

A sound internal financial reporting system, with relevant and reliable information, significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives, as well as the timeliness and quality of reporting on the status of such compliance is an attribute of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

#### Issues related to completeness of accounts

#### 4.1 Non-discharge of liability, in regard to interest towards interest bearing deposits/ Reserve Funds

The Government has a liability to provide and pay interest on the amounts, in the Interest-bearing Deposits/ Reserve Funds. Audit observed that ₹305.83 crore was required to be paid as interest on the balance of ₹3,218.91 crore, lying under interest bearing deposits/ Reserve Funds, as on 1 April 2023, as shown in **Table 4.1**. Non-payment of interest liability resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

**Table 4.1: Details of non-discharge of liability in regard to interest towards interest bearing deposits/ Reserve Funds**

(₹ in crore)

| Funds/ Deposits                                     | Balance on 1 April, 2023 | Basis for calculation of interest   | Interest due* | Interest paid | Interest short paid |
|---|--------------------------|---|---------------|---------------|---------------------|
| State Disaster Response Fund (SDRF)                 | 2,325.22                 | Interest calculated at 8.50 per cent, average rate paid on overdraft, as notified by RBI.     | 235.82        | Nil           | 235.82              |
| State Disaster Mitigation Fund (SDMF)               | 557.50                   | Interest calculated at 8.50 per cent, average rate paid on overdraft, as notified by RBI.     | 44.80         | Nil           | 44.80               |
| State Compensatory Afforestation Fund               | 317.78                   | Interest calculated at 3.35 per cent, as notified by Ministry of Environment and Forests.     | 24.01         | Nil           | 24.01               |
| Deposits of Government Companies, Corporations etc. | 18.12                    | Interest calculated at 6.50 per cent average rate paid on Ways and Means, as notified by RBI. | 1.18          | Nil           | 1.18                |
| Miscellaneous Deposits                              | 0.29                     | Interest calculated at 6.50 per cent average rate paid on Ways and Means, as notified by RBI. | 0.02          | Nil           | 0.02                |
| <b>TOTAL</b>  | <b>3,218.91</b>          |   | <b>305.83</b> | <b>Nil</b>    | <b>305.83</b>       |

Source: Finance Accounts for FY 2023-24

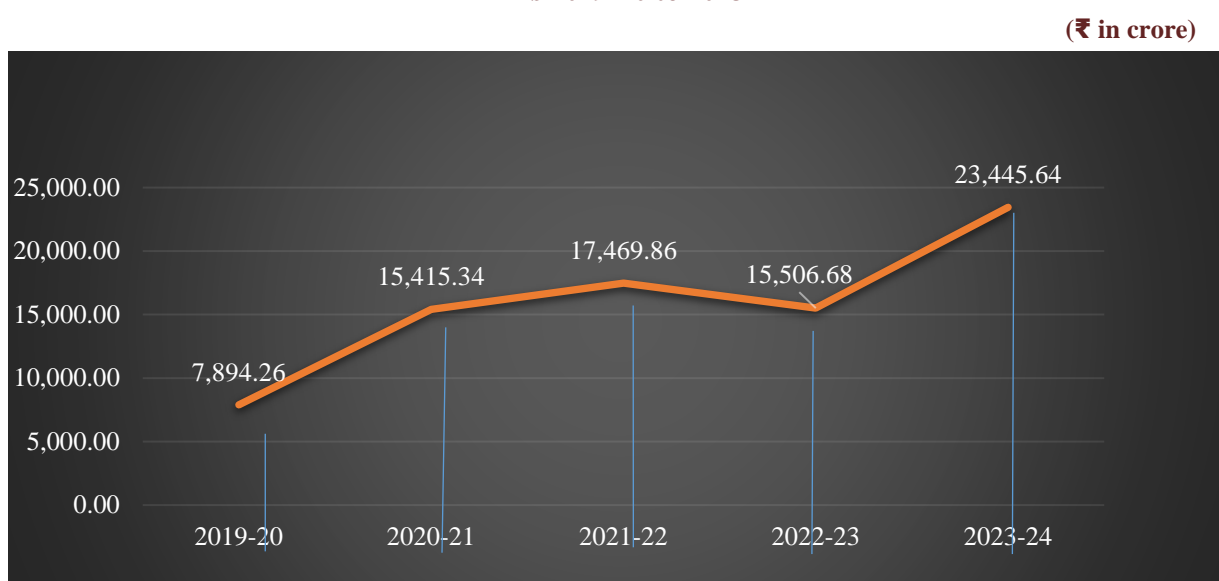
\* Interest computed on the progressive balances at the end of each month as per the applicable rates

## 4.2 Funds transferred directly to State Implementing Agencies

The Government of India (GoI) has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through the State Budget from FY 2014-15 onwards. However, during FY 2023-24, Central share of ₹23,445.64 crore, under 38 Central Schemes, as detailed in **Appendix 4.1**, was transferred directly to the Implementing Agencies, bypassing the Consolidated Fund of the State. This constituted 13.05 *per cent* and 111.58 *per cent* of total Revenue Receipts (₹1,79,593 crore) and Grants-in-Aid (₹21,011 crore) of the State, respectively.

Trends of such transfers, directly to the implementing agencies, during the last five years, are given in **Chart 4.1**.

**Chart 4.1: Transfer of funds directly to implementing agencies, during FYs 2019-20 to 2023-24**



Source: Finance Accounts for FY 2023-24 (Appendix VI)

As can be seen from **Chart 4.1**, the transfer of funds increased by 196.99 *per cent*, during the last five years, from ₹7,894.26 crore in FY 2019-20 to ₹23,445.64 crore in FY 2023-24. The major agencies that received funds directly from the GoI, during FYs 2021-22 to 2023-24, for implementing various developmental schemes and the quantum of such funds, are given in **Table 4.2**.

**Table 4.2: Major implementing agencies that received funds directly from GoI, during FYs 2021-22 to 2023-24**

(₹ in crore)

| Name of the Schemes of Government of India                          | Name of the Implementing Agencies                              | Amount transferred |          |           |
|---|--|--------------------|----------|-----------|
|   |  | 2021-22            | 2022-23  | 2023-24   |
| Food Subsidy  | Odisha State Civil Supplies Corporation<br>Bhubaneswar Limited | 7,892.69           | 7,600.05 | 14,473.68 |
| Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) | Odisha Rural Development and Marketing Society,<br>Bhubaneswar | 4,346.47           | 3,788.18 | 3,980.92  |

| Name of the Schemes of Government of India | Name of the Implementing Agencies                                 | Amount transferred |          |          |
|--|---|--------------------|----------|----------|
|  |   | 2021-22            | 2022-23  | 2023-24  |
| National Rural Drinking Water Programme    | Engineer-In-Chief, Rural Water Supply and Sanitation, Bhubaneswar | 1,661.70           | 1,768.73 | 2,108.54 |
| Pradhan Mantri Kisan Samman Nidhi          | Department of Agriculture, Odisha                                 | 2,759.54           | 1,782.96 | 2,220.73 |

Source: Finance Accounts for FY 2023-24, Appendix VI

Direct transfer of funds to implementing agencies is fraught with the risk of inadequate monitoring by the State Government and potential risk of misutilisation of funds.

### Issues related to Transparency

#### 4.3 Delays in submission of Utilisation Certificates (UCs)

In terms of Rule 306 of the Odisha General Financial Rules 2023, Utilisation Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be furnished by the grantee to the grantor by 1<sup>st</sup> December and to the Principal Accountant General (Accounts and Entitlements) (PAG (A&E)) by 31<sup>st</sup> December of the year. The period of submission ranges from 12 to 18 months. To the extent of non-submission of UCs, there is a risk that the amount shown in Finance Accounts, may not have reached the beneficiaries and may not have been spent for the intended purposes. The status of UCs, which have not been received by PAG (A&E) and are pending reconciliation, as on 31 March 2024, is given in **Table 4.3 (A)**.

**Table 4.3 (A): Status of UCs, not received by PAG (A&E) and pending reconciliation**

(₹ in crore)

| Year*   | No. of UCs    | Amount           |
|---|---------------|------------------|
| Up to 2022-23   | 9,895         | 11,500.08        |
| 2023-24 (drawn up to 30 <sup>th</sup> September 2022) | 1,119         | 861.18           |
| <b>TOTAL</b>  | <b>11,014</b> | <b>12,361.26</b> |

Source: Finance Accounts for FY 2023-24

\* Year mentioned above relates to 'Due Year', i.e., after 18 months of actual drawal.

The Department-wise pending UCs are shown in **Appendix 4.2**.

Age-wise analysis of UCs, not received by PAG (A&E) and pending reconciliation is given in **Table 4.3 (B)**.

**Table 4.3 (B): Age-wise analysis of Utilisation Certificates, not received by PAG (A&E) and pending reconciliation**

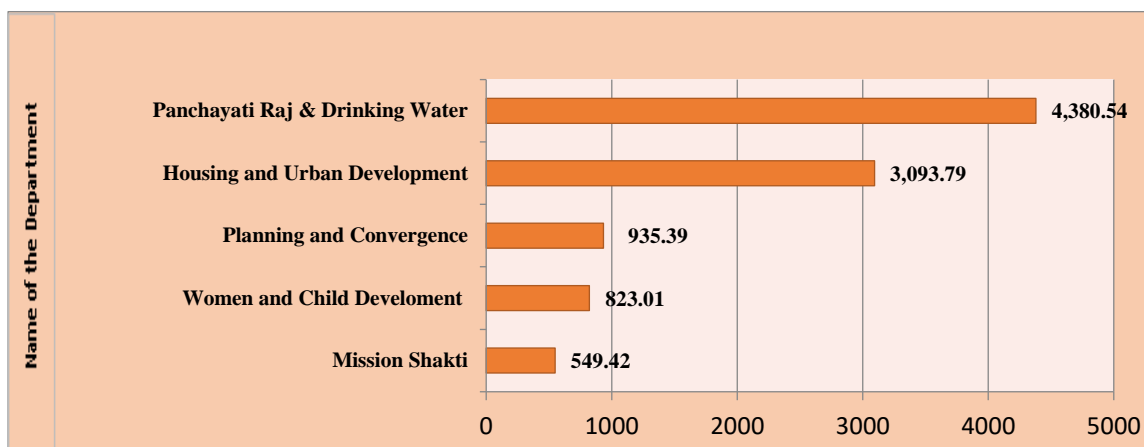
(₹ in crore)

| Sl. No. | Age                          | No. of pending UCs | Amount           |
|---------|------------------------------|--------------------|------------------|
| 1       | Between 10 years to 19 years | 3,314              | 548.54           |
| 2       | Between 5 years to 10 years  | 2,560              | 2,746.35         |
| 3       | Between 1 years to 5 years   | 4,021              | 8,205.19         |
| 4       | Between 0 years to 1 years   | 1,119              | 861.18           |
|         | <b>TOTAL</b>                 | <b>11,014</b>      | <b>12,361.26</b> |

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

**Chart 4.2: UCs, not received by PAG (A&E) and pending reconciliation with regard to five major Departments, as on 31 March 2024**

(₹ in crore)



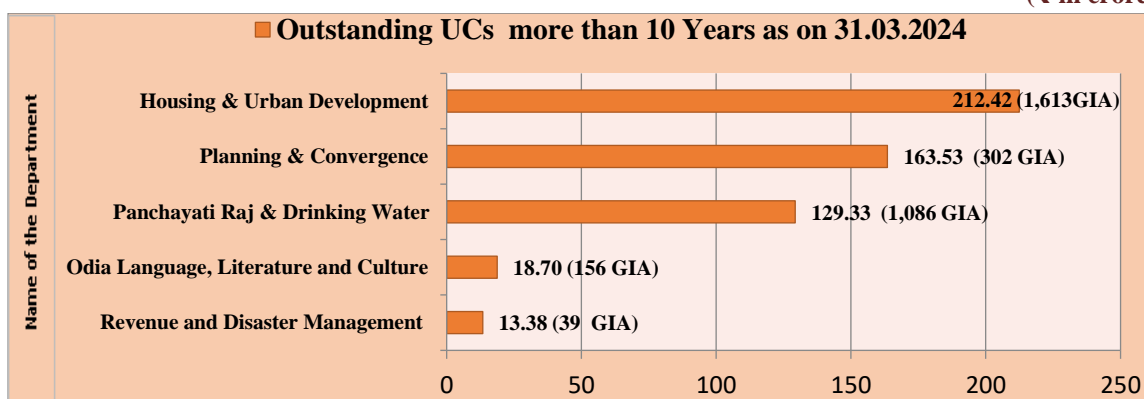
Source: Finance Accounts for FY 2023-24

From **Chart 4.2**, it is evident that ₹9,782.15 crore *i.e.* 79.14 per cent of the total UCs of ₹12,361.26 crore, which have not been received by PAG (A&E) and are pending reconciliation, pertain to five Departments, *viz.* Panchayati Raj and Drinking Water (₹4,380.54 crore), Housing and Urban Development (₹3,093.79 crore), Planning and Convergence (₹935.39 crore), Women and Child Development (₹823.01 crore) and Mission Shakti (₹549.42 crore).

The department-wise position of UCs which had not been received by PAG (A&E) and were pending reconciliation, for more than 10 years, is given in **Appendix 4.3**. There were 13 Departments, against which UCs were pending in the office of the PAG (A&E) for more than 10 years. Of these, the five major Departments, where UCs were pending for more than ten years, as of March 2024, are detailed in **Chart 4.3**.

**Chart 4.3: UCs, not received by PAG(A&E) and pending reconciliation with regard to five major Departments, where UCs were pending for more than 10 years**

(₹ in crore)



Source: Finance Accounts for FY 2023-24

Since non-submission of UCs is fraught with the risk of mis-utilisation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

### Examination of Sanction orders with reference to UCs

Audit examined 100 sanction orders relating to the year 2022-23, in order to ascertain compliance of OGFR by the DDOs for submission of UCs and noticed the following:

- In 63 sanction orders, UCs were not required (₹ 296.66 crore)
- In 37 sanction orders, UCs were required (₹ 282.87 crore).
- Out of 37 sanction orders for which UCs were required, time limit for submission of UCs was prescribed in only 22 sanction orders (₹ 225.11 crore)
- Of these 37 sanction orders, UCs for only 20 sanction orders (₹ 54.67 crore) had been submitted.
- The delays in submission of UCs ranged from 38 days to 152 days.

#### 4.3.1 Delay in implementation of the Integrated Financial Management System (IFMS) - UC module

Rule 171 (4) of the OGFR-I, read with Note 2, provides that a target date should be prescribed for submission of UCs by the grantee institutions to the Accountant General.

In order to have control on submission of UCs, the Finance Department had executed an agreement with Tata Consultancy Services (TCS) (erstwhile M/s CMC Limited) on 04 December 2013, to develop and implement the UC module, in the Integrated Financial Management System (IFMS) by April 2018.

Audit noticed that the UC module had been implemented in the IFMS, only in five Departments, viz., Co-operation; Handloom, Textiles & Handicrafts; Higher Education; Panchayati Raj and Drinking Water; and Skill Development & Technical Education Departments, as of September 2024.

In the absence of the UC Module in the remaining Departments, IFMS was unable to assist in monitoring of pending UCs from grantee entities, by authorities at all levels, in the Administrative Departments and the Finance Department of the State.

#### 4.4 Abstract Contingent bills

When money is required in advance or when it is not possible to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the concerned service heads. In terms of Rule 261 of the Odisha Treasury Code, advances drawn through Abstract Contingent (AC) bills are required to be adjusted through Detailed Contingent (DC) bills within three months, in case of works expenditure and for expenditure incurred on natural calamities, and within one month for other contingent charges.

Details of AC bills, pending adjustment, as on 31 March 2024, are given in **Table 4.4**. The Department-wise pending DC Bills, are shown in **Appendix 4.4**.

Table 4.4: Age-wise pendency of AC Bills

(₹ in crore)

| Year          | No. of AC Bills | Amount        |
|---------------|-----------------|---------------|
| Up to 2022-23 | 816             | 39.78         |
| 2023-24*      | 406             | 63.28         |
| <b>TOTAL</b>  | <b>1,222</b>    | <b>103.06</b> |

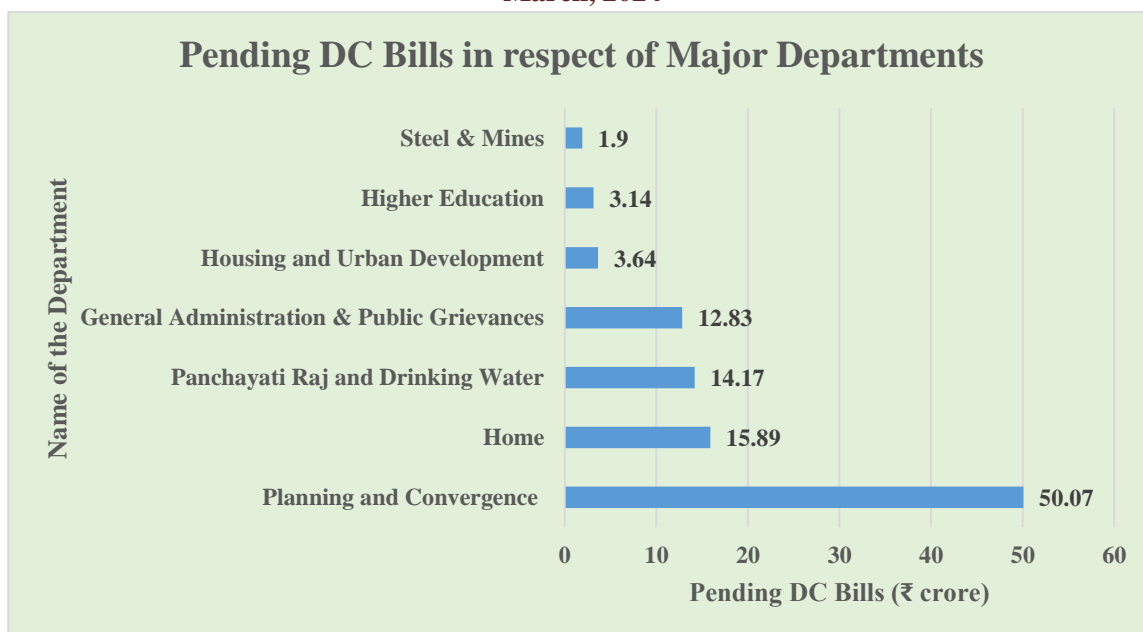
Source: Finance Accounts for FY 2023-24

\*The AC bills drawn up to December 2023 taken into account.

It was observed that 928 AC bills, amounting to ₹236.41 crore, were drawn during FY 2023-24, out of which 240 AC bills, amounting to ₹150.22 crore (63.54 per cent) were drawn in March 2024. Out of these 928 AC Bills, amounting to ₹236.41 crore, 522 AC Bills, amounting to ₹173.13 crore, were cleared and 406 AC Bills, amounting to ₹63.28 crore, were pending during the year 2023-24, as shown in **Appendix 4.4**. Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to drawals being done primarily to exhaust the budget provisions.

The status of seven major Departments, which accounted for 98.62 per cent of the total outstanding DC bills, is given in **Chart 4.4**.

**Chart 4.4: Major amount of DC Bills pending with seven Departments, at the end of March, 2024**



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

It is evident from **Chart 4.4** that ₹101.64 crore *i.e.* 98.62 per cent of the total outstanding AC Bills of ₹103.06 crore, pertains to seven Departments, *viz.* Planning and Convergence (₹50.07 crore); Home (₹15.89 crore); Panchayati Raj and Drinking Water (₹14.17 crore); General Administration & Public Grievances (₹12.83 crore); Higher Education (₹3.14 crore); Housing and Urban Development (₹3.64 crore); and Steel & Mines (₹1.9 crore) Departments.

Age-wise pendency details of the 1,222 outstanding DC bills are shown in **Table 4.5**.

Table 4.5: Age-wise details of pending DC Bills

(₹ in crore)

| Sl. No. | Age                         | No. of pending DC Bills | Amount        |
|---------|-----------------------------|-------------------------|---------------|
| 1       | Between 8 years to 21 years | 79                      | 1.05          |
| 2       | Between 4 years to 8 years  | 118                     | 8.76          |
| 3       | Between 1 years to 4 years  | 619                     | 29.97         |
| 4       | Between 0 years to 1 years  | 406                     | 63.28         |
|         | <b>TOTAL</b>                | <b>1,222</b>            | <b>103.06</b> |

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

During the year 2022-23, 1,382 AC Bills amounting to ₹107.57 crore were pending. During FY 2023-24, the total amount of pending DC bills had decreased by 4.19 per cent as compared to last year.

Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills.

#### 4.4.1 Non-implementation of the DC Bill functionality under the “Online Bill Preparation and Submission” module in IFMS

As per the agreement signed (04 December 2013) between the Finance Department and the vendor (Tata Consultancy Services (TCS), erstwhile M/s CMC Ltd.), a module was required to be developed in IFMS, for tracking and monitoring of AC/DC bills. Audit reviewed the functioning of the “Online Bill Preparation and Submission” module of the IFMS and noticed that:

- i. Form and provision for ‘Abstract Contingent Bill type’ had been implemented in IFMS, as intended. However, the corresponding provision for ‘Detailed Contingent Bill type’ had not yet been implemented, as of September 2024, defeating the purpose of the module. The scheduled timeline for implementation of the DC Bill type was April 2018, *i.e.*, the completion date of IFMS.
- ii. In the absence of ‘DC Bill type’, IFMS is unable to assist in monitoring of the status of pending AC Bills, by authorities at all levels, in the Administrative Departments, Treasuries and the Finance Department.

#### 4.5 Personal Deposit (PD) Accounts

Personal Deposits (PD) are maintained in the treasuries, in the nature of banking accounts. These are commonly known as Personal Deposit Accounts. As per Subsidiary Rule 423 of OTC Volume-I, permission for opening of PD Accounts shall not be granted, except after consultation with the Accountant General. It is authorised to open PD accounts to deposit funds required for specific purposes, by transfer of funds from the Consolidated Fund. Transfer of funds to PD Accounts is booked as final expenditure from the Consolidated Fund, under the concerned service Major Heads, without any actual cash flow.

### 4.5.1 Personal Deposit Account framework

There were 397 PD Accounts, with an unspent balance of ₹11,526.18 crore, as of 31 March 2024, as detailed in **Table 4.6**.

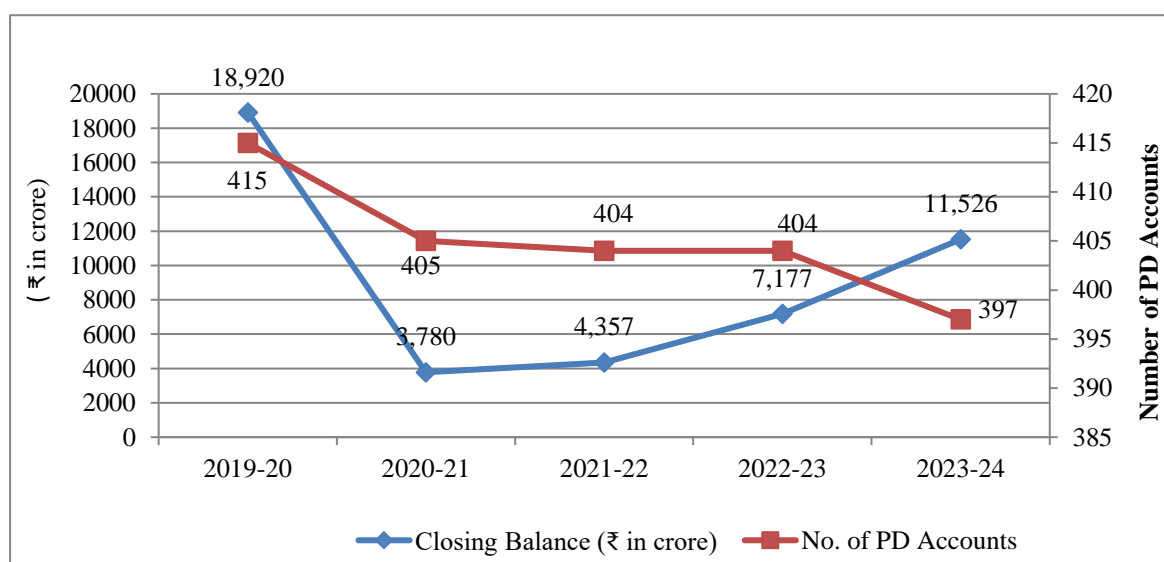
**Table 4.6: Personal Deposit Accounts**

| (₹ in crore)                     |          |                                  |           |  |           |                                       |           |
|----------------------------------|----------|----------------------------------|-----------|--|-----------|---------------------------------------|-----------|
| Opening Balance as on 01/04/2023 |          | Addition during the year 2023-24 |           | Closed/ Withdrawal during the year 2023-24 |           | Outstanding Balance as on 31/ 03/2024 |           |
| Number                           | Amount   | Number                           | Amount    | Number                                     | Amount    | Number                                | Amount    |
| 404                              | 7,176.85 | 01                               | 30,735.18 | 08   | 26,385.85 | 397                                   | 11,526.18 |

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

It can be seen from **Table 4.6** that, during the year 2023-24, one new PD Account was opened. There was an addition of ₹30,735.18 crore into the 405 accounts. There was a net increase of ₹4,349 crore (60.60 per cent) in the cumulative closing balance at the end of the year FY 2023-24, as compared to FY 2022-23, as detailed in **Chart 4.5**.

**Chart 4.5: Closing Balance in PD Accounts, during FYs 2019-20 to 2023-24**



Source: Finance Accounts of respective years

The closing balance of ₹ 11,526.18 crore pertained to 397 PD Accounts (MH 8443-106) of 314 Blocks, District Rural Development Agencies, Zilla Parishad, Integrated Tribal Development Agencies (ITDAs), Odisha Mineral Bearing Areas Development Corporation (OMBADC), Bhubaneswar which are detailed in **Table 4.7**.

**Table 4.7: Total Administrator-wise Personal Deposit Accounts**

| (₹ in crore) |  |                    |                    |
|--------------|--|--------------------|--------------------|
| Sl. No       | Name of the Administrator of PD Accounts | No. of PD Accounts | Outstanding amount |
| 1            | Block Development Officers               | 314                | 7,240.61           |
| 2            | Executive Officer, Zilla Parishad        | 30                 | 1,840.45           |



| Sl. No       | Name of the Administrator of PD Accounts   | No. of PD Accounts | Outstanding amount |
|--------------|--|--------------------|--------------------|
| 3            | Project Administrator, ITDA  | 22                 | 1,216.03           |
| 4            | PCCF, Odisha (OMBADC Account), Bhubaneswar   | 1                  | 833.74             |
| 5            | Chairman Western Orissa Development Council, Bhubaneswar   | 1                  | 225.88             |
| 6            | Secretary, State Council of Science and Technology   | 1                  | 119.46             |
| 7            | Project Director, DRDA   | 22                 | 31.31              |
| 8            | Member Secretary, Odisha Handlooms and Handicrafts Development and Promotion Council, Bhubaneswar                        | 1                  | 15.32              |
| 9            | Additional Director General of Police Criminal Investigation Department (Crime Branch), Witness Protection Fund, Cuttack | 1                  | 1.49               |
| 10           | Commissioner of Endowments, Bhubaneswar  | 1                  | 1                  |
| 11           | Project Director, Hirakud Command Area Development Authority   | 3                  | 0.89               |
| <b>TOTAL</b> |  | <b>397</b>         | <b>11,526.18</b>   |

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

#### **4.5.2 Closure and non-reconciliation of PD Account balances**

There was no inoperative PD Account, during the year 2023-24. During 2023-24, eight PD Accounts, with an unspent balance of ₹0.92 were closed.

In terms of Odisha Treasury Code, PD Accounts are required to be reconciled annually, by the Administrator with the balance in the treasury accounts. Audit found that out of 397 PD accounts, 91 PD Accounts (22.92 *per cent*) had not been reconciled by the Administrators, as of 31 March 2024.

Non-reconciliation of balances in PD accounts with treasury accounts and non-transfer of the unspent balances lying in the PD accounts, to the Consolidated Fund of the State, is fraught with the risks of potential misuse of public funds, fraud and misappropriation.

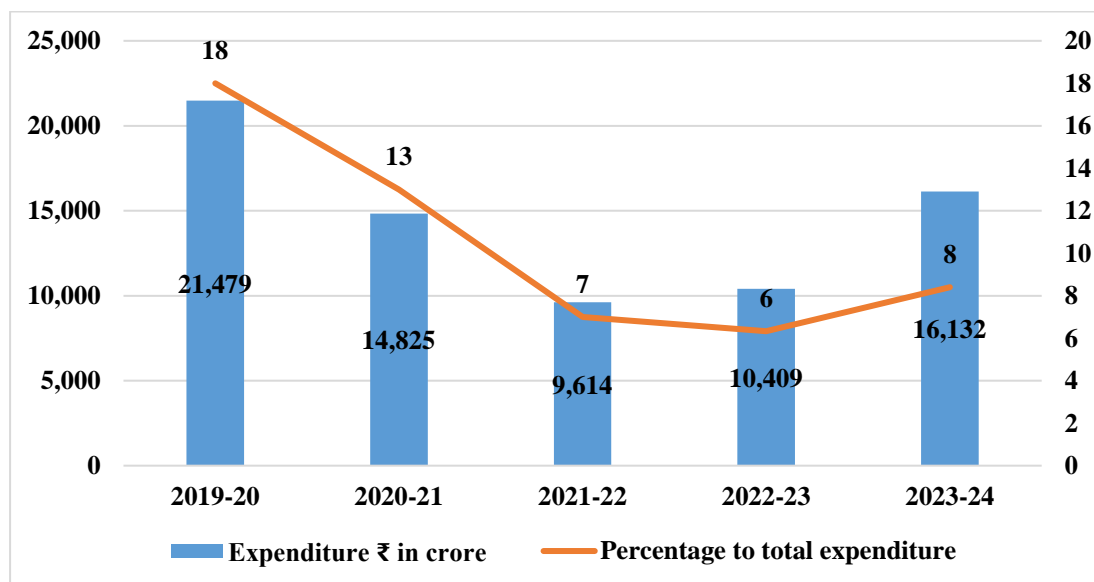
#### **4.6 Indiscriminate use of the Minor Head 800**

Minor Head 800, relating to Other Receipts and Other Expenditure, is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of the Minor Head 800 is to be discouraged, since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It was observed that during the year 2023-24, ₹16,132.12 crore, under 58 Major Heads of accounts, constituting 8.40 *per cent* of the total Revenue and Capital expenditure (₹1,92,105.16 crore), had been classified under the Minor Head '800-Other Expenditure', in the accounts. Cases of substantial expenditure (50 *per cent* and above of the total

expenditure under the concerned Major Heads), booked under Minor Head ‘800-Other Expenditure’, are given in **Appendix 4.5**. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of the Total Expenditure, during FYs 2019-20 to 2023-24, is shown in **Chart 4.6**.

**Chart 4.6: Operation of Minor Head 800 - Other Expenditure, during FYs 2019-20 to 2023-24**



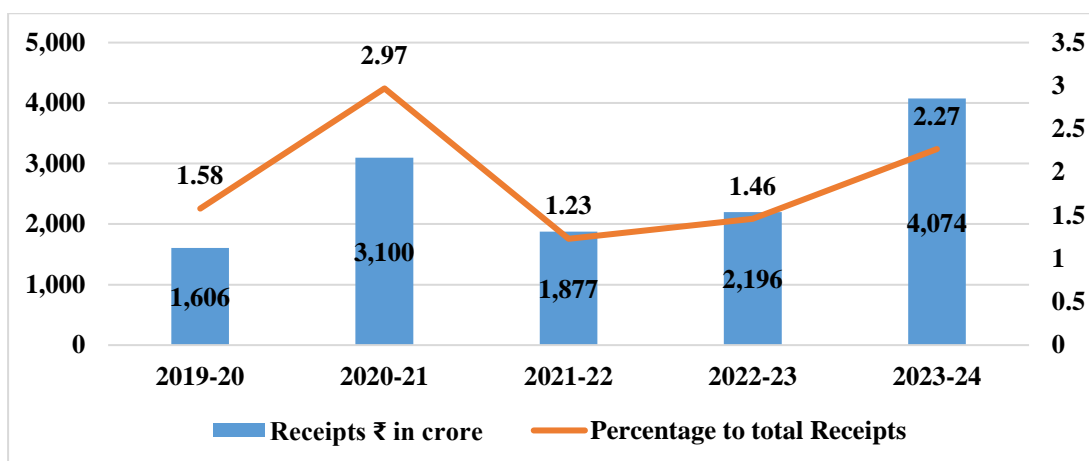
Source: Finance Accounts of respective years

As seen from **Chart 4.6**, the expenditure booked under the Minor Head 800 declined by 55 per cent from ₹21,479 crore in 2019-20 to ₹ 9,614 crore in FY 2021-22. However, the trend of booking expenditure under Minor Head 800 started increasing since 2021-22, with an increase of 54.98 per cent in FY 2023-24, as compared to the amount in FY 2022-23. The Major Head, under which the highest expenditure was booked, during FY 2023-24, was 4700-Capital Outlay on Major Irrigation (₹3,463.37 crore), 5054-Capital Outlay on Roads and Bridges (₹1,582.31 crore), 4701-Capital Outlay on Medium Irrigation (₹1,180.81 crore), and Major Head 5075-Capital Outlay on Other Transport services (₹254.12 crore).

Similarly, ₹4,073.71 crore, under 53 Major Heads of Accounts, constituting 2.27 per cent of the total Revenue Receipts (₹1,79,593 crore), was classified under 800 – Other Receipts in the accounts. Cases of substantial receipts (50 per cent and above of the total receipts under the concerned Major Heads), booked under the Minor Head 800 - Other Receipts, are given in **Appendix 4.6**.

Details of operation of the Minor Head 800 for Other Receipts, during the last five years, are shown in **Chart 4.7**.

Chart 4.7: Operation of the Minor Head 800 - Other Receipts, during FYs 2019-2024



Source: Finance Accounts of respective years

As seen from the above Chart, operation of Minor Head ‘800-Other Receipts’ has been lower, as compared to the use of this Head on the expenditure side, and ranged between 1.23 per cent to 2.97 per cent of the total receipts, during FY 2019-24. The Major Heads under which the highest amounts of receipts were booked under the Minor Head 800, included 0075-Miscellaneous General Services (₹1,581.95 crore), 0039-State Excise (₹484.75 crore) 0029-Land revenue (₹405.19 crore), 1601-Grants in Aid from Central Government (₹362.41 crore), 0701-Medium Irrigation Projects (₹247.43 crore), and 1051-Ports and Light houses (₹209.85 crore).

Audit noticed that some departments had booked expenditure under Minor Head 800, despite availability of relevant minor heads. Some instances in this regard, are given below:

- Expenditure of ₹105.48 crore was incurred by the Skill Development & Technical Education Department (Grant No. 39) for the purpose of implementation of Establishment of Technology University in the State, Information, Education and Communication and Establishment of Veer Surendra Sai University of Technology (VSSUT), Burla and booked the same under the Minor Head ‘800- Other expenditure under the Major Head 2203 ‘Technical Education’ in spite of having appropriate Minor Head 112-Engineering/Technical Colleges and Institute.
- Expenditure of ₹205.01 crore was incurred by the Water Resources Department (Grant No. 20) for conduct of ‘Rivers Embankment Maintenance’ and ‘Maintenance and Repair’, and the same was booked under the Minor Head ‘800- Other expenditure under the Major Head 2711-‘Flood Control and Drainage’, despite availability of appropriate Minor Head ‘103 – Civil Works’.
- Expenditure of ₹189.66 crore was incurred by the Scheduled Tribes and Scheduled Castes Development, Minorities and Backward Classes Welfare Department (Grant No. 11) for Repair/Maintenance of Residential/Non Residential Buildings and Repair/additional/Alteration of Anganwadi Centres (Non Residential Buildings) and the same was booked under the Minor Head ‘800- Other expenditure under the Major Head 2059-Public Works’, despite availability of appropriate Minor Head 053– Maintenance and Repairs.

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

### Issues related to measurement

#### 4.7 Outstanding balances under major Suspense heads

Certain intermediary/ adjusting heads of accounts, known as ‘Suspense heads’, are opened in the Government accounts, to reflect transactions of receipts and payments, which cannot be immediately booked to a final head of account, due to lack of information, such as non-furnishing of Schedules of Settlement by the Treasuries/ PAOs, non-receipt of clearance memos from RBI, non-receipt of vouchers *etc.* These heads of accounts are finally cleared by minus debit or minus credit, when the accounts under them are booked to their respective final heads of accounts. Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credits or debits within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under the Suspense and Remittance Heads. The outstanding balances, under these heads, are worked out by aggregating the outstanding debit and credit balances separately, under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions *etc.* The position of gross figures, under major suspense and remittance heads, for the last three years, is given in **Table 4.8**.

**Table 4.8: Balances under Suspense and Remittance Heads**

(₹ in crore)

| Minor Head   | 2021-22    |        | 2022-23   |        | 2023-24   |        |
|--|------------|--------|-----------|--------|-----------|--------|
|  | Dr.        | Cr.    | Dr.       | Cr.    | Dr.       | Cr.    |
| <b>Major Head 8658 - Suspense</b>                        |            |        |           |        |           |        |
| 101 - PAO Suspense                                       | 145.79     | 15.60  | 125.89    | 23.50  | 95.59     | 33.03  |
| Net  | Dr. 130.19 |        | Dr.102.39 |        | Dr. 62.56 |        |
| 102- Suspense Account - Civil                            | 19.12      | 79.51  | 6.08      | 151.21 | 5.53      | 32.55  |
| Net  | Cr. 60.39  |        | Cr.145.13 |        | Cr.27.02  |        |
| 110- Reserve Bank Suspense - CAO                         | 236.12     | ..     | ..        | ..     | --        | --     |
| Net  | Dr. 236.12 |        | ..        |        | --        |        |
| <b>Major Head 8782 - Cash Remittances and adjustment</b> |            |        |           |        |           |        |
| 102-PW Remittances                                       | 137.23     | 147.13 | 250.56    | 256.14 | 329.74    | 335.59 |
| Net  | Cr. 9.90   |        | Cr.5.58   |        | Cr. 5.85  |        |
| 103- Forest Remittances                                  | 64.21      | ..     | 43.99     | ..     | 21.04     | 1.85   |
| Net  | Dr. 64.21  |        | Dr.43.99  |        | Dr. 19.19 |        |

Source: Finance Accounts of respective years

Increasing accumulation of balances, during FYs 2021-22 to 2023-24 under the suspense heads, indicated inadequate accounting controls of the Government. Details of the balances under 101-PAO suspense head, are discussed below.

#### **4.7.1 Pay and Accounts Office (PAO) Suspense (Minor Head 101)**

The outstanding debit balance (31 March 2024) under this Minor Head was ₹95.59 crore and the credit balance was ₹33.03 crore. The major outstanding debit balances pertained to PAO, Central Pensions, New Delhi (₹ 77.47 crore) and PAO, Ministry of Surface Transport, Kolkata (₹16.35 crore). The major outstanding credit balances pertained to PAO, AG Odisha, Bhubaneswar (₹26.14 lakh), PAO, Central Pensions, New Delhi (₹0.30 crore); and others (₹31.95 crore). The outstanding balances under the PAO Suspense head need to be adjusted.

#### **4.8 Reconciliation of Cash Balances**

The Cash Balance of the State Government as on 31 March 2024, as per Accounts of the Principal Accountant General (A&E), was ₹1.07 crore (Credit), while the same was reported as ₹1.09 crore (Debit) by the Reserve Bank of India. As such, there was an unreconciled difference of ₹0.02 crore (Debit).

The difference was mainly due to wrong reporting and non-reconciliation of figures by banks with the treasuries, which is under reconciliation.

#### **4.9 Unspent amount lying with DDO Bank Account**

As per Codal provisions, funds received by Public Works Divisions, towards Deposit Works from Non-Government Agencies, are required to be credited under the Minor Head '108 - Public Works Deposits', below the Major Head '8443 - Civil Deposits'. The expenditure for related Deposit Works is also met from the same head of account. In the Monthly Divisional Accounts, the unremitted amounts of such deposits are classified under the Major Head '8671 - Departmental Balances, 101 - Civil', by the PW Divisions, under the Public Account of the State, which forms part of the Government Accounts. However, the funds received towards Deposits Works are being kept in the bank accounts of the Divisional Officers, operated by the PW Divisions, instead of being remitted into the Government Accounts, and thus, do not form part of the Cash Balance of the State, with the Reserve Bank of India.

As per the Central Public Works Accounts Code, Public Works Divisions are required to deposit the funds in the accounts, to be opened at the Treasury, under the Major Head '8443 - Civil Deposits 108 - Public Works Deposits'. However, in contravention of the Code, the Drawing and Disbursing Officers were depositing the funds in their bank accounts. As on 31 March 2024, an amount of ₹1,964.96 crore in respect of 4,270 DDOs was lying unspent in the bank accounts under 35 Departments. If the funds had been deposited in Treasury, the same would have positively impacted on the daily Cash Balance of the State Government. Department-wise details of amounts, lying in bank accounts, being operated by Drawing and Disbursing Officer, are given in **Appendix 4.7**.

Issues related to disclosure

4.10 Non-Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified four Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards, by the Government of Odisha, as well as deficiencies therein, during 2023-24, are detailed in **Table 4.9**.

**Table 4.9: Compliance with Indian Government Accounting Standards**

| Sl. No. | Accounting Standards | Essence of IGAS  | Compliance by State Government                               | Deficiency   |
|---------|----------------------|--|--|--|
| 1.      | IGAS-1               | Guarantees Given by the Government – Disclosure requirements | <b>Complied</b><br>(Statements 9 and 20 of Finance Accounts) | -  |
| 2.      | IGAS-2               | Accounting and Classification of Grants-in-aid               | <b>Not complied</b><br>(Statement 10 of Finance Accounts)    | 1) Certain Grants-in-Aid were classified under Capital Section ( <i>Refer Paragraph 2.4.3</i> )<br>2) No information was available regarding Grants-in-Aid, given in kind by the State Government. |
| 3.      | IGAS-3               | Loans and Advances made by Government                        | <b>Complied</b><br>(Statements 7 and 18 of Finance Accounts) | -  |
| 4.      | IGAS-4               | Prior Period Adjustments                                     | <b>Not Complied</b>  | No information was disclosed in Finance Accounts 2023-24 regarding any Prior Period adjustments.   |

Source: Finance Accounts for FY 2023-24

4.11 Non-Submission of Annual Accounts/ Separate Audit Reports of Autonomous Bodies

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

The ABs coming under the audit purview of CAG, as per Section 19 or 20 of CAG’s DPC Act, are required to submit their annual accounts to Audit, before 30 June every year. In regard to 13 Autonomous Bodies, which were to render annual accounts to C&AG, there were delays in the submission of accounts, as shown in **Appendix 4.8**.

Accounts of four bodies/authorities are pending since one to 13 years (Compensatory Afforestation Fund Management and Planning Authority: 13 years; Odisha Building and Other Construction Workers Welfare Board: 10 years; Odisha State Legal Services Authority: 2 years; Odisha Electricity Regularity Commission: 1 year). None of the nine

Development Authorities under Housing and Urban Development Department had submitted the accounts for audit, since their inception.

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

#### **4.12 Non-submission of details of grants / loans given to bodies and authorities**

In order to identify institutions/ organisations, which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG's DPC Act), the Government/ HODs are required to furnish to Audit every year:

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance was granted and
- total expenditure of the institutions.

Further, Government and HODs, who sanction grants and/ or loans to bodies or authorities, are required to furnish to Audit, by the end of July every year, a statement of such bodies and authorities, to which grants and/ or loans, aggregating ₹10 lakh or more, were paid during the preceding year, indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

Only 20 out of 44 Departments had furnished the details of Grants-in-Aid given to various bodies and authorities, in the year 2023-24. In the absence of such information from the remaining 24 Departments<sup>39</sup>, reasonable assurance could not be provided to the Legislature/ Government about the manner in which the grants sanctioned/ released by them had been utilised. This dilutes legislative control over the Government expenditure system.

### **Other Issues**

#### **4.13 Maintenance of Odisha Electricity Regulatory Commission fund in Bank Accounts instead of Public Account**

Article 266(2) of the Constitution of India provides that 'All other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State'. The Odisha Electricity Regulatory Commission (OERC) was constituted under the Electricity Act, 2003. Section 103 of the Act stipulates creation of a fund called 'State

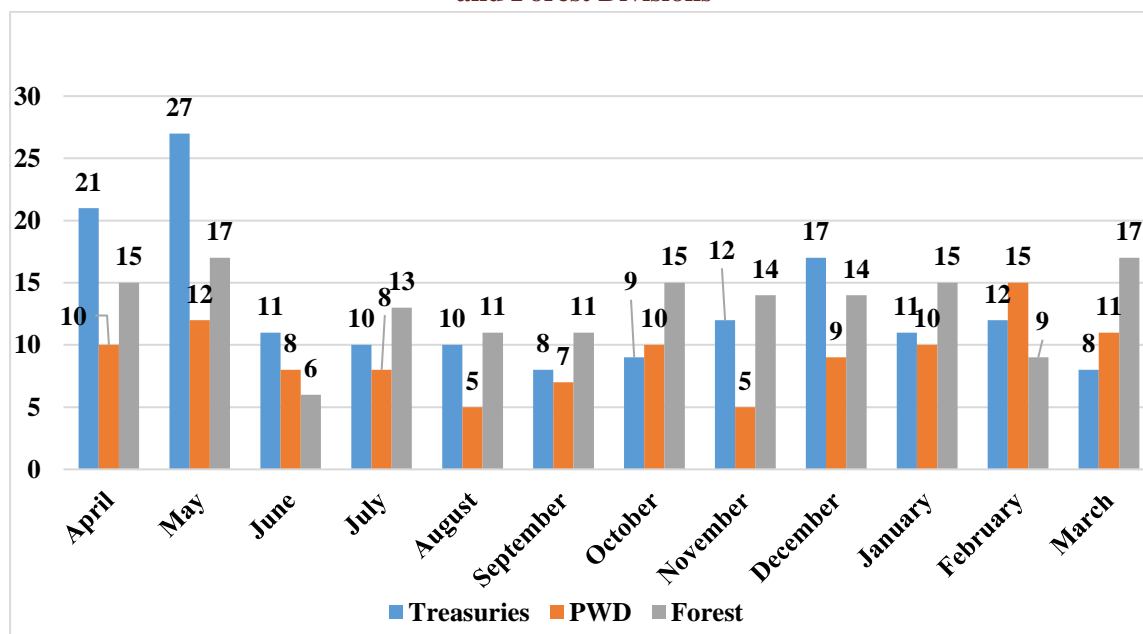
<sup>39</sup> 1) Home; 2) Law; 3) General Administration; 4) Commerce; 5) Works; 6) Odisha Legislative Assembly; 7) Food Supplies and Consumer Welfare; 8) School and Mass Education; 9) Health and Family Welfare; 10) Housing and Urban Development; 11) Sports and Youth Services; 12) Public Grievance and Pension Administration; 13) Transport; 14) Agriculture and Farmers' Empowerment; 15) Excise; 16) Rural Development; 17) Handlooms, Textiles and handicrafts; 18) Fisheries and Animal Resources Development; 19) Electronics and Information Technology; 20) Skill Development and Technical Education; 21) Micro, Small and Medium Enterprises; 22) Social Security and Empowerment of persons with disabilities; 23) Disaster Management and 24) Mission Shakti

Electricity Regulatory Commission Fund’ wherein receipts<sup>40</sup> of the commission are to be credited and expenses therefrom are to be made. GoO enacted the OERC (Fund) Rules, 2006, and in terms of Rule 3, the OERC was permitted to open a bank account for accommodating such receipts and making expenses therefrom. In keeping with the rule *ibid*, funds were kept in a bank account and as of March 2024, ₹78.02<sup>41</sup> crore remained in the bank account instead of the Public Account of the State. Resultantly, not only did the Constitutional mandate stand violated, but the Public Account balance was also understated by ₹78.02 crore, which could have helped to finance the Fiscal Deficit. In this context, it may be mentioned that funds of Central Electricity Regulatory Commission are kept in Public Account of the Government of India.

#### 4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E), from the initial accounts rendered by district treasuries, sub-treasuries, cyber treasury and public works divisions (apart from the RBI advices). During the financial year 2023-24, there were delays in the rendition of monthly accounts, ranging from 8 to 27 days by treasuries; 5 to 15 days by Public Works Divisions; and 6 to 17 days by Forest Divisions. Details of delays (in days), in the submission of monthly Civil Accounts, are given in **Chart 4.8**.

**Chart 4.8: Delays (in days) in rendition of monthly accounts by Treasuries, Public Works and Forest Divisions**



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

<sup>40</sup> (a) Any grants and loans given to the State Commission by the State Government; (b) all fees received by the State Commission under this Act; and (c) all sums received by the State Commission from such other sources, as may be decided upon by the State Government

<sup>41</sup> ₹ 6,823 as cash balance; ₹ 2.02 crore in flexi account of Bank and ₹76 crore invested in Fixed Deposits of Bank



#### 4.15 Misappropriations, losses, thefts etc.

As per provisions of OGFR Vol. I (Rule-19), Government Officers are empowered to report such cases of loss of money, departmental revenue, stores or other properties, to immediate superior officers, as well as to the Accountant General, Odisha, where the amount is ₹500 or more. Further, as per Rule 2.34 *ibid*, cases of defalcations and losses are required to be reported to the PAG (A&E).

As on 31 March 2024, 711 cases of misappropriation, losses, theft etc., involving ₹ 18.45 crore, were pending for settlement. No cases were disposed during the FY 2023-24. The department-wise break-up of pending cases, is given in **Appendix 4.9**.

The age-wise profile of the pending cases and the number of cases pending in each category – theft and misappropriation/ loss of Government material, is summarised in **Table 4.10**.

**Table 4.10: Age-wise profile of misappropriations, losses, defalcation etc.**

(₹ in crore)

| Age-wise profile of pending cases |                 |                 | Nature of pending cases |                 |                 |
|-----------------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|
| Range in years                    | Number of cases | Amount involved | Types                   | Number of cases | Amount involved |
| Up to 5                           | 0               | 0.0             | Theft cases             | 389             | 4.00            |
| 5-10                              | 33              | 3.41            |                         |                 |                 |
| 10-15                             | 10              | 0.55            |                         |                 |                 |
| 15-20                             | 52              | 2.74            | Misappropriation cases  | 322             | 14.45           |
| 20-25                             | 126             | 2.85            |                         |                 |                 |
| More than 25                      | 490             | 8.90            |                         |                 |                 |
| <b>TOTAL</b>                      | <b>711</b>      | <b>18.45</b>    | <b>TOTAL</b>            | <b>711</b>      | <b>18.45</b>    |

*Source: Information furnished by respective departments of Government of Odisha*

Out of the total 711 cases, 389 cases, amounting to ₹4 crore, were related to theft of Government money/ store and the remaining cases pertained to misappropriation of Government money.

#### 4.16 Discrepancy of ₹ 64.70 crore due to non-reconciliation between bank balance and cash book balance

Reconciliation of bank account figures with those of cashbook figures is required to be done regularly at the end of each month in order to ensure accuracy of transactions entered in the books of accounts. DDOs are required to carry out reconciliation at the end of each month to set right the mismatches, if any. In six sampled DDOs, it was observed that there was a difference of ₹64.70 crore (**Appendix 4.10**) between the balances in cash book and bank passbook, as of March 2024. In the absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouched for in Audit.

#### **4.17 Follow-up action on the State Finances Audit Report**

In every State, the Public Accounts Committee (PAC)/ Finance Department requires the line Departments to provide a *sou-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports, within one month of placement of the concerned Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNS) to the AG (for vetting and onward transmission to the PAC), within three months of tabling of the Reports.

During FY 2023-24, only one PAC meeting was held on 17 May 2023, to discuss the pending position of Audit paras and the Annual Action Plan for their disposal. As of March 2024, 387 paragraphs, relating to SFARs, pertaining to the period from financial years 2008-09 to 2022-23, were pending for discussion. The paragraphs of the SFARs, for the years 2016-17 and 2018-19 to 2022-23, are yet to be taken up for discussion by Hon'ble PAC.

#### **4.18 Conclusion**

Utilisation Certificates amounting to ₹12,361.26 crore (11,014 UCs), were outstanding, indicating lack of internal control of administrative departments and tendency of the Government to disburse fresh grants without ascertaining proper utilisation of the earlier grants.

Detailed Contingent bills (1,222 DC bills), amounting to ₹103.06 crore were also awaited.

As of 31 March 2024, an amount of ₹1,964.96 crore in respect of 4,270 DDOs, was lying unspent in the bank accounts instead of being remitted into the Government Accounts.

Thirteen autonomous bodies had not submitted their final accounts for considerable periods. As a result, their financial position could not be assessed and the results of investments of the Government remained outside the purview of the State Legislature.

Further, 711 cases of theft, misappropriation, loss of Government material and defalcation (amounting to ₹18.45 crore), action for settlement had remained pending for long periods.

#### **4.19 Recommendations**

- 1) Government should ensure timely submission of Utilisation Certificates by the departments, with regard to grants released for specific purposes.
- 2) Government should ensure adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules.

- 3) The Finance Department should put in place a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings, in order to assess their financial position.
- 4) Government may consider preparing a time-bound framework for taking proper action in cases of misappropriation, loss, theft *etc.*, and strengthening its internal control system, to prevent recurrence of such cases.

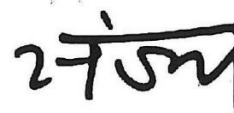


**(RAJ KUMAR)**

Bhubaneswar  
Dated 23 March 2025

**Principal Accountant General (Audit-I)  
Odisha**

Countersigned



**(K. SANJAY MURTHY)**

New Delhi  
Dated 24 March 2025

**Comptroller and Auditor General of India**

