

Chapter-I

Overview

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 the 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 Principal Accountant General (Accounts and Entitlements), Odisha, compiles and prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts, rendered by the 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 Principal Accountant General (Audit-I), Odisha.

The 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 Principal 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 the recommendations of the XV Finance Commission (FC), Odisha Fiscal Responsibility and Budget Management (Amendment) Act, 2021, best practices and guidelines of the Government of India. A meeting was held in January 2023 with the Finance Department, Government of Odisha, wherein the issues taken up in the State Finances Audit Report, were discussed. Replies of the Government 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 – I	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 deficit/ 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 2017-18 to 2021-22, 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 Accounts Structure and Budgetary Processes

Article 202 of the Constitution mandates that a statement of the estimated receipts and expenditure of the Government, be laid before the House or Houses of the Legislature of the State, 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 Tax Revenue (Own tax Revenue plus Share of Union Taxes/Duties), Non-Tax Revenue 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).

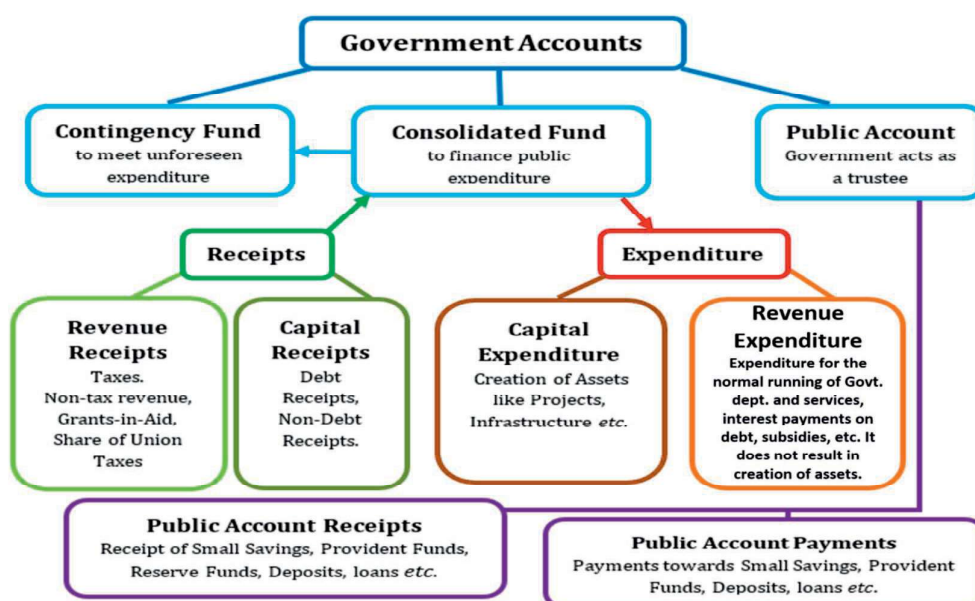
Capital receipts consist of:

Debt receipts: Market loans, bonds, loans from financial institutions, loans and advances from Central Government, *etc.*,

Non-debt receipts: Proceeds from disinvestment, recoveries of loans and advances.

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances given 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.

The extant accounting classification system in Government is based on both the functional, as well as the economic characteristics of the expenditure.

	Attribute of transaction	Classification
Standardised in List of Major and Minor Head of Account 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. The economic classification helps organise these payments as revenue, capital, debt, *etc.* and is achieved by the numbering logic embedded in the first digit of the 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 the “salary” object head is revenue expenditure, the “construction” object head is capital expenditure. The 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

The 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 economy of the Country and the State. The Gross State Domestic Product (GSDP) of Odisha in 2021-22, at current prices, was ₹6,38,342 crore. The trends in annual growth of GDP and GSDP, at current prices and constant prices (Base year: 2011-12), are shown in **Table 1.1**.

Table 1.1: Trends in GSDP compared to the GDP

(₹ in crore)					
Year	2017-18	2018-19	2019-20	2020-21	2021-22
Current Prices					
GDP (₹ in crore)	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914	2,36,64,637
Growth rate (<i>per cent</i>)	11.03	10.59	6.22	-1.36	19.51
GSDP (₹ in crore)	4,40,974	4,98,576	5,46,413	5,42,889	6,38,342
Growth rate (<i>per cent</i>)	12.26	13.06	9.59	-0.64	17.58
Constant Prices (Base Year 2011-12)					
GDP (₹ in crore)	1,31,44,582	1,39,92,914	1,45,15,958	1,35,58,473	1,47,35,515
Growth rate (<i>per cent</i>)	6.80	6.53	4.04	-7.25	9.18
GSDP (₹ in crore)	3,61,657	3,86,798	4,10,260	3,88,328	4,27,592
Growth rate (<i>per cent</i>)	7.21	6.95	6.07	-5.35	10.11

Source: GDP - Central Statistical Office (2017-18: Final, 2018-19: Third Revised, 2019-20: Second Revised, 2020-21: First Revised and 2021-22: Provisional Estimate)

GSDP - Directorate of Economics & Statistics, Odisha (2017-18: Final, 2018-19: Third Revised, 2019-20: Second Revised, 2020-21: First Revised and 2021-22: 1st Advance Estimate)

1.4.1.1 Sectoral Composition

In regard to the sectoral composition of GSDP, the share of Agriculture and Allied Activities Sector was 17.91 *per cent* during 2021-22, which was higher than its share of 16.99 *per cent* during 2017-18.

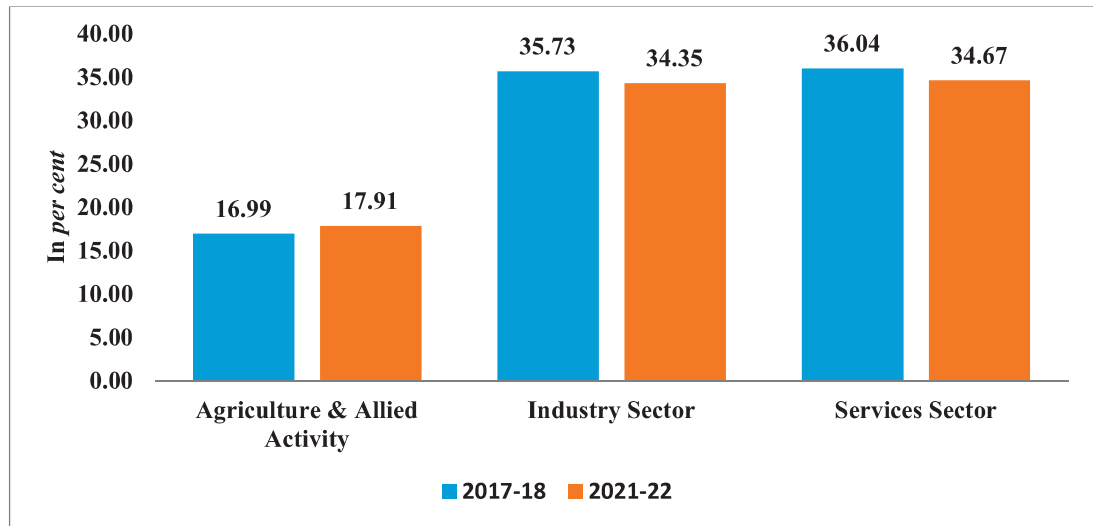
The share of the Industry Sector was 34.35 *per cent* of GSDP during 2021-22, which was lower than its share of 35.73 *per cent* during 2017-18, due to the shut-down and restrictions imposed on operations of industries during the Covid-19 outbreak. This Sector comprises: (i) Mining and Quarrying (ii) Manufacturing (iii) Electricity, Gas and Water-supply and (iv) Construction activities. Manufacturing is the leading sub-sector, with a 55.93 *per cent* share under the Industry Sector.

The share of the Services Sector during 2021-22 was 34.67 *per cent* of GSDP, as against 36.04 *per cent* during 2017-18. This Sector comprises: (i) Trade, Repair, Hotels and Restaurants (ii) Transport, Storage, Communication *etc.* (iii) Financial Services (iv) Real estate, Professional Services (v) Public Administration and Defence and (vi) Other Services. Trade, Repair, Hotels and Restaurants is the leading sub-sector, with 24.10 *per cent* share under the Services Sector. The share of Taxes on Product (less subsidy) showed an increase from 11.23 *per cent* in 2017-18 to 13.06 *per cent* of

GSDP in 2021-22.

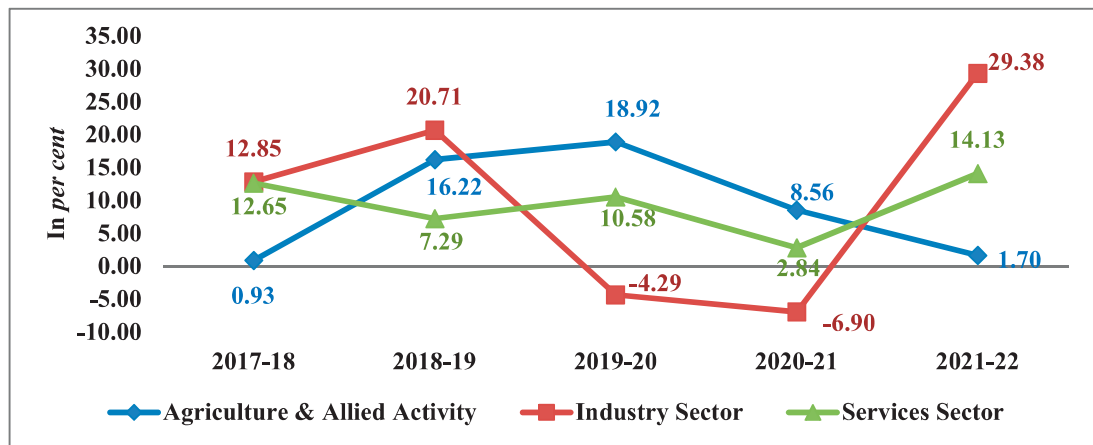
The changes in sectoral contribution to GSDP and trends in sectoral growth of GSDP, over the years 2017-18 to 2021-22, are detailed in **Charts 1.1 and 1.2** below:

Chart 1.1: Change in Sectoral Contribution to GSDP (2017-18 to 2021-22)



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

The Agriculture sector showed a growth of 1.70 per cent, despite heavy crop loss due to the adverse impact of Cyclone “Jawad”, in the form of unseasonal rain, during December 2021. Despite meagre growth in the Agriculture sector, the overall growth rate reached 17.58 per cent because of better performance in the Industry sector (29.38 per cent) and the Services sector (14.13 per cent). The maximum growth rates were observed under sub-sectors of Manufacturing (36.30 per cent), followed by Mining and Quarrying (32.21 per cent), Public Administration (18.07 per cent), Trade Repair, Hotels and Restaurants (17.13 per cent) and Construction (16.18 per cent).

1.4.2 Snapshot of Finances

Table 1.2 provides the details of actual financial results, i.e., Budget Estimates *vis-à-vis* Actuals of 2021-22.

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

(₹ in crore)						
Sl. No.	Components	2020-21 Actual	2021-22 B.E.	2021-22 Actual	Percentage of Actual to B.E.	Percentage of Actual to GSDP
1	Tax Revenue	61,801	67,637	78,892	116.64	12.36
i.	Own Tax Revenue	34,258	37,500	40,748	108.66	6.38
ii.	Share of Union taxes / duties	27,543	30,137	38,144	126.57	5.98
2	Non Tax Revenue	19,518	20,000	54,257	271.25	8.50
3	Grants-in-Aid and Contributions	23,068	37,963	19,910	52.45	3.12
4	Revenue Receipts (1+2+3)	1,04,387	1,25,600	1,53,059	121.86	23.98
5	Recovery of Loans and Advances	684	414	1,566	378.26	0.25
6	Other Receipts	0	0	0		0.00
7	Borrowings and other Liabilities (a)	9,786	20,465	-20,627	-100.79	-3.23
8	Revenue Expenditure, of which	95,311	1,19,567	1,09,588	91.29	17.17
9	Interest payments	6,644	8,000	6,342	79.28	0.99
10	Grants-in-Aid for creation of capital assets	8,567	NA	5,388	NA	0.84
11	Capital Expenditure, of which	19,546	26,912	24,412	90.71	3.82
12	Capital Outlay	17,949	25,374	22,726	89.56	3.56
13	Loan and Advances	1,597	1,538	1,686	109.62	0.26
14	Total Expenditure (8+11)	1,14,857	1,46,479	1,34,000	91.48	20.99
15	Revenue Surplus (4-8)	9,076	6033	43,471	720.55	6.81
16	Fiscal Deficit (-)/Surplus (+) {14-(4+5+6)}	(-)9,786[#]	(-)20,465	20,627¹	-100.78	3.23
17	Primary Surplus (+) (16+9)	3,142	(-)12,465	26,969	-216.34	4.22

Source: Finance Accounts & Budget at a Glance

[#] Difference of ₹ 2 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

The increase in Revenue Receipts by ₹48,672 crore over last year, was due to an increase in State's Non-tax Revenue by ₹34,739 crore, share of Union Taxes and Duties by ₹10,601 crore and State's Own Tax Revenue by ₹ 6,490 crore.

GST Compensation is the revenue of the State Government under GST (Compensation to States) Act, 2017. However, in addition to receiving the GST compensation as Revenue Receipts, due to inadequate balance in GST compensation fund during the years 2020-21 and 2021-22, Odisha also received back-to-back loans of ₹3,822 crore and ₹6,430 crore, respectively, under debt receipts of the State Government. The

¹ Difference of ₹2 crore is due to rounding off [(RR: ₹1,53,059.44 crore + Recovery of Loans & Advances: ₹1,566.38 crore) – (RE: ₹1,09,587.53 crore + CE: ₹22,725.48 crore + Disbursement of Loans and Advances: 1,685.68 crore) = ₹20,627.13 crore]

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Department of Expenditure, GoI, has decided that the back-to-back loan will not be treated as debt of the State for any norms, which may be prescribed by the Finance Commission. Due to this arrangement, the Revenue Surplus of ₹ 43,471 crore and Fiscal Surplus of ₹20,627 crore during the year 2021-22, may be read in conjunction with debt receipts ₹10,252 crore (₹3,822 crore and ₹ 6,430 crore), in lieu of GST compensation.

Table 1.3 indicates the trend analysis of Receipts *vis-à-vis* Expenditure for the last five years:

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

Year	Revenue		Percentage of Revenue Expenditure to Revenue Receipts	Capital*		Percentage of Capital Expenditure to Capital Receipts
	Receipts	Expenditure		Receipts	Expenditure (Capital Expenditure + Loans and Advances)	
2017-18	85,204	71,837	84.31	13,119	22,984	195.70
2018-19	99,546	85,356	85.75	10,308	24,652	277.38
2019-20	1,01,568	99,137	97.61	14,966	21,536	173.93
2020-21	1,04,387	95,311	91.31	21,002	19,546	137.12
2021-22	1,53,059	1,09,588	71.60	14,346	24,412	308.17

Source: Finance Accounts of respective years

- In 2019-20, for every ₹100 received as revenue, ₹ 97.61 had been spent on Revenue Expenditure, which was reduced to ₹91.31 in 2020-21 and ₹71.60 in 2021-22.
- While Revenue Expenditure increased by ₹37,751 crore (52.55 per cent) from 2017-18 to 2021-22, Capital Expenditure increased by ₹ 1,428 crore (6.21 per cent).
- The percentage of Revenue Expenditure over Revenue Receipts was decreasing since 2019-20.
- Out of the Capital Expenditure (CAPEX) booked (₹24,412 crore) during the year 2021-22, only ₹19,348 crore (79.25 per cent of amount booked) was actual CAPEX, resulting in creation of assets. The remaining ₹5,064 crore was (i) misclassification of revenue expenditure as capital expenditure (1,338 crore), (ii) accounting adjustment (conversion of loans worth ₹981.35 crore of GRIDCO to equity investment and conversion of ₹1,058.34 crore interest accrued on loans issued to GRIDCO, as equity) and (iii) Loans and Advances disbursed (₹1,686 crore).

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 Expenditure and loans and advances given by the State Government and cash balances. Summarised position of assets and liabilities for the years 2020-21 and 2021-22 is given in **Table 1.4**.

Table 1.4: Summarised position of assets and liabilities(**₹ in crore**)

Liabilities					Assets				
		2020-21	2021-22	Per cent increase/decrease			2020-21	2021-22	Per cent increase/decrease
Consolidated Fund									
A	Internal Debt	67,521.41	53,977.24	(-20.06)	A	Gross Capital Expenditure on Fixed Assets	1,79,684.79	2,02,410.27	12.65
B	Loans and Advances from GoI	11,981.95	18,507.82	54.46	B	Loans and Advances	9,066.17	9,185.47	1.32
Contingency Fund		229.00	400.00	74.67					
Public Account									
A	Small Savings, Provident Funds etc.	24,949.37	25,257.58	1.24	A	Advances	16.48	17.33	5.16
B	Deposits	16,225.05	16,997.92	4.76	B	Remittances	82.23	65.54	(-20.30)
C	Reserve Funds	20,333.44	23,833.30	17.21	C	Suspense and Miscellaneous	--	--	--
D	Suspense and Miscellaneous balances	117.62	306.03	160.19	D	Cash Balance (including investment of Earmarked Fund)	32,636.04	51,231.05	56.98
E	Miscellaneous Capital Receipts	698.15	698.15	Nil					
F	Cumulative excess of receipts over expenditure	79,429.72	1,22,901.62	54.73					
Total		2,21,485.71	2,62,909.66	18.70	Total		2,21,485.71	2,62,909.66	18.70

Source: Finance Accounts of respective years

The growth rate of assets in the Consolidated Fund increased by 12.10 per cent from ₹1,88,751 crore in 2020-21 to ₹2,11,596 crore in 2021-22, while that of liabilities decreased by 8.83 per cent from ₹ 79,503 crore in 2020-21 to ₹ 72,485 crore in 2021-22. The cash balance of the State at the end of the year was ₹51,231 crore, which substantially increased by ₹18,595 crore (56.98 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) Acts, with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to an 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.

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Achievements *vis-à-vis* fiscal targets prescribed in the State FRBM Act, for the years 2017-22, are detailed in **Table 1.5** and comparison of targets for fiscal parameters projected in Medium Term Fiscal Plan (MTFP), 2021, presented to the State Legislature, with actuals for the current year, are 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)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	13,367	14,190	2,430	9,076	43,471
		✓	✓	✓	✓	✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	3 per cent (5 per cent for 2020-21)	-2.12	-2.04	-3.45	-1.80	3.23
		✓	✓	×	✓	✓
Ratio of total outstanding debt to GSDP (in per cent)	25 per cent	22.03	21.71	23.09	22.61	17.21 ²
		✓	✓	✓	✓	✓
Interest payment as percentage of Revenue Receipts	15 per cent	5.85	5.83	5.97	6.36	4.14
		✓	✓	✓	✓	✓
Ratio of Salary to State's Own Revenue	80 per cent	48.74	43.50	44.39	39.34	24.86
		✓	✓	✓	✓	✓
Primary Surplus as a percent of GSDP	2 per cent	-0.99	-0.87	-2.34	-0.58	4.22
		×	×	×	×	✓

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

During 2021-22, the State was able to achieve all the fiscal parameters set out in the FRBM Act.

Table 1.6: Actuals *vis-à-vis* projection in MTFP for 2021-22

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2021-22)	Variation (in per cent)
1	Tax Revenue	67,637	78,892	16.64
i.	Own Tax Revenue	37,500	40,748	8.66
ii.	Share of Central Taxes	30,137	38,144	26.57
2	Non Tax Revenue	20,000	54,257	171.28
3	Grants-in-Aid from GoI	37,963	19,910	-47.55
4	Revenue Receipts (1+2+3)	1,25,600	1,53,059	21.86
5	Revenue Expenditure	1,19,567	1,09,588	-8.35
6	Revenue Deficit (-) / Surplus (+) (4-5)	6,033	43,471	620.55
7	Fiscal Deficit (-) / Surplus (+)	(-)20,465	20,627	-200.78
8	Debt-GSDP ratio (per cent)	21.33	17.21 ²	(-)11.77
9	GSDP growth rate at current prices (per cent)	15.00	17.57	17.20

Source: Medium Term Fiscal Plan, 2021 and Finance Accounts 2021-22, Government of Odisha.

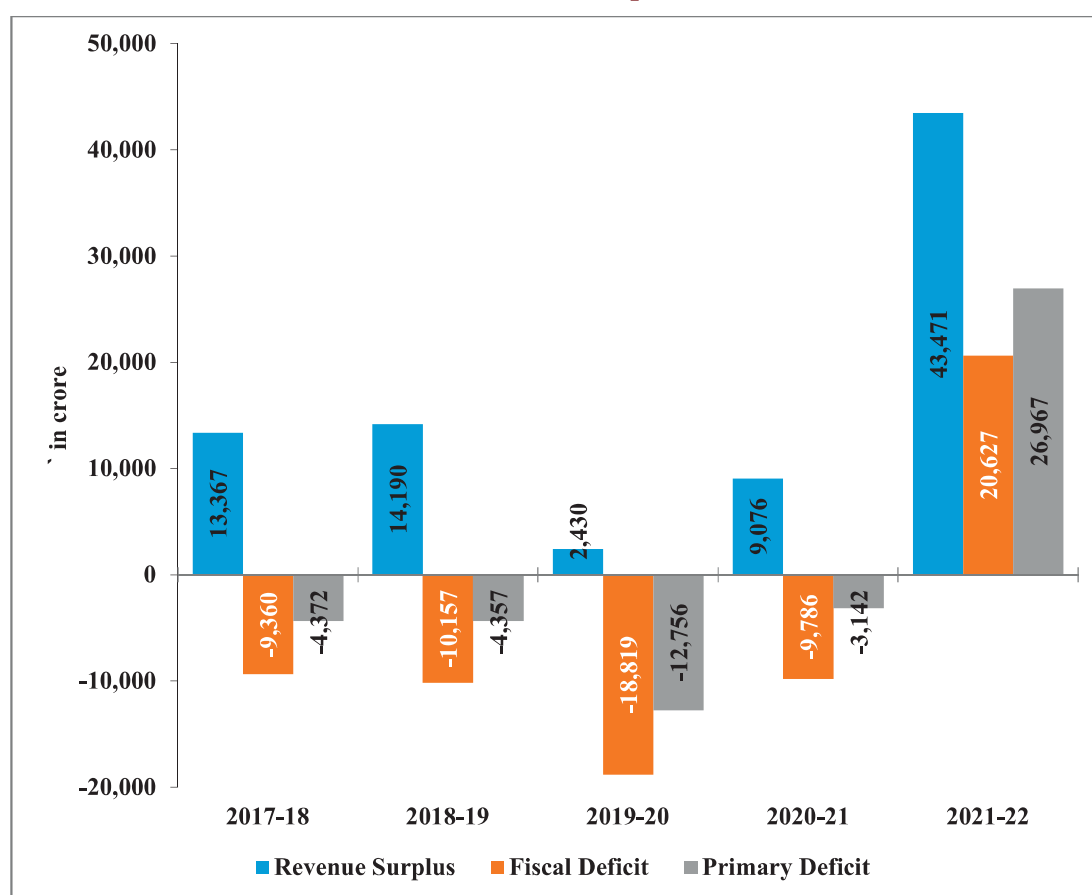
² This debt does not include ₹10,252.20 crore (₹3,822.00 crore during 2020-21 and ₹6,430.20 crore during 2021-22), which was passed on as back to back loans by Government of India in lieu of shortfall in GST Compensation, vide GoI's No. F. No. 40(1) PF- S/2021-22 dated 10-12-2021.

The effective debt to GSDP ratio (17.21 *per cent*) has been arrived at after excluding GST compensation of ₹ 10,252 crore, received as back-to-back loan, under debt receipts from the total outstanding debt, 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.

1.5.1 Fiscal parameters

Three key fiscal parameters *viz.*, (i) Revenue Surplus/Deficit³, (ii) Fiscal Surplus/Deficit⁴ and (iii) Primary Surplus/Deficit⁵ 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



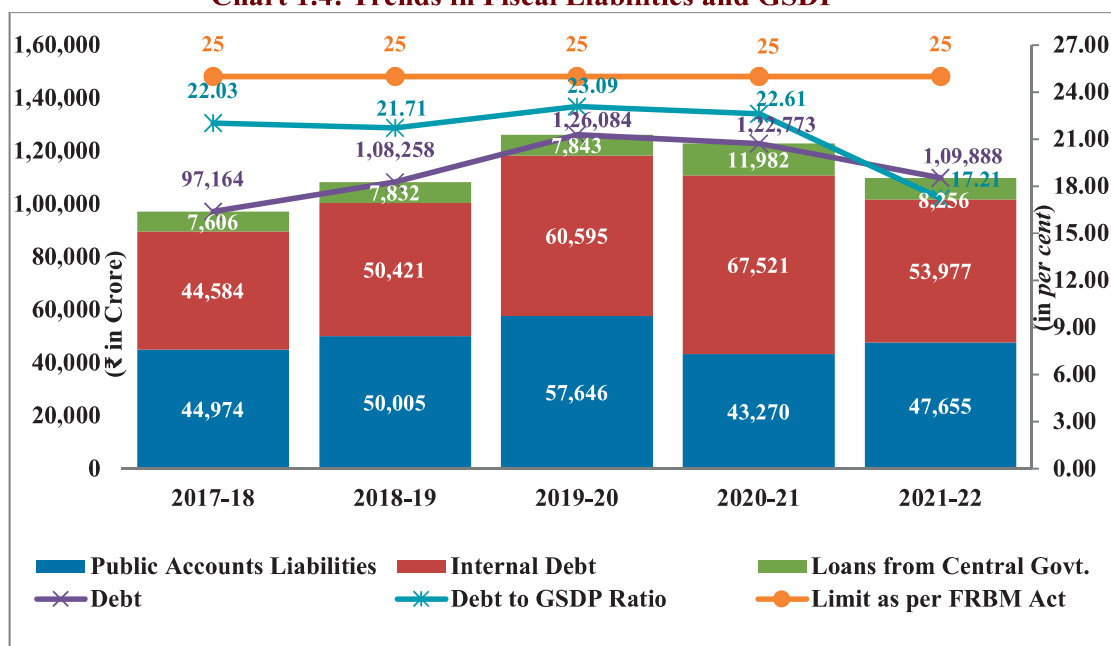
Source: Finance Accounts 2021-22, Government of Odisha

³ Revenue Deficit = Revenue Expenditure - Revenue Receipts

⁴ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loans and Advances (-) Revenue Receipts (-) Miscellaneous Capital Receipts

⁵ Primary Deficit = Fiscal Deficit - Interest Payments.

Chart 1.4: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts 2021-22, Government of Odisha

Some important deficit parameters are discussed below:

- Revenue Surplus:** Revenue Surplus (₹43,471 crore) of the State in 2021-22 increased (379 per cent) compared to 2020-21 (₹9,076 crore). The State achieved the target of being a Revenue Surplus State, as laid out in the State's FRBM (Amendment) Act, 2021, and was 621 per cent more than the MTFP projections (₹6,033 crore).
- Fiscal Surplus:** Fiscal Deficit for the year 2019-20 was ₹18,819 crore, which was reduced to ₹9,786 crore in 2020-21. In the year 2021-22, the State was able to achieve Fiscal Surplus of ₹20,627 crore. Being a Fiscal Surplus State, the fiscal target set out in its FRBM (Amendment) Act, 2021, of maintaining the Fiscal Deficit within 3 per cent of the GSDP, was achieved.
- Primary Surplus:** Primary Deficit for the year 2019-20 was ₹12,756 crore, which was reduced to ₹3,142 crore in 2020-21. In the year 2021-22, the State was able to achieve Primary Surplus of ₹26,967 crore. Primary Surplus, as a percentage of GSDP was 4.22 per cent and the State achieved the fiscal target set out in FRBM (Amendment) Act, 2021, of maintaining the Primary Surplus at 2 per cent of the GSDP.

Major reasons for surge in Revenue Surplus, during 2021-22

During 2021-22, the Government of Odisha observed steep rise in collection of revenue receipts, resulting in huge Revenue Surplus of ₹43,471 crore. Revenue Surplus of ₹43,471 crore was due to windfall growth under State's Non Tax Revenue from ₹19,518 crore in 2020-21 to ₹54,257 crore in 2021-22. Tax Revenue also

increased from ₹34,258 crore in 2020-21 to ₹40,748 crore in 2021-22. The main reasons for revenue surplus were as follows:

1. The growth was mainly under Major Head 0853- Non Ferrous Mining and Metallurgical Industry. During the year 2021-22, the Government auctioned mines (iron ore, manganese, bauxite and dolomite mines) following the Mines and Minerals (Development and Regulation) amendment Act, 2015, which required the government to auction all new mines and those with expired leases, resulting in high collection of mining revenue.
2. Due to auction of coal mines, the State also received around ₹1,000 crore more than the previous year.
3. During 2021-22, the State received ₹11,434 crore as net proceeds of Central Goods and Services Tax (CGST), against ₹8,160 crore, received during 2020-21 (40 *per cent* rise).
4. During the financial year 2021-22, the State also got a good collection of SGST to the tune of ₹16,392 crore, as against ₹13,043 crore collected, during the previous year.

Due to the above reasons, the Revenue Receipts of the State reached to a height of ₹1,53,059 crore, in comparison to last year's collection of ₹1,04,387 crore, with a gigantic leap of ₹48,672 crore (47 *per cent*), resulting in enormous Revenue Surplus of ₹43,471 crore.

1.6 Surplus/ Deficit 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 Reserve Funds and Deposits (bearing interest), not depositing cess/ royalty to Consolidated Fund *etc.* also impact the Revenue Surplus and Fiscal Surplus 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 ₹1,525.45 crore and overstatement of Fiscal Surplus by ₹187.25 crore for 2021-22, as detailed in **Table 1.7**:

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

Particulars	(₹ in crore)			
	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Surplus (₹ in crore)	
	Over Statement	Under Statement	Over Statement	Under Statement
Misclassifications between Revenue and Capital Expenditure	1,338.20	--	--	--
Non-Credit of Interest to Reserve Funds and Deposits (bearing interest)	131.88	--	131.88	--
Labour Welfare Cess collected, but not transferred to Board's Account	1.61	--	1.61	--
Non-transfer of Land Revenue Cess to Local Bodies	53.76	--	53.76	-
Total Impact	1,525.45		187.25	
	(Over-Statement)		(Over-Statement)	

Source: Audited Finance Accounts 2021-22, Government of Odisha

As can be seen from the above Table, there was an overstatement of Revenue Surplus and Fiscal Surplus by ₹1,525.45 crore and ₹187.25 crore, respectively, during the year. As per Finance Accounts, the Revenue Surplus and Fiscal Surplus were ₹43,471.90 crore and ₹20,627.13 crore, respectively, which would actually be ₹41,946.45 crore and ₹20,439.88 crore, respectively, in 2021-22.

The Government stated (January 2023) that many accounting corrections have already been incorporated in the Annual Budget, 2022-23, as per the recommendations of Audit in C&AG's previous State Finances Audit Reports and recommendations of Audit on current SFAR would be considered during the next Budget cycle.

Recommendations

- 1) Government should take necessary steps to transfer Land Revenue Cess to Local Bodies and Labour Welfare Cess to Board's Account.
- 2) Government should take necessary steps to credit interest to Reserve Funds and Deposit Accounts.