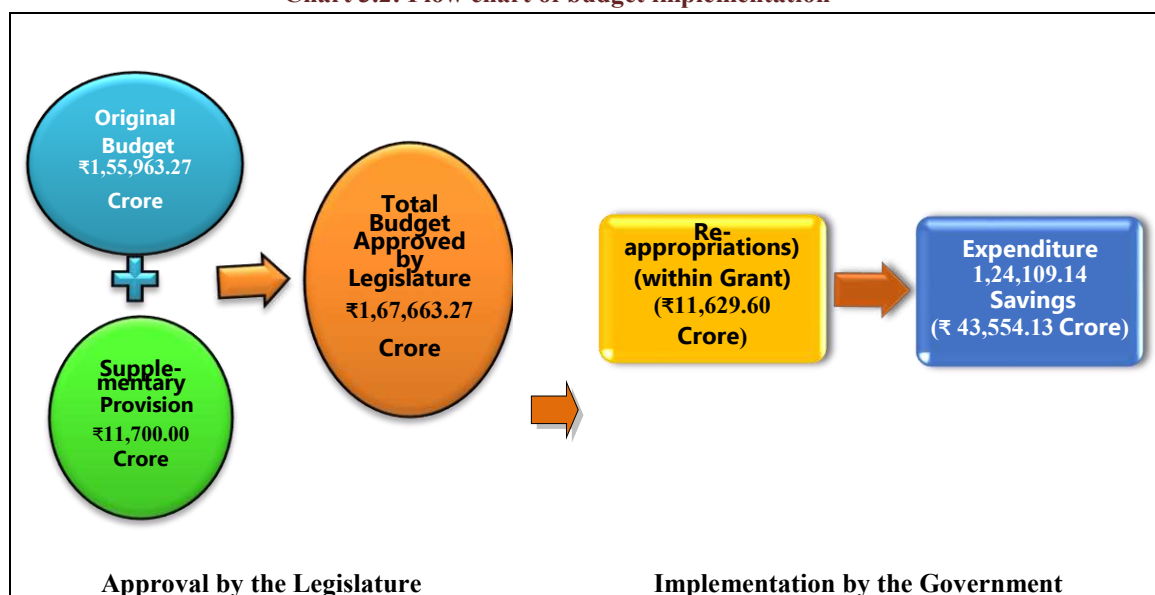
The Budget process commences with the issue of the Budget circular, normally in August each year, providing guidance to Departments in framing their estimates, for the next financial year. The Budget of the State is based on the Departmental estimates submitted by the controlling officers and these Departmental estimates are themselves mostly based on the estimates submitted by the District officers of the departments. Budget preparation process in the State is given in the **Chart 3.1**:

**Chart 3.1: Flow Chart of Budgetary Process**



The annual financial statement also called general budget is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The State Legislature initially approves the annual Budget. When the initial allocation is found to be inadequate or expenditure has to be incurred on a new item, the Government presents supplementary demands (Para 166 of the Budget Manual) before the Legislature. Further, re-appropriation is a mechanism, which allows the State Government to transfer savings from one sub-head (usually a scheme) to another, provided such transfers occur within the same grant<sup>21</sup> and under the same section<sup>22</sup>. Appropriation Accounts captures the data along the entire process of budget formulation and implementation as shown in **Chart 3.2**.

Chart 3.2: Flow chart of budget implementation



Source: Appropriation Accounts 2020-21, Government of Odisha

### 3.1.1 Summary of total provisions, disbursements and savings during 2020-21

The annual financial statement or Budget, should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure. A summarised position of total Budget provision, disbursement and savings/ excess during 2020-21 with its further bifurcation into voted/charged is given in **Table 3.1** below:

Table: 3.1 Summarised position of Expenditure vis-à-vis Budget provision.

(₹ in crore)

Total Budget (O+S) Provision		Total	Disbursements		Total	Savings		Total
Voted	Charged		Voted	Charged		Voted	Charged	
1,50,755.02	16,908.25	1,67,633.27	1,08,063.73	16,045.41	1,24,109.14	42,691.29	862.84	43,554.13

Source: Appropriation Accounts 2020-21, Government of Odisha

<sup>21</sup>Grant means the amount voted by the Legislative Assembly in respect of a demand for grant.

<sup>22</sup> Capital, Revenue or Loans.

As can be seen from the table, that utilisation (gross) of budgeted funds was 74.04 per cent in 2020-21. It was 10.04 per cent less than the utilisation of budgeted funds in 2019-20.

### 3.1.2 Charged and voted disbursements

Break-up of total disbursement into charged and voted during the year 2020-21 with trend analysis during the last five years (2016-21) is given in the **Table 3.2** below.

**Table: 3.2 Break-up of total disbursement into charged and voted during 2016-21**  
(₹ in crore)

Year	Disbursements			Savings/ Excess		
	Voted	Charged	Total	Voted	Charged	Total
2016-17	80,704.34	7,109.33	87,813.67	15,916.53 (19.72)	700.79 (9.86)	16,617.32
2017-18	89,635.62	9,186.48	98,822.1	20,405.17 (22.76)	801.31 (8.72)	21,206.48
2018-19	1,06,767.30	9,850.56	1,16,617.86	18,577.34 (17.40)	318.40 (3.23)	18,895.74
2019-20	1,20,176.20	10,676.63	1,30,852.83	24,046.16 (20.01)	731.55 (6.85)	24,777.71 (18.94)
2020-21	1,08,063.73	16,045.41	1,24,109.14	42,691.29 (39.51)	862.84 (5.38)	43,554.13 (35.09)

*Source: Appropriation Accounts of the respective years. Figures inside the bracket denote percentage of corresponding disbursement.*

As can be seen from the table above, the percentage of savings under 'Voted' ranged between 17.40 per cent to 39.51 per cent and under 'Charged' it ranged between 3.23 per cent to 9.86 per cent during 2016-21. The overall savings of ₹43,554.13 crore during 2020-21 was more than thrice the size of the supplementary budget of ₹11,700.00 crore obtained during the year, which raises questions about the budget formulation process.

Large amount of savings in allotted funds during 2020-21 indicated the disruption to Government activities that had been caused, due to the COVID-19 outbreak.

### 3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. It facilitates understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriation by the C&AG seeks to ascertain whether 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 incurred is in conformity with the law, relevant rules, regulations and instructions.

### **3.3 Comments on integrity of budgetary and accounting process**

#### **3.3.1 Misclassification of capital expenditure as revenue expenditure and charged expenditure & voted expenditure and vice versa**

Odisha financial rules categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. However, there are instances where object heads of revenue nature are incorrectly operated with capital major heads and vice-versa for example Grants-in-Aid.

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. An amount of ₹ 1,047.37 crores has been classified as Capital Expenditure for the year 2020-21 by the State Government. According to established accounting rules and standards, the amount should be classified as Revenue Expenditure (**paragraph 2.4.3** refers).

#### **3.3.2 Supplementary grants**

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year, can be made during the current financial year but, not after the expiry of the current financial year, as is necessary to meet-

- i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically “Schemes of New Expenditure.”
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation. Audit analysis of utilisation of these supplementary allocations is mentioned below:

##### **3.3.2.1 Unnecessary or excessive supplementary grants**

Audit analysis showed that supplementary grant<sup>23</sup> (₹ one crore and above) of ₹5,503.29 crore *i.e.*, 47.04 *per cent* of total supplementary grant was entirely unnecessary in 30 cases relating to 25 grants (**Appendix 3.1**), as the expenditure did not even reach the threshold of original provision. This indicated wrong estimation of Budget

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<sup>23</sup> *Supplementary grant means a grant voted by the Legislative Assembly on a supplementary statement of expenditure presented to it within a financial year under Article 205 of the Constitution.*

### 3.3.2.2 Excessive supplementary grants

Supplementary provision (₹one crore and above) aggregating ₹6,446.54 crore proved excessive by ₹2,207.13 crore in 11 cases under 10 grants and one appropriation (*Appendix 3.2*).

### 3.3.3 Un-necessary or excessive re-appropriation

By definition, Re-appropriations are meant for transfer of savings from one scheme / unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans). During 2020-21, re-appropriation orders amounting to ₹ 11,629.60 crore (566 cases) were issued.

Audit analysis of Re-appropriation Orders showed that the Re-appropriation of funds proved unnecessary/excessive in eight cases, since the amounts were not fully utilised, resulting in less expenditure of ₹ 105.82 crore as detailed in *Appendix 3.3*.

The Finance Department instructed (04 February 2021) that the deadline of the re-appropriations was 24 February 2021. Despite that, 10 cases of re-appropriation orders amounting to ₹3,433.21 crore (₹one crore and above in each case) were issued by five Departments on 31 March 2021 as detailed in *Appendix 3.4*.

This indicates that the expenditure control mechanism was not adequate and that re-appropriation was not done on the basis of realistic estimates.

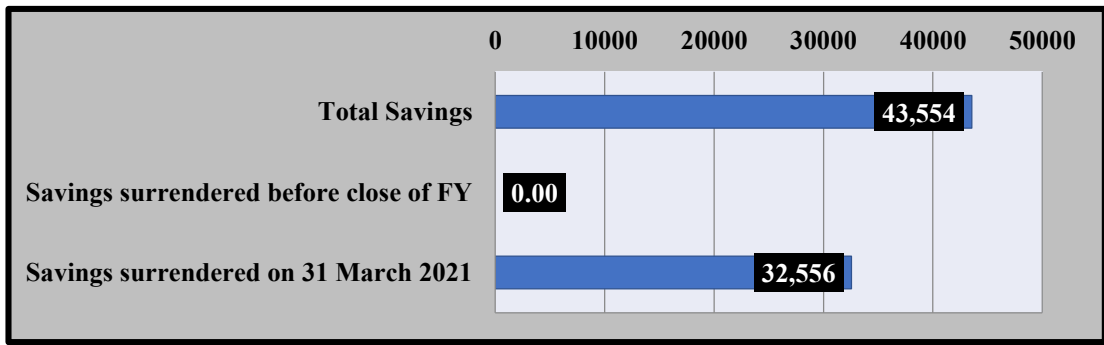
The State Government stated (December 2021) that the re-appropriation should be made to meet the additional requirement of funds for expenditure under a unit. Augmented provision through re-appropriation should be fully utilized. In order to ensure that, instructions by Finance Department to the grant controlling authorities are issued from time-to-time. In certain cases of Centrally Sponsored Schemes, funds are released by GoI very late in the year leading to mismatch between budgetary allocation and funds released under various components of the schemes. This necessitates re-appropriation of funds at the fag-end of the financial year in order to ensure release of fund to the scheme account as per the scheme guidelines.

### 3.3.4 Savings/ Surrenders

Against the overall savings of ₹43,554.13 crore, ₹32,556.37 crore (74.75 per cent) was surrendered on the last day of the year *i.e.*, 31 March 2021. The remaining savings of ₹10,997.76 crore (25.25 per cent) were not surrendered during 2020-21. The details are shown in **Chart 3.3**:

Chart 3.3: Savings and surrenders before close of financial year 2020-21

(₹ in crore)

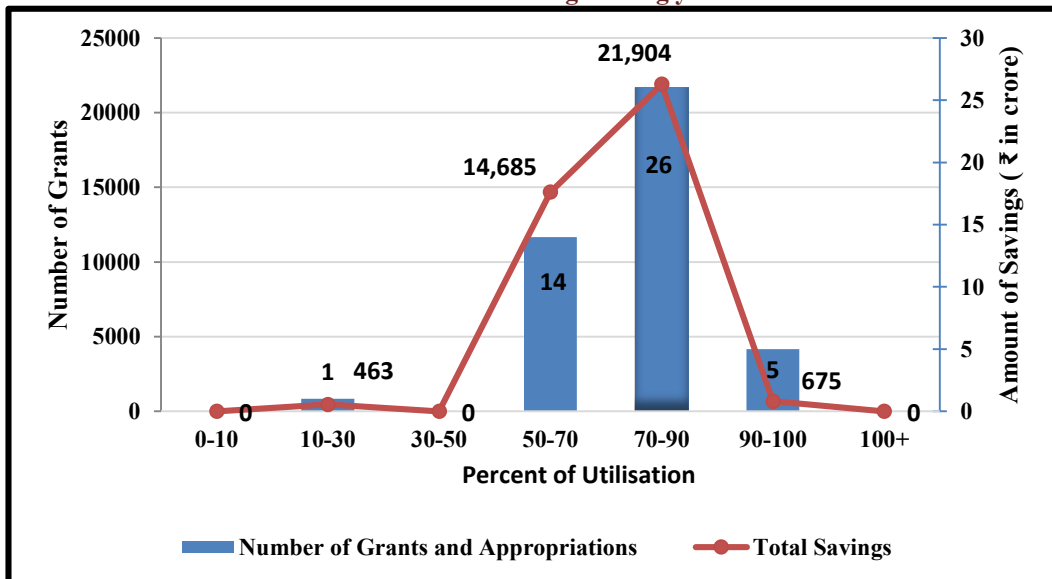


Source: Appropriation Accounts 2020-21, Government of Odisha

Of these overall savings, ₹ 35,821.91 crore (82.25 per cent) pertained to 24 grants and two appropriations with savings of more than ₹100 crore each and by more than 20 per cent of the total provision (*Appendix 3.5*). The main Departments with substantial savings were Finance, Panchayati Raj and Drinking Water, Water Resources and Disaster Management. Such large savings during 2020-21 indicated the extent of disruption to Government activities due to the Covid-19 outbreak.

The distribution of the number of Grants/ Appropriations grouped by the percentage of savings along with total savings in each group is detailed in **Chart 3.4**.

Chart 3.4: Distribution of number of Grants/Appropriation grouped by the Percentage of utilisation of funds/ savings during year 2020-21



Source: Appropriation Accounts 2020-21, Government of Odisha

As can be seen from **Chart-3.4** above, out of 46 grants (43 grants and three appropriations) relating to the budget of the State, there were only three grants and two appropriations where the utilisation of funds was more than 90 per cent. Science & Technology (99.24 per cent), Public Enterprise (95.11 per cent), Cooperation (93.53 per cent), Internal Debt of the State Government (all charged) (100 per cent) and Interest Payment (93.53 per cent).

Odisha Legislative Assembly (53.10 per cent), Excise (56.56 per cent), Water Resources (57.27 per cent), Agriculture and Farmers' Empowerment (61.25 per cent), Transport (63.60 per cent) and Labour and Employees State Insurance (62.55 per cent) are amongst the Departments where utilisation of funds was less than 70 per cent.

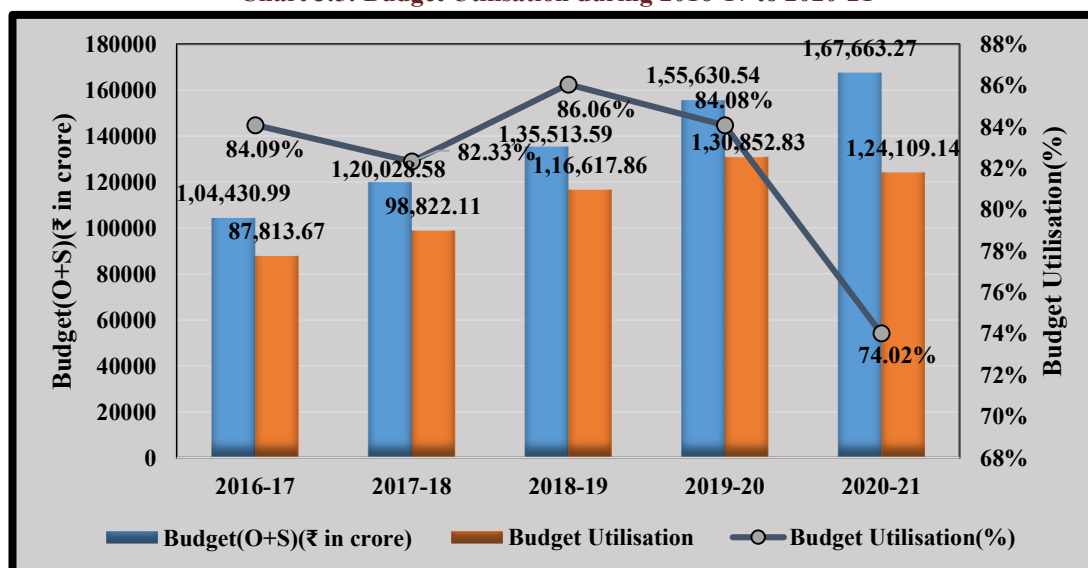
The State Government stated (December 2021) that savings are surrendered only when the Scheme implementing Departments and authorities are certain that they are not going to incur any further expenditures during the remaining part of the financial year. Additionally, sometimes GoI releases funds under CSS schemes during the last month and on the last day of financial year. This necessitates surrender of savings on the last day of the financial year.

The State Government further stated that large savings are also surrendered due to non-receipt of Central Assistance under CSS schemes provided in the Budget Estimate. As part of a control mechanism, Chief Secretary reviews the expenditure in the All-Secretaries' Meeting on monthly basis. Necessary instructions are also issued from time to time by Finance Department to expedite (or curtail) expenditure depending on the prevailing priorities.

### 3.3.4.1 Trends in Utilisation of Budgeted Funds

The extent of utilisation of budget during the five-year period from 2016-17 to 2020-21 is given in **Chart 3.5**:

**Chart 3.5: Budget Utilisation during 2016-17 to 2020-21**



Source: Appropriation Accounts 2020-21, Government of Odisha

Large amount of savings in allotted funds indicated both disruption caused due to Covid-19 outbreak, as well as potential inaccuracies in assessment of requirement and lack of capacity to utilise the funds for intended purposes, during the pandemic.

### 3.3.5 Substantial surrenders

Surrenders of 100 *per cent* of total provision of ₹ 1,834.31 crore were made in 12 cases (₹ 50 crore or more in each case) under 11 grants. These represented different schemes/ programmes/ projects and activities (*Appendix 3.6*). The surrenders were mainly attributed to non-release of Central share, non-receipt of permission from Government of India for drawal of funds, non-concurrence for further utilization of funds by the Finance Department, transfer of the responsibility for implementation of programme to other entities within the State Government, new schemes not taken up due to COVID-19, non-operation of schemes due to COVID-19, non-completion of tender processes and surrender of budget provisions related to response to natural disasters other than Covid-19, such as drought *etc.*

The State Government stated (December 2021) that a sizeable amount of Central Assistance is received towards the fag-end of the financial year. Hence, due to uncertainty in Central Assistance, in many cases, it is not possible to complete the surrender process by end of February. However, as the expenditure reconciliation module of IFMS is more or less stabilized, the Controlling Officers should make use of the facility to ensure that the anticipated savings are surrendered before the closure of financial year.

#### 3.3.5.1 Surrender in excess of savings

In three cases (three grants), the amount surrendered (one crore or more in each case), were in excess of savings, indicating inadequate budgetary control in these Departments. As against savings of ₹ 4,674.53 crore, the amount surrendered was ₹ 5,053.61 crore, resulting in excess surrender amounting to ₹ 379.08 crore. The details are given in **Table 3.3**.

**Table 3.3: Surrender of funds in excess of savings**

(₹ in crore)							
Sr. No.	Grant Number	Original	Supplementary	Total Provisions	Savings(-)/ Excess(+)	Amount Surrendered	Excess surrender
<b>Revenue (Charged)</b>							
1	12(Health and Family Welfare)	6,727.12	1,668.77	8,395.89	1,148.52	1,190.23	41.71
2	17(PR&DWD)	14,828.25	2,027.7	16,855.95	3,149.59	3,481.24	331.65
3	22(Forest & Environment)	1,954.4	21.55	1,975.95	376.42	382.14	5.72
<b>Total</b>		<b>23,509.77</b>	<b>3,718.02</b>	<b>27,227.79</b>	<b>4,674.53</b>	<b>5,053.61</b>	<b>379.08</b>

*Source: Appropriation Accounts 2020-21, Government of Odisha*

The State Government stated (December 2021) that such cases of excess surrender can be addressed through timely reconciliation of expenditure. To address the issue of generation of correct surrender statement, a system-based monitoring of reconciliation and generation of surrender statement has been developed in the Budget application of the State Government. The fact, however, remains that the issue remains unaddressed even after the system-based monitoring of reconciliation



and generation of surrender statements and therefore, the Government needs to check the working of the system.

### **3.3.5.2 Anticipated savings not surrendered/ partially surrendered**

As per Rule 146 of Odisha Budget Manual (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. Finance Department instructions also stipulated that the surrender of unutilised funds should be made on or before 26 February 2021. Audit reviewed savings and surrender figures and noticed that:

- Out of total savings of ₹43,554.13 crore, only ₹32,556.37 crore was surrendered. All the surrenders was made only on 31 March 2021.
- Some instances where savings were only partially surrendered are detailed in **Appendix 3.7**. The major Departments where savings were not surrendered well in advance were Water Resources (₹3,213.11 crore) and Finance (₹1,884.84 crore).

In response to Paragraph No. 2.3.10 of the Audit Report on State Finances for the year ended March 2015, the Government had stated (November 2015) that surrender of anticipated savings would be ensured through stabilisation of the expenditure reconciliation module of Integrated Financial Management System (IFMS). However, these issues continued to persist during 2020-21.

### **3.3.6 Excess Expenditure and its Regularisation**

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/ appropriation regularised by the State Legislature. The excess expenditure needs to be regularised after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

#### **3.3.6.1 Excess expenditure relating to current Financial Year**

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this article

It was observed that excess expenditure of ₹ 9.63 crore was incurred in Grant No.7- Works (Revenue Voted) for the year 2020-21. As against the provision of ₹ 2009.46 crore under Revenue (Voted) the department incurred expenditure of ₹ 2019.09 crore during the year 2020-21, resulting in non-compliance with the above Constitutional provision.

### 3.3.6.2 Regularisation of excess expenditure of previous financial years

The State Government, however, failed to get the excess expenditure amounting to ₹253.02 crore over and above the allocation, pertaining to the years 2013-14 to 2018-19, regularised as of March 2021 which are given in **Table 3.4**.

**Table 3.4: Excess Expenditure of previous years**

(₹ in crore)

Year	Grant No./ Appropriation	Grant/ Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2013-14	22	Forest and Environment	0.29	Not yet regularised
	26	Excise	0.27	-do-
	31	Handlooms, Textile and Handicrafts	18.00	-do-
2015-16	22	Forest and Environment	0.25	-do-
	26	Excise	0.01	-do-
2016-17	6003	Internal Debt	56.63	-do-
	13	Housing and Urban Development	3.63	-do-
2017-18	8	Odisha Legislative Assembly incurred expenditure	0.52	-do-
2018-19	7	Works	169.77	-do-
	8	Odisha Legislative Assembly incurred expenditure	3.65	-do-
<b>TOTAL</b>			<b>253.02</b>	

*Source: Appropriation Accounts 2020-21, Government of Odisha*

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the Executive.

The State Government stated (December 2021) that steps are being taken for regularization of the instances of excess expenditure during the current as well as previous years.

### 3.3.7 Grant-in-aid for creation of capital assets

Grants-in-Aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-Aid are given for specified purpose of supporting an institution including construction of assets. As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-Aid are to be spent by the grantee, except in cases where it has been specifically authorised by President on the advice of the Comptroller and Auditor General of India.

As per Appendix-III of Finance Accounts 2020-21, total funds released as Grants-in-Aid during 2020-21 were ₹27,269.36 crore, of which, funds allotted for creation of Capital Assets were ₹8,567.39 crore (31 per cent).

### 3.4 Comments on effectiveness of budgetary and accounting process

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some Departments deprives other Departments of the funds which they could have utilised.

#### 3.4.1 Major policy announcements in budget and their actual funding for ensuring implementation

Several policy initiatives/ schemes (₹one crore and above) were initiated by the State Government during 2020-21 and it was seen that these were either partially executed or not executed at all. Details of some Schemes which were not executed are given below:

Table:3.5 New Schemes not executed by State Government during the year 2020-21

Sl. No.	Name of the scheme	Grant No. & Department	Budget provision, 2020-21 (₹ in lakh)	Expenditure (₹ in lakh)
1	Odisha e-Hospital Management Information System (OeHMIS)	12-Health & Family Welfare	508.47	0
2	NAT PCR facility in Blood Banks in the State	-do-	2,162.85	0
3	Sickle Cell and Thalasemia	-do-	300.00	0
4	Award to Health Professionals/ Institute	-do-	200.00	0
5	Skill Lab	-do-	314.37	0
6	Rooftop rain water harvesting and ground water recharge in 27 Urban Local Bodies (ULBs) and 49 water stressed Block	20-Water Resources Department	3,500.00	0
		<b>TOTAL</b>	<b>6,985.69</b>	<b>0</b>

Source: Finance Account (Appendix-11) and Budget Speech and Odisha Budget 2020-21

Further, Audit noticed that under 21 existing sub-schemes approved outlay /revised outlay involving an amount of ₹ 2,063.69 crore (**Appendix 3.8**) remained completely unutilised during the year 2020-21 as no expenditure was incurred.

This not only deprived beneficiaries of the intended benefits of these schemes, but also deprived other Departments of the funds, where these could have been utilised.

### 3.5 Cash Management System

Pursuant to the provisions of sub-section (1-a) of Section 8 of the Odisha Fiscal Responsibility and Budget Management Act, 2016, Government of Odisha laid down guidelines for timely spending of Budgetary grants through Cash Management System in 20 Departments during 2020-21.

As per the regulation of expenditure 2020-21 in Cash Management System, the flow of expenditure should be evenly placed. In terms of Finance Department instructions

dated 23 March 2020, the level of expenditure at the end of the third quarter should not be less than 60 per cent and during the month of March, the same should not be more than 15 per cent of the gross budget provision.

During 2020-21, cash management system was implemented in 20 Departments. Out of these 20 Departments, three Departments had spent minimum 60 per cent of the original budget provision by the end of third quarter. The Industries Department utilised only 9.80 per cent of the original provision by the end of third quarter. Similarly, 12 Departments exceeded expenditure of 15 per cent of the original budget provision in the month of March 2021 (the excess ranged from 16.37 to 53.96 per cent) as indicated in table below:

**Table 3.6: Analysis of Cash Management System**

(₹ in crore)

Sl. No.	Name of the Department	Original Budget Provision	Up to December 2020		March 2021 (Pre)	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
<b>The following Departments have followed the guidelines</b>						
1	Food Supplies and Consumer Welfare	1,897	1,144.18	60.32	7.86	0.41
2	School and Mass Education	17,458	10,963.39	62.80	2,367.55	13.56
3	Fisheries & Animal Resources Development	1,211	780.73	64.47	66.29	5.47
<b>The following Departments have not followed the guidelines</b>						
4	Department of Social Security and Empowerment of Persons with Disability	3,024	1,378.11	45.57	81.12	2.68
5	Works	6,431	3,150.97	49.00	1,487.85	23.14
6	Scheduled Tribes & Scheduled Castes Development, Minorities & Backward Classes Welfare	3,808	890.03	23.37	1,351.84	35.50
7	Health and Family Welfare	7,700	4,793.15	62.25	1,617.00	21.00
8	Housing and Urban Development	6,185	1,850.99	29.93	2,051.72	33.17
9	Industries	575	56.36	9.80	47.96	8.34
10	Water Resources	9,380	2,711.45	28.91	1,535.31	16.37
11	Forest & Environment	1,960	966.21	49.31	339.72	17.34
12	Rural Development	5,549	1,821.55	32.82	1,305.23	23.52
13	Handlooms, Textiles & Handicrafts	200	67.28	33.70	52.16	26.13
14	Higher Education	2,407	1,236.69	51.39	719.26	29.89
15	Skill Development & Technical Education	825	280.22	33.97	318.87	38.65
16	Micro, Small & Medium Enterprises	250	114.17	45.67	33.51	13.40
17	Panchyati Raj &	18,106	10,519.88	58.10	2,278.13	12.58

Sl. No.	Name of the Department	Original Budget Provision	Up to December 2020		March 2021 (Pre)	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
	Drinking Water					
18	Agriculture and Farmer's Empowerment	6,759	1,224.22	18.11	1,319.25	19.52
19	Energy	1,861	732.18	39.35	1,004.00	53.96
20	Women and Child Development and Mission Shakti	4,075	2,146.22	52.67	597.20	14.66

Source: Monthly Appropriation Reports for December 2020 and March (Pre) 2021.

It is evident from the above table that out of 20 Departments only three Departments (Sl. No.01 to 03) had followed the guidelines for timely spending of budgetary grants through the Cash Management System.

Thus, contrary to the spirit of financial regulation, a substantial quantum of expenditure was incurred by the Government at the fag end of the year.

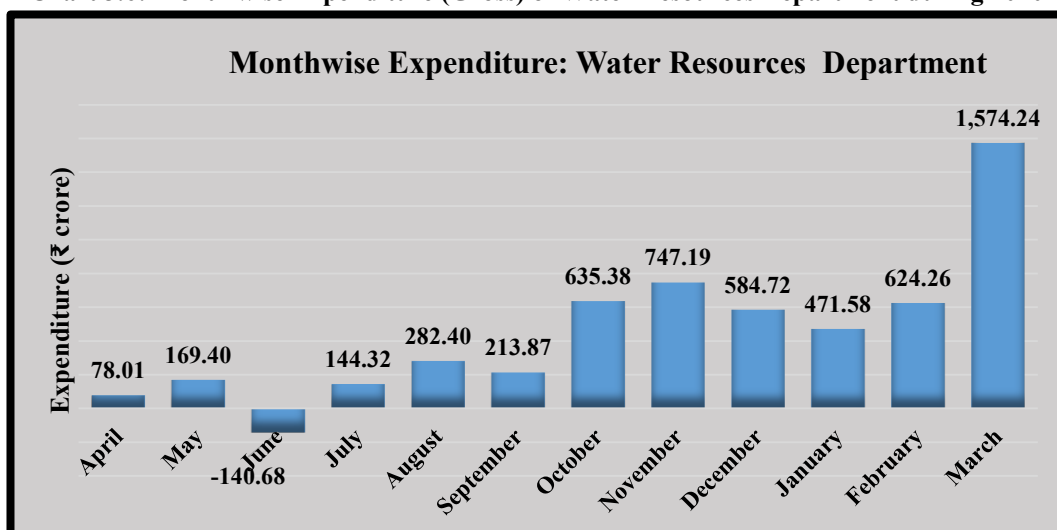
The State Government stated (December 2021) that in view of the prevailing pandemic situation and imposition of expenditure rationalization measures during 2020-21, the cash management system was put on hold during the year vide para-6 of FD Letter No.15275/F dt.15.05.2020. Further, all the Administrative Department including 20 Departments covered under Cash Management System were empowered to sanction expenditure up to ₹15crore at a time under Administrative Expenditure and Transfers from State and ₹30 crore under Programme Expenditure. Since 2020-21 was an abnormal year with uncertainties of impact of COVID-19, such relaxations were allowed to ensure that COVID management was not disrupted.

### 3.5.1 Rush of expenditure

In terms of Rule 147 of OBM, rush of expenditure in the closing month of the financial year is a breach of financial regularity, which should be avoided. Contrary to this, there were 33 schemes (sub-heads) in seventeen Departments and one appropriation, where 100 per cent of the total expenditure was incurred with one crore or more in each case) in March 2021 as detailed in *Appendix 3.9*.

High percentage of expenditure in March indicates that uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained. This also indicates deficiencies in monitoring the Cash Management System in these Departments. As an example, month-wise expenditure incurred by the Water Resources Department, is given below:

Chart 3.6: Month wise Expenditure (Gross) of Water Resources Department during 2020-21



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

As seen from the chart above, contrary to the spirit of financial regulation, a substantial quantum of expenditure (29.24 per cent) of the total expenditure (₹5,384.69 crore) was incurred by the department during March, 2021 indicating inadequate control over expenditure monitoring. The expenditure during June 2020 was negative, due to refund of funds being more than expenditure.

### 3.6 Review of selected grants

A detailed scrutiny of two grants, viz., (i) Grant No. 12 –Health and Family Welfare Department and (ii) Grant No. 20 – Water Resources Department, was conducted in Audit. Outcome of the Audit is discussed in the succeeding paragraphs.

#### 3.6.1 Grant No. 12-Health and Family Welfare Department

The broad objectives of the Department are to ensure adequate, qualitative, preventive and curative health care to people of the State. It also provides affordable quality health care to the people of State, not only through the allopathic systems of medicine but also through the homeopathic and ayurvedic systems. The policies, programmes and schemes of the Department are implemented through Directorates, Chief Medical Officers of concerned Districts etc. Five Major Heads viz., 2210-Medical and Public Health Public Works, 2211-Family Welfare, 2251- Secretariat-Social Services, 4210- Capital Outlay on Medical and Public Health and 4216-Capital Outlay on Housing are operated under this Grant.

##### 3.6.1.1 Budget and Expenditure

The overall position of budget provision, actual expenditure and savings/ excess under this Grant during the last three years, i.e., 2018-21 is given in **Table 3.7** below:

Table 3.7: Budget provision vis-à-vis Expenditure

		(₹ in crore)		
	Particulars	2018-19	2019-20	2020-21
	Total Budget provision(Revenue+ Capital)	6582.56	7296.07	9468.61
	Expenditure	5800.46	6378.67	7923.25
	Savings	782.1	917.4	1545.36
	Savings(%)	11.88	12.57	16.32
Revenue (voted & Charge)	Original budget (O)	5,191.96	5,832.85	6,729.84
	Supplementary budget (S)	390.60	491.22	1,668.77
	Total Budget Provision(O+S)	5,582.56	6,324.07	8,398.61
	Expenditure	5,126.02	5,836.67	7,247.92
	Savings	456.54	487.4	1,150.69
	Surrender	452.72	486.43	1,192.39
	Percentage of savings to total provision	8.18	7.71	13.7
Capital (voted & Charge)	Original budget (O)	990.00	972	970
	Supplementary budget(S)	10.00	0	100
	Total Budget Provision(O+S)	1,000.00	972	1070
	Expenditure	674.44	542	675.33
	Savings	325.56	430	394.67
	Surrender	325.56	430	394.67
	Percentage of savings to total provision	32.56	44.24	36.89

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Odisha

As can be seen from the above table, savings as a percentage of total budget provision ranged between 11.88 *per cent* and 16.32 *per cent* during 2018-21. Persistent large savings is indicative of incorrect assessment of actual needs and calls for a critical review of budget preparation exercise of the Department. The Department attributed savings to non-receipt of Central Assistance and constraints in the functioning of implementing agencies.

### 3.6.1.2 Surrender of Savings

The anticipated savings were surrendered mainly under head 4210-03-105-Allopathy-3037-Human Resource in Health & Medical Education (₹62.77 crore), 4210-03-789-(Special Component Plan for Scheduled Castes)- 3037-Human Resource in Health & Medical Education (₹66.67 crore), and 4210-03-796- (Tribal Area Sub-Plan)-3037-Human Resource in Health & Medical Education (₹113.33 crore).

The Department stated that funds had been utilized to the extent of actual requirement and the rest of the funds had been surrendered. However, specific reasons for lower actual requirements than those estimated during the budget, were not communicated to Audit (December 2021).

### 3.6.1.3 Unnecessary Supplementary Grant

From the **Table 3.7**, it can be seen that under Capital section the entire supplementary provisions during 2020-21 were unnecessary, as the actual expenditure did not come up to the level of original provision.

### 3.6.1.4 Programme implementation

The details of financial targets and achievements under the following Schemes were examined by Audit, on sampling basis:

**Table 3.8: Achievement against financial and physical targets**

SI No.	Head of Accounts	Financial Target (₹in Crore)			Some Reasons of Shortfall stated by department
		Funds allotted	Funds utilised	% of expendi- ture	
I	<b>Name of the Scheme - Biju Swasthya Kalyan Yojana (BSKY)</b>				
	2210-01-001-3384-BSKY	360.31	241.97	67	Some of the DDOs failed to procure medicines observing financial formalities in time, hence the balance funds were surrendered. Further, due to COVID-19, procurement was substantially reduced and the surplus funds were not utilised by OSMCL Ltd. No reasons for excess expenditure were furnished by the department.
	2210-01-796-3384-BSKY	203.31	144.85	71	
	2210-05-105-3384-BSKY	57.79	103.24 (excess+ 45.45)	179	
	<b>Total -percentage of utilisation-(73 %)</b>	<b>621.41</b>	<b>490.06</b>		
II	<b>Name of the Scheme - Mukhya Mantri Swasthya Seva Mission (MMSSM)</b>				
	4210-01-Urban Health Service -001-3261 – MMSSM	75.59	62.07	82	1. Austerity measures imposed by the Finance Department due to Covid-19. 2. Tenders for new projects could not be invited on time due to Covid-19. 3. Non-finalisation of land acquisition. 4. Slow progress of ongoing works due to Covid-19 related restrictions.
	4210-01 Urban Health Service -800-3261 - MMSSM	50	7.08	14	
	4210-03(medical education)-105-Allopathy-3261 - MMSSM	229	172.74	75	
	<b>Total</b>	<b>354.59</b>	<b>241.89</b>		
	4216-01(Residential Building) - 106(general pool Accommodation)-3261 - MMSSM	19.75	10.10	51	
	4216-01 Residential Building -800-3261 - MMSSM	63	34.31	54	
	<b>Total -percentage of utilisation-(65 %)</b>	<b>82.75</b>	<b>44.41</b>		
III	<b>Name of the Scheme - Human Resource in Health &amp; Medical Education (HRHME)</b>				
	4210-03-105-3037 - HRHME	170	107.23	63	No specific reasons furnished.
	4210-03-789-3037 - HRHME	100	33.33	33	
	4210-03-796-3037 - HRHME	130	16.67	13	
	<b>Total percentage of utilisation-(39 %)</b>	<b>400</b>	<b>157.23</b>		
IV	<b>Name of the Scheme - National Mission on AYUSH including Mission on Medicinal Plants (NMA)</b>				
	2210-02-001-3039 - NMA	16.2	9.13	56	The Government of India, Ministry of AYUSH did not communicate approval for the components. Therefore, the funds provided in the budget were surrendered.
	2210-02-789-3039 - NMA	14.19	5.82	41	
	2210-02-796-3039- NMA	15.16	2.08	14	
	<b>Total percentage of utilisation-(37 %)</b>	<b>45.55</b>	<b>17.03</b>		
V	<b>2210-03-103-1092 Field Formation under Health Department- PHCs</b>	668.61	628.83	94	Retirement as well as non-filling of vacancy posts, non-fixation of pay of some staff, non-filling of newly created contractual posts and non-drawal of arrear claims of some staff and due to non-submission of TA, LTC bills by some staff.
VI	2211-00-101-1227- Rural Family Welfare sub- centre	232.68	206.40	89	
VII	2210-03-110-1016 -Other Hospitals	61.4	62.54 (Excess	102	



Sl No.	Head of Accounts	Financial Target (₹in Crore)			Some Reasons of Shortfall stated by department
		Funds allotted	Funds utilised	% of expendi- ture	
			1.14)		
VIII	2210-04-101-0646-Hospitals & Dispensaries	49.55	51.11 (Excess 1.56)	103	
	2210-04-102-0646 Hospitals & Dispensaries	37.42	39.03 (Excess 1.61)	104	
		148.37	152.68		
	<b>Total</b>	<b>2,553.96</b>	<b>1,938.53</b>		

Source: Health & Family Welfare Department, Government of Odisha.

### 3.6.2 Grant No. 20-Water Resources Department

The Water Resources Department is the nodal department with regard to all matters concerning water resources development and management. The policies, programmes and schemes of the Department are implemented through Engineers in-Chief, Directorates, Executive Engineers *etc.* Twelve Major Heads *viz.*, 2059- Public Works, 2070- Other Administrative Services, 2700- Major Irrigation, 2701- Medium Irrigation, 2702- Minor Irrigation, 2705- Command Area Development, 2711- Flood Control and Drainage, 3054- Roads and Bridges, 4700- Capital Outlay on Major Irrigation, 4701- Capital Outlay on Medium Irrigation, 4702- Capital Outlay on Minor Irrigation, and 4711- Capital Outlay on Flood Control Projects are operated under this Grant.

#### 3.6.2.1 Budget and Expenditure

The budget provision, actual expenditure and savings under this Grant during the three-year period 2018-21 is given below:

Table 3.9: Budget provision vis-à-vis Expenditure incurred during 2018-21

		(₹ in crore)		
	Particulars	2018-19	2019-20	2020-21
	Total Budget provision(Revenue+ Capital)	10,549.03	9,774.56	9402.01
	Expenditure	7,495.25	6,127.88	5384.69
	Savings	3,053.78	3,646.68	4017.32
	Savings (%)	28.95	37.31	42.73
Revenue (Voted & Charged)	Original budget(O)	1,953.55	2,332.59	2,999.67
	Supplementary budget (S)	106.00	36.13	22.37
	Total budget provision (O+S)	2,059.55	2,368.73	3,022.03
	Expenditure	1,776.21	1375.14	1766.00
	Savings	283.34	993.58	1,256.03
	Surrender	270.33	775.92	418.68
	Percentage of savings to total provision	13.76	41.95	41.56
Capital Expenditure (Voted & Charged)	Original(O)	8,267.79	7,405.83	6,379.98
	Supplementary(S)	221.69	0.00	0.00
	Total budget provision(O+S)	8,489.48	7,405.83	6,379.98
	Expenditure	5,719.04	4,752.74	3,618.69
	Savings	2,770.44	2,653.09	2,761.29

	Particulars	2018-19	2019-20	2020-21
	Total Budget provision(Revenue+ Capital)	10,549.03	9,774.56	9402.01
	Expenditure	7,495.25	6,127.88	5384.69
	Savings	3,053.78	3,646.68	4017.32
	Savings (%)	28.95	37.31	42.73
	Surrender	2,768.34	1,215.32	385.41
	Percentage of savings to total provision	32.63	35.82	43.28

Source: Appropriation Accounts 2018-19 to 2020-21, Government of Odisha.

### 3.6.2.2 Savings

During 2018-21, Savings as a percentage of total provision ranged between 28.95 per cent and 42.73 per cent. There were persistent savings under both Revenue and Capital Section during 2018-21, which is indicative of deficiencies in budgetary monitoring or lack of utilisation capacity or both.

### 3.6.2.3 Unnecessary Supplementary Grant

The entire supplementary provisions proved unnecessary during all the three years under both Revenue and Capital sections, as the actual expenditure during those years did not ever reach the threshold of original provision.

### 3.6.2.4 Programme implementation

Audit examined 18 Schemes on sampling basis, and noticed the following status of implementation.

Table 3.10: Schemes where no expenditure was incurred during the year 2020-21

(₹ in crore)

SI No.	Name of the Scheme	Funds Allotted. (₹ in crore)	Reason for non-utilization of funds furnished by the department.
1.	2702-02-800-0129 Rooftop Rain Water Harvesting and Ground Water Recharge in Urban Areas.	32.75	Due to non-approval of the scheme by the Government.
2.	2702-03-102-2606- Sustainable Harnessing of ground water in water deficit areas	16.9	Due to non-approval of the scheme.
3.	2702-03-789-2606-Sustainable Harnessing of ground water in water deficit areas	35	
4.	2702-03-796-2606-Sustainable Harnessing of ground water in water deficit areas	46	
5.	2702-03-102-3267-Pradhan Mantri Krushi Sichai Yojana (PMKSY)- Har Khet Ko Pani (HKP)	166.05	Due to non-release of funds by Government of India.
6.	2702-03-789-3267-PMKSY – Har Khet Ko Pani (HKP)	47	
7.	2702-03-796-3267-PMKSY-HKP	58	
8.	2705-00-001-0594-Grants-in-Aid to Command Area Development Authority for Construction of field channels	68.86	Due to non-receipt of Central Assistance funds.
9.	2705-00-789-0594-Grants-in-Aid to Command Area Development Authority for Construction of field channels	45.83	

SI No.	Name of the Scheme	Funds Allotted. (₹ in crore)	Reason for non-utilization of funds furnished by the department.
10.	2705-00-796-0594-Grants-in-Aid to Command Area Development Authority for Construction of field channels	70.31	
11.	4701-67-796-2410-Dam Rehabilitation and Improvement Projects (EAP) for Construction of additional spillway of Hirakud Dam and Associated R&R activities, Structural Intervention.	20	The construction of additional spillway of Hirakud Dam and Associated R&R activities, Structural Intervention has been dropped.
12.	4701-80-800-3439-Construction of In-stream Storage Structure	771.15	Delay in finalization of work
13.	4701-80-789-3439-Construction of In-stream Storage Structure	100	No reasons furnished.
14.	4701-80-796-3439-Construction of In-stream Storage Structure	200	No reasons furnished.
<b>Grand Total</b>		<b>1,697.85</b>	

Source: Records of Water Resources Department, Government of Odisha.

It could be seen from the table above that the Department released an amount of ₹1,697.85 crore under 14 Schemes, against which no expenditure occurred during the year 2020-21. The entire amount of ₹1,697.85 crore was surrendered due to the reasons as mentioned against each scheme. Reasons furnished by the Department are not tenable due to the fact that budget provisions were sought and made before approval of schemes or finalisation of scope of work. Not taking off of these Schemes despite budgetary provision being in place, was indicative of weak monitoring mechanism of the Department.

Schemes / Programmes where funds were partially utilised are described below:

➤ **4701-80-(789/796/800)-2951-Water Sector Infrastructure Development Programme (WSIDP)**

This scheme was started during 2014-15 with an objective to take up new Major & Medium Irrigation Projects and to expedite completion of last mile connectivity for ongoing irrigation projects.

During the year, an amount of ₹ 293.13 crore was allotted out of which ₹13.20 crore (4.50 per cent) was utilized. No irrigation potential was created as of January 2021 in Mahendratanya Anicut Project and Ong Extension Project and Ghatakeswar. The Department stated that due to non-clearance of site, change of scope of work and delay in tendering process the financial and physical targets for the Mahendratanya Anicut Project could not be achieved. No reasons were furnished for non-achievement of physical and financial targets in respect of Ong Extension Project.

➤ **4700-14-789-2160- Accelerated Irrigation Benefit Programme (AIBP)**

Under this head of account, an amount of ₹24.10 crore was budgeted, out of which ₹4.84 crore (20 per cent) was expended during the year 2020-21 on resettlement and rehabilitation assistance to displaced people, Canals and branches, Dam and

Appurtenant works of Kanpur Irrigation Project. No reasons have been furnished for surrender of balance amount.

As a result, objectives of the scheme to accelerate implementation of large irrigation projects which are beyond the resource capability of the State Governments, expeditious completion of projects which were in advanced stage of completion remained unfulfilled.

➤ **4700-14-796/800-2160-Accelerated Irrigation Benefit Programme (AIBP)**  
Under this head of account, an amount of ₹165.94 crore was budgeted, out of which less than 50 *per cent* was expended during the year 2020-21. The components of work of the Kanpur Irrigation Project which were not fully implemented were canals and branches, dam and appurtenant work, distributaries, spillway *etc.* No specific reasons for not meeting the financial and physical targets had been furnished.

➤ **4701-67-800-2410-Dam Rehabilitation and Improvement Projects**  
The Project is being implemented at National level through World Bank assistance for rehabilitation of distressed Dams and to improve the safety and operational performance of Dams. Under the head of the scheme, an amount of ₹55.06 crore was allotted, out of which ₹26.80 crore (49 *per cent*) has been expended during the year 2020-21. The components of work which were not fully implemented were dam and appurtenant work. No specific reasons for not meeting the financial and physical targets had been furnished.

➤ **4711-03-(103,789,796)-2955- Drainage Improvement Programme (DIP)**  
The Scheme is being executed through State funded Drainage Improvement Programme for addressing drainage congestion and water logging problems in the State. Under the head, an amount of ₹239.13 crore was provisioned, out of which ₹191.37 crore (80 *per cent*) was expended during the year 2020-21. The Department attributed the COVID-19 outbreak as the main reason for not meeting the targets.

### **3.7 Release of funds at the end of the financial year**

Timely release of funds to the implementing agencies has a direct bearing on successful implementation of the schemes and avoidance of rush of expenditure. As per Finance Department instructions (04 February 2021), the process of issuance of sanction order for release of funds as well as surrender of provision should be completed by 26 February 2021, in order to avoid rush of expenditure in the last month of the financial year.

An examination of sanction orders issued during the financial year 2020-21 revealed that the Government released ₹ 254.95 crore for implementation of different schemes in six Departments in the last week of March 2021 (**Appendix 3.10**). Of this, ₹132.91 crore was released on 31 March 2021 (**Table 3.11**). As such, there was no possibility of utilisation of these funds during the financial year 2020-21.

Table 3.11: Department-wise amount released on 31/03/2021

(₹ in crore)

Sl. No	Name of Department	Purpose	Sanction order No.	Date	Amount released	Total
1	Water Resources	For repair and restoration	Lr. No. 11074	31 March 2021	33.88	36.45
		Final allotment of NDRF	Lr. No. 11098	31 March 2021	1.27	
		Final allotment of NDRF	Lr. No. 11086	31 March 2021	1.30	
2	Agriculture and Farmer's Empowerment	For promotion of Millets in Tribal Areas	202019782652	31 March 2021	15.11	17.69
		For soil health management	202019777377	31 March 2021	2.58	
3	Home	For accommodation	202019777390	31 March 2021	0.11	0.52
		For tower mast	202019773645	31 March 2021	0.04	
		For tower mast	202019775481	31 March 2021	0.03	
		For tower mast	202019776953	31 March 2021	0.34	
4	Health and Family Welfare	Towards the scheme NRHM	202019777525	31 March 2021	5.55	78.25
		Towards the scheme NRHM	202019777547	31 March 2021	29.07	
		Towards the scheme NRHM	202019777504	31 March 2021	4.87	
		Towards the scheme NRHM	202019772756	31 March 2021	1.45	
		For emergency response	202019773448	31 March 2021	37.31	
<b>Total</b>					<b>132.91</b>	<b>132.91</b>

Source: Sanction orders received from respective Departments

As is evident from the above table, Health and Family Welfare Department accounted for 58.87 per cent (₹ 78.25 crore) of the total amount released on the last day of the financial year. Release of funds on the last day indicated that the funds were released primarily to exhaust the budget provision.

### 3.8 Advances from Contingency Fund

Contingency Fund of the State was established under the Odisha Contingency Fund Act, 1967. Advances from the Contingency 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 corpus of the Odisha Contingency Fund is ₹400.00 crore. At the end of 2020-21, ₹171.00 crore remained un-recouped under various heads. The details are as given in Table 3.12 below:

**Table 3.12: Headwise Details of un-recouped Advance from Contingency Fund during the year 2020-21**

(₹in crore)

Sl. No.	Major Heads	Amount
1	2202-General Education	4.74
2	4210-Capital Outlay on Medical and Public Health	166.26
	<b>Total</b>	<b>171.00</b>

*Source: Finance Accounts 2020-21, Government of Odisha.*

As on 31st March 2021, Contingency Fund had a balance of ₹229 crore. Due to non-recoupment of the advance amount by the end of 2020-21, there was overstatement of Revenue Surplus and understatement of Fiscal Deficit for the year 2020-21.

The Government stated (December 2021) that provision has been made to recoup this amount during the Supplementary Budget of 2021-22.

### **3.9 Recommendations**

1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.
2. Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.
3. State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.