

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance. The reports on compliance and controls with adequacy, accuracy and effectiveness assist the State Government to meet its basic stewardship responsibilities for strategic planning and quick decision making. It thus contributes to financial and operational health of the State Government with transparency and accuracy covering its various instrumentalities like local bodies, autonomous bodies etc.

This Chapter provides an overview and status of compliance with various broad significant financial rules, procedures and directives, in so far as financial reporting is concerned, by the State Government and its various subordinate offices during the current year.

3.1 Delay in furnishing of Utilisation Certificates

Odisha General Financial Rule¹ (OGFR) provides that for the grants, for which conditions are attached to their utilisation, Utilisation Certificates (UCs) should be furnished by the grantee institutions in duplicate (in form OGFR-7A) countersigned by the disbursing authorities so as to reach the Administrative Department by 1 June of the succeeding year. One copy of the certificate is to be retained in the Administrative Department and another copy is to be sent to the Office of the Principal Accountant General (A&E), Odisha, by 30 June of that year.

Through the instrument of UC, the grantor obtains assurance about non-diversion and proper utilisation of the funds placed at the disposal of the grantee and also gets a certificate from the grantee that the intended list of works have been executed, the details of which are available with him/her. Any delay in furnishing this report to the grantor or any inaccuracy in such reporting essentially undermines this control mechanism designed to ensure non-diversion and proper utilisation. This certificate from the final spending authority/ official/ agency/ grantee is subsequently countersigned by his/its senior officials at different stages/ levels, till it reaches the level of the Chief Controlling Officer (CCO)-cum-Heads of Department (HODs) who ultimately countersigns it and submits it to the Government. At every stage of counter-signature, necessary due diligence is required to be exercised by the counter-signing authority.

¹ Rule 173 of OGFR

Utilisation Certificates for a total amount of ₹ 27611.31 crore remained outstanding against 34 grantee institutions as of March 2016 in the books of Principal Accountant General (A&E). Year-wise break up of pending UCs is given in **Table 3.1** and in **Appendix 3.1**

Table 3.1: Year-wise break up of pending Utilisation Certificates in respect of Grants-in-Aid
(₹ in crore)

Years	Grants-in-Aid (G.I.A) against which UCs are awaited as of March 2016	
	Number of vouchers	Amount (₹ in crore)
Up to 2003-04	1625	354.78
2004-05	1075	288.41
2005-06	892	254.24
2006-07	1057	355.42
2007-08	1839	427.70
2008-09	2204	474.54
2009-10	1462	574.83
2010-11	2931	566.04
2011-12	2570	654.49
2012-13	1948	730.23
2013-14	3010	2778.00
2014-15	3138	5903.75
2015-16	9144	14248.88
TOTAL	32895	27611.31

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

The major defaulting departments were Panchayati Raj (₹ 10356.10 crore), Housing & Urban Development (₹ 3664.27 crore), Planning and Co-ordination (₹ 2719.70 crore), School and Mass Education (₹ 2292.78 crore), Health and Family Welfare (₹ 1790.44 crore), Revenue and Disaster Management (₹ 1302.40 crore), ST, SC Development and Minorities & Backward Classes Welfare (₹ 1045.43 crore) and Rural Development (₹ 1041.69 crore), comprising ₹ 24212.81 crore being 87.69 *per cent* of total outstanding UCs as of March 2016. However, in comparison to 2014-15, pendency of UCs has decreased by ₹ 7577.64 crore involving 5419 number of Grants-in-Aid vouchers.

3.2 Non-submission / delay in submission of details of grants / loans paid

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 is granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts, 2007 provides that Governments and HODs, who sanction grants and / or loans to bodies or authorities, shall furnish to the Audit by the end of July

every year a statement of such bodies, and authorities to which grants and / or loans aggregating to ₹ 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. The above obligation of the Government Departments and their HODs for furnishing necessary information through Finance Department was also mentioned in the C&AG's Report on State Finances for the years 2008-15 (paragraph 3.2). However, during 2015-16, only 23 out of 40 departments have furnished information regarding receipt of grants by the institutions / organisations under their jurisdiction to the Accountant General as detailed in **Appendix-3.2**. Nine new bodies² were identified under Section 14(1) and 14(2) of C&AG's DPC Act 1971 during the year 2015-16.

3.3 Delays in Submission of Accounts of Autonomous Bodies

As many as 178 autonomous bodies under various sectors of the Government of Odisha were identified for audit by the Comptroller and Auditor General of India, covering verification and regulatory compliance audit of all their transactions, operational activities and accounts, review of systems and procedures and internal controls etc.

Twelve bodies / authorities were identified under CAG's DPC Act for submission of accounts to audit as of March 2016. Of these, only three bodies / authorities viz. Odisha State Legal Services Authority (OSLSA), Odisha State Police Housing and Welfare Corporation Limited (OSPH&WC) and Odisha Forestry Sector Development Project (OFSDP) submitted their accounts to audit up to 2014-15.

So far, the accounts of the remaining nine development authorities³ under section 19(3) of C&AG's DPC Act have not been received in the Office of Accountant General (G&SSA), Odisha as of October 2016, despite entrustment of audit to the Comptroller and Auditor General of India.

3.4 Departmentally Managed Commercial Activities

Government departments which perform activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually, showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of departmentally managed commercial and quasi-commercial activities reflect their overall financial health and efficiency in conducting their business. In absence of timely finalisation of accounts, investment

² (i) Odisha Land Record Modernization Society, (ii) Odisha Tribal Empowerment Livelihoods Programme (OTELP), (iii) Academy of Tribal Language and Culture (ATLC), (iv) Odisha Tribal Development Society (OTDS), (v) Odisha Model Tribal Education Society (OMTES), (vi) State Institute of Disability Rehabilitation, Odisha (SIDR), (vii) Odisha State Child Protection Society (OSCPs), (viii) State Labour Institute (SLI) and (ix) State Medicinal Plant Board, Mayur Bhawan, Saheed Nagar, Bhubaneswar.

³ (i) Bhubaneswar Development Authority, (ii) Berhampur Development Authority, (iii) Cuttack Development Authority, (iv) Kalinganagar-Jajpur Development Authority, (v) Paradip Development Authority, (vi) Puri-Konark Development Authority, (vii) Sambalpur Development Authority, (viii) Rourkela Development Authority, (ix) Talcher-Angul-Meramundali Development Authority.

of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time.

The CCO-cum-HODs of the Government are to ensure that these units prepare proforma accounts and submit the same to the Accountant General (G&SSA) of the State within a specified time-frame for audit. As of March 2016, there were 16 such undertakings and none had prepared accounts up to 2015-16, except Chief Conservator of Forests, Kendu Leaves (Odisha), who has prepared the accounts up to 2010-11. Of these, four undertakings remained inoperative or closed. Their assets and liabilities were not fully disposed of or liquidated by the Government. In respect of two schemes, viz. (i) Purchase and distribution of quality seeds to cultivators and (ii) Poultry Development, Government had not, till date, prescribed the methodology of preparation of proforma accounts. Only Personal Ledger Accounts were opened during 1977-78 for 'Purchase and distribution of quality seeds to cultivators'.

Despite repeated recommendations⁴ of the State Public Accounts Committee and comments in C&AG's Reports (Civil) up to 2007-08 and thereafter in the Reports on State Finances on Government of Odisha about the arrears in preparation of these accounts, there was no improvement in so far as preparation of proforma accounts by these undertakings is concerned. The department-wise position of arrears in preparation of proforma accounts and investments made by the Government are given in *Appendix 3.3*.

3.5 Inadequate departmental action on cases of misappropriations, losses, defalcations 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 (G&SSA), Odisha where the amount is ₹ 500 or more. Various departments of the State Government reported that there were 713 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 15.99 crore up to March 2016, on which final action was pending. The department-wise break up of pending cases and age-wise analysis are given in *Appendix 3.4* and nature of these cases is given in *Appendix 3.5*. Age-wise profile of the pending cases and the number of cases pending in each category of theft and misappropriation/loss as of March 2016, as evident from these appendices, are summarised in **Table 3.2 (i)** and **Table 3.2 (ii)**.

⁴ 10th Assembly 14th Report para 12 and 25, 10th Assembly 33rd Report para-2 and 6.

Table 3.2(i): Age -wise pending cases of misappropriations, losses, defalcations, etc.

Range in Years	Age-wise Pending Cases			
	Number of cases		Amount involved (₹ in lakhs)	
	2014-15	2015-16	2014-15	2015-16
0 - 5	12	23	53.88	130.82
5 - 10	43	39	159.47	128.61
10 - 15	69	69	264.36	232.47
15 - 20	227	208	270.74	331.56
20 - 25	272	246	394.99	367.47
25 & above	701	128	432.19	408.14
Total	1324	713	1575.63	1599.07

Source: Compiled from the information received from various departments of the State Government.

The above table indicates that though the number of cases of misappropriations, losses and defalcations decreased to 713 from 1324, the amount involved had increased from ₹ 15.76 crore to ₹ 15.99 crore in 2015-16 over the previous year.

Table 3.2(ii): Nature of pending cases of misappropriations, losses, defalcations, etc.

Nature/Characteristics of the cases	Number of cases	Amount involved (₹ in lakhs)
Theft	393	396.77
Misappropriation/Loss of material	320	1202.30
Total	713	1599.07
Cases of Losses Written off during the Year	0	0
Total Pending cases	713	1599.07

Source: Compiled from the information received from various departments of the State Government.

Reasons due to which the cases (*Appendix-3.6*) were outstanding are classified into five categories, a summary of which is given in **Table 3.3**.

Table 3.3: Reasons for outstanding cases of misappropriations, losses and defalcations etc.

Reasons for Delay/Outstanding Pending cases		Number of cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	285	494.66
ii)	Departmental action initiated but not finalised	277	743.24
iii)	Criminal proceedings finalised but execution of certificate cases for recovery of the amount pending	9	16.84
iv)	Awaiting orders for recovery or write off	48	58.97
v)	Pending in the courts of law	94	285.36
	Total	713	1599.07

Source: Compiled from the information received from various departments of the State Government.

It is pertinent to mention here that as many as 285 cases involving ₹ 4.95 crore were awaiting departmental and criminal investigation up to 36 years since the year 1980-81. Similarly, 48 cases involving ₹ 0.59 crore were awaiting orders for recovery or write off of the competent authority. The Departments concerned did not furnish the reasons for non-finalisation of 277 misappropriation and loss cases involving ₹ 7.43 crore, on which departmental action had been initiated.

3.6 Pendency in adjustment of Abstract Contingent Bills

As per provisions of SR 260 and 261 of Odisha Treasury Code Vol. I (OTC), read with Rule 84 of the OGFR, every drawing officer has to certify in each Abstract

Contingent (AC) bill that the detailed bills for all contingent charges drawn by him prior to first of the current month have been forwarded to the respective Controlling Officers for counter signature and transmission to the Principal Accountant General (A&E). The total amount of Detailed Contingent (DC) bills received up to 2015-16 was only ₹ 633.42 crore (93.46 per cent) against AC bills worth ₹ 677.72 crore drawn during 2005-06 to 2015-16, leading to outstanding balance of DC bills of ₹ 44.31 crore as on 31 March 2016. Year-wise details are given in **Table 3.4**.

Table 3.4: Pendency in submission of DC Bills against AC Bills

(₹ in crore)

Year	AC bills drawn		DC bills outstanding		Amount of outstanding DC bills as percentage of AC bills
	No.	Amount	No.	Amount	
Up to 2011-12	102216	338.18	364	2.06	0.61
2012-13	10227	74.14	17	3.82	5.15
2013-14	11122	130.78	118	14.75	11.28
2014-15	12862	72.23	148	6.89	26.89
2015-16	14816	62.39	2299	16.78	44.91
TOTAL	151243	677.72	2946	44.30	6.53

Source: Compiled from the information received from Principal Accountant General (A&E), Odisha.

Department-wise pendency of AC bills up to 2015-16 are detailed in **Appendix-3.7** which shows that three major Departments viz. Home (₹ 29.84 crore), General Administration (₹ 7.15 crore) and Transport (₹ 3.60 crore) accounted for 91.60 per cent of the total unadjusted AC bills. As the amount has already been charged to the activities concerned as Revenue Expenditure, delayed adjustment of unspent balances may lead to booking of excess cost than actual expenditure and is also fraught with the risk of possible embezzlement of Government funds.

Withdrawal of money on an AC bill is accounted against the functional Major Head in the Consolidated Fund. Unless the account is settled within the time allotted, the expenditure stands inflated. This would impact the fiscal indicators of the Government (Revenue surplus/Fiscal deficit).

3.6.1 Analysis of Pendency in adjustment of Abstract Contingent Bills of Home Department

Home Department was reviewed by Audit for pendency of AC bills, since there was withdrawal of funds on AC bills on large scale and non-adjustment/settlement of substantial number of AC bills by way of submission of DC bills over the years. An analysis of AC bill draws in Voucher Level Computerisation (VLC) database of the office of the Principal Accountant General (A&E) in respect of the Home Department showed the following:

3.6.1.1 Money drawn on AC bills and retained with Drawing and Disbursing Officers

At the time of drawal of funds through AC bill, the expenditure is booked under the relevant service head. Therefore, it is essential to ensure utilisation of such funds for the specific purpose within the stipulated period, but not later than 31 March of the financial year. Funds drawn through AC bills remaining outstanding as of March 2016 are detailed in **Table 3.5**.

Table 3.5: Year-wise outstanding AC Bills of Home Department
(₹ in crore)

Year	AC Bill Drawn		Outstanding DC bills	
	No. of items	Amount	No. of items	Amount
Up to 2011-12	95843	260.68	229	1.16
2012-13	9648	54.08	5	0.01
2013-14	10471	119.39	99	14.38
2014-15	12209	51.24	96	4.91
2015-16	13981	52.19	2050	9.38
Total	142152	537.58	2479	29.84

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

Out of the total AC bills of ₹ 537.58 crore drawn up to 2015-16, DC bills for ₹ 29.84 crore remained outstanding for years, which raises serious concerns about proper utilisation of the amounts drawn on AC bills. The outstanding DC bills for years together further showed that Government funds drawn for various purposes *inter-alia* on the plea of immediate disbursement had been irregularly retained at DDO level. Further, Rule 261 of OTC requires that a certificate shall be furnished by the DDOs to the effect that funds drawn on AC bills shall be spent within the same financial year. However, the funds were carried forward to the next financial year.

3.6.1.2 Drawal of AC bills in the month of March

As per Article 202 of the Constitution of India, State Government may spend money within the authorised appropriation during the same financial year. Rule 242 of the OTC stipulated that no money should be drawn from the Treasury unless it is required for immediate disbursement. Further, Rule 147 of Odisha Budget Manual (OBM) provides that rush of expenditure in the closing month of the financial year will ordinarily be regarded as breach of financial regularity, which should be avoided.

Scrutiny of report generated through Voucher Level Computerisation (VLC) of the office of the Principal Accountant General (A&E) showed that during 2011-12 to 2015-16, total amount of ₹ 106.18 crore was drawn in the month of March only, which constituted 34.30 *per cent* of the total drawal of ₹ 309.53 crore during the years, as detailed in the **Table 3.6**.

Table 3.6: Year-wise break up of AC bills during the month of March
(₹ in crore)

Sl. No.	Year	Total bills drawn during the year	Drawal during the month of March	Percentage against total bills drawn
1	2011-12	32.63	6.24	19.12
2	2012-13	54.08	27.45	50.76
3	2013-14	119.39	61.03	51.12
4	2014-15	51.24	4.51	8.80
5	2015-16	52.19	6.95	13.32
Total		309.53	106.18	34.30

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

Amounts drawn in the month of March were indicative of the fact that the likelihood of actual expenditure of such drawals within the concerned financial year were remote and withdrawals were made merely to avoid lapse of appropriation.

3.6.1.3 Drawal of funds on AC bills for Plan Expenditure

Drawal of Plan funds in AC bill is not permissible as the same are not of contingent nature. Plan expenditure is intended to meet the distinct objectives of a Programme /Scheme /Project of a Central/State Plan. As such, these are planned well in advance and earmarked for meeting specific purposes as envisaged in the concerned project/scheme details. Thus, there should be no occasion to draw money through AC bills to make payments on the items of Plan expenditure under them.

Table 3.7 below depicts the AC bills drawn for Plan expenditure of the Home Department remaining outstanding as of March 2016.

Table 3.7: Year-wise AC bills drawn on Plan Scheme of Home Department
(₹ in lakh)

Sl. No.	Year	Drawal of AC bills on Plan Scheme (CP/SP/CSP)	No. of items	Outstanding DC bills on Plan Scheme (CP/SP/CSP)	No. of items
1	Up to 2011-12	174.70	51	56.51	15
2	2012-13	558.58	14	0	0
3	2013-14	0.10	2	0	0
4	2014-15	1.99	10	0.24	1
Total		735.37	77	56.75	16

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

Out of total AC bills of ₹ 537.58 crore drawn for Home Department, ₹ 7.35 crore were drawn for Plan Schemes, which constituted 1.36 per cent, out of which ₹ 0.57 crore, comprising 7.75 per cent of the total drawal for Plan Scheme, remained outstanding as of March 2016. No AC bill was drawn under Plan schemes during 2015-16. Withdrawal of funds under Plan Heads through AC bill was indicative of the fact that project level planning was deficient, items of

expenditure were not linked while drawing the amount and, thus funds were simply drawn for future use, awaiting finalisation of implementation modalities and to avoid lapse of appropriation. As a result, the Government funds so drawn on the ground of immediate requirement were allowed to be parked outside Consolidated Fund at the end of each financial year.

3.7 Non-closure of inoperative / unwarranted Personal Deposit (PD) Account

Note below Rule 141 read with sub-rule (3) of OBM provides that money should neither be withdrawn from the Treasury unless it is required for immediate disbursement nor is it permissible to draw money from the treasury under Revenue heads of accounts which form a part of the Consolidated Fund of the State and for placing it in Deposit head under Public Account of the State in order to avoid lapse of allotment. Parking of funds in PD account adversely affects the transparency of State accounts as it inflates the Revenue Expenditure to that extent and locks up resources which otherwise can be utilised elsewhere for development. Further, according to the provisions of the Odisha Treasury Code, Volume I (Rule 423), PD accounts remaining inoperative for three full financial years are to be closed automatically and the unspent balances transferred to Government Account for which the Treasury Officers are to furnish detailed information to the Principal Accountant General (A&E) immediately after 31 March of each financial year.

There were 849 PD Account holders in the State with a closing balance (unspent) of ₹ 1242.47 crore operating under the head 8443 and 8448 as Personal Deposits at the end of March 2016. During 2015-16, ₹ 2064.11 crore were transferred from the Consolidated Fund of the State to these PD accounts and expenditure of ₹ 1967.72 crore was incurred therefrom, resulting in net increase of ₹ 96.39 crore in the cumulative closing balance at the end of the year.

All such drawals had the approval of the CCOs of the concerned Departments including the Finance Department. This practice resulted in erosion of legislative control over expenditure, as drawals from PD Accounts in the subsequent years neither required legislative approval nor was the expenditure incurred subject to legislative authority through the appropriation mechanism.

3.8 Booking under Minor Head '800-Other Receipts and Other Expenditure'

A crucial component of a transparent system of accounting is that the forms of accounts in which the receipts and expenditure of the Government are reported to the Legislature, are constantly reviewed and updated so that they correctly reflect the receipt and expenditure on all major activities of the Government in a transparent manner and to the level of disaggregation necessary to meet the basic information needs of all the important stakeholders.

Booking under Minor Head ‘800-Other Receipts and 800-Other Expenditure’ is opaque, as it does not disclose the schemes, programmes etc., to which they relate to. It accommodates the expenditure which could not be classified under the relevant Minor Head. As such, it does not reflect the receipts / expenditure of the concerned Heads.

Scrutiny of State Finance Accounts 2015-16 showed that under 60 major heads of account (both Revenue and Capital), ₹ 10118.45 crore (13.33 per cent) of the total expenditure of ₹ 75896 crore, were classified under the minor head of account ‘800-Other Expenditure’ in the accounts, which also ranged between 11 and 100 per cent of the total expenditure under the respective major heads. Similarly, under 52 major heads of account (Revenue Receipt), ₹ 12645.12 crore (18.34 per cent) out of total receipts of ₹ 68941 crore was classified under ‘800-Other Receipts’, which ranged between 13 and 100 per cent of the total Revenue Receipts under the respective major heads of account.

Large amounts booked under the minor head ‘800’ affects transparency in financial reporting.

3.9 Labour Cess amounting to ₹ 965.26 crore kept in Account of a Board without Legislative scrutiny.

The Building and Other Construction Workers (BOCW) (Regulation of Employment and Conditions of Service) Act, 1996 provides that the proceeds of the labour cess shall be transferred to the head of account of the Board under the accounting procedure of the State Government.

Scrutiny of records of Odisha Building and Other Construction Workers Welfare Board (OB & OCWWB) showed that the cess collected by various agencies were sent through cheques/drafts to the Board or deposited in the savings bank account of the Board opened for the purpose through District Labour Offices. The cess so collected was kept in the shape of savings bank account and fixed/term deposit in violation of constitutional provisions and the BOCW Act 1996. The year-wise position of receipt and expenditure of cess from 2011-12 to the end of 2015- 16 is detailed in **Table 3.8**.

Table 3.8: Year-wise Receipt and Utilisation of Labour Cess

(₹ in crore)						
Year	Opening Balance	Receipt	Interest Accrued	Total	Expenditure	Closing Balance
2011-12	98.95	103.56	8.86	211.37	0.30	211.07
2012-13	211.07	132.23	25.43	368.73	0.81	367.92
2013-14	367.92	168.90	35.34	572.16	7.62	564.54
2014-15	564.54	211.13	36.72	812.39	38.85	773.54
2015-16	773.54	222.48	76.66	1072.68	107.42	965.26

Source: Compiled from the information received from Odisha Building and Other Construction Workers Welfare Board

Moreover, it can be seen from the table that during 2015-16, the board could utilise only 10 *per cent* of the total money received up to the end of 2015-16.

The Board, however, stated (August 2016) that for early utilisation of labour cess towards disbursement of different benefit schemes to the registered construction workers, the cess fund was kept in Savings Bank Account of the Board and utilised from that account. It was further stated that the Department of Labour and Employees State Insurance, Government of Odisha has been moved (September 2015) for amendment of the accounting procedure of Board for deleting the treasury Head of Account and inserting deposit of labour cess in designated bank account of the Board.

However, the reply of the Board was not tenable. Article-266(1) of the Constitution of India provides that all revenues received by the State Government shall form part of the Consolidated Fund of the State (CFS). Funds kept in the Savings Bank accounts are not considered as part of the CFS.

3.10 Fund Management Practices

Fund management entails strict adherence to prescribed rules and procedures in handling and retention of funds. Treasury and Financial Rules of the State Government require that no money is drawn from treasury unless it is required for immediate disbursement. All monetary transactions should be entered in the cash book under proper attestation as soon as these occurred. Expenditure should not be incurred on items for which there is no specific allotment and sanction of the Government.

3.10.1 Advances amounting to ₹ 616.47 crore remaining unadjusted

As per Subsidiary Rule 37 Notes 9 of OTC Vol. I, the DDO is required to maintain a Register of Advances showing all the particulars like date, name and designation of the officer receiving the advances, the purpose for which it is given, date of submission of accounts/ bill for payment made against such advances. The accounts of advances so rendered, are required to be checked and passed by the DDO. Further, as per Finance Department Notification (2nd December 1986), each item of outstanding advances as appearing in the cash book of the DDO, is to be analysed and adjusted within one month of disbursement, failing which, the salary of the Government servant concerned should be withheld. Subsidiary Rule 509 of OTC Vol.I envisages that the advance register should be reviewed frequently by the DDO to ensure that all the advances are cleared by adjustment without delay. Non-adherence not only results in understatement of actual expenditure but is also fraught with the risk of improper and irregular utilisation of the advance so drawn. Continued non-adjustment over a long period is also fraught with the risk of misappropriation and embezzlement.

Test check of records of 10 District Rural Development Agencies and 20 Block Development Offices showed that advances of ₹ 616.47 crore as of 31 March 2016 have not been adjusted. Age-wise analysis was also not available with these DDOs due to non-preparation of the list of outstanding advances and improper maintenance of the advance ledgers/registers.

In respect of 30 DDOs, advances amounting to ₹ 602.75 crore were still lying unadjusted (*Appendix-3.8*) up to March 2016. Advances had been given to the implementing agencies for execution of work, imparting training and supply of agricultural implements.

3.10.2 Discrepancy of ₹31.26 crore due to non-reconciliation between bank balance and cash book balance.

Reconciliation of bank account figure with that of cash book figure is required to be done regularly at the end of each month in order to ensure accuracy of the transactions entered in the books of accounts. DDOs were required to carry out reconciliation at the end of each month to set right the mismatches/discrepancies, if any.

Audit found that in 16 sample DDOs, difference of ₹ 31.26 crore (*Appendix-3.9*) between the balances in cash book and bank pass book as of March 2016, was not reconciled. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouchsafed in audit.

3.11 Conclusion

- There is pendency in receipt of UCs of grants-in-aid paid to various autonomous bodies. Government released grants as a matter of routine without keeping a watch on timely receipt of UCs for grants given earlier, as required under the OGFR and sanction orders for release of such grants (*Paragraph 3.1*).
- As per reports of different departmental offices, 713 cases of misappropriation / defalcation of Government money amounting to ₹ 15.99 crore were pending for settlement (*Paragraph 3.5*).
- Contrary to the provisions of financial rules, Controlling Officers did not submit Detailed Countersigned Contingent Bills to the Principal Accountant General (A&E) in respect of ₹ 44.30 crore drawn on Abstract Contingent Bills (2946 cases) up to 31 March 2016. Besides, some departments allowed drawal of AC Bills despite AC Bills of earlier years remaining unadjusted (*Paragraph 3.6*).
- Labour cess amounting to ₹ 965.26 crore at the end of March 2016 was kept in bank accounts, violating the resolution of the Government of Odisha, Labour and Employees State Insurance Department (*Paragraph 3.9*).

Recommendations

- Government may prioritise early submission of pending Utilisation Certificates by the defaulting departments. The pendency in submission of Utilisation Certificates should be cleared by addressing the departmental officers to obtain Utilisation Certificates from the organisations to whom grants were given.
- In the matter of outstanding cases of misappropriation, losses and defalcations etc., Government may prioritise and finalise, in the first instance, at least the cases where departmental action has been initiated and cases which are awaiting orders for recovery and write off.
- The Controlling Departments may identify the reasons for delay in finalisation of accounts of autonomous bodies / undertakings and institute remedial measures to ensure that the arrears in accounts are cleared in a time bound manner.

The report was referred (October 2016) to the Principal Secretary, Finance Department, Government of Odisha; their replies are awaited (November 2016).

**Bhubaneswar
The**

**(R Ambalavanan)
Accountant General (G&SSA), Odisha**

Countersigned

**New Delhi
The**

**(Shashi Kant Sharma)
Comptroller and Auditor General of India**