

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance. The reports on compliance and controls, if operational, accurate and effective, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making. It contributes to accurate fair and transparent depictions of the financial and operational health of the State Government and its various instrumentalities like local bodies, autonomous bodies etc.

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

### 3.1 Delay in furnishing Utilisation Certificates and inaccurate reporting

Odisha General Financial Rules<sup>17</sup> (OGFR) provide that for the grants in which conditions are attached to the utilisation of the grants, 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 was to be retained in the Administrative Department and another copy was to be sent to the office of the Principal Accountant General (A&E), Odisha, by 30 June of that year.

Through the instrument of utilisation certificate, 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 non mis-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-cum-Head of the Department who ultimately countersigns it and submits it to the Government. At every stage of counter-signature, necessary due diligence was required to be exercised by that counter-signing authority.

At the close of March 2012, out of the total amount of ₹ 34261.13 crore drawn and disbursed to 98173 grantees by the State Government UCs in respect of expenditure of ₹ 27919.72 crore (81.49 *per cent*) remained outstanding as of March 2012 in the books of Principal Accountant General (A&E), due to grantee institutions receiving grants-in-aid from the Government of Odisha not furnishing the same. Year wise break up of wanting UCs is given in **Table 3.1**

<sup>17</sup> Rule 173 of OGFR

**Table 3.1: Year wise break up of wanting utilisation certificates in respect of grants-in-aid (₹ in crore)**

Year	Total amount drawn during the year	UC wanting	Percentage of outstanding amount	Number of grants-in-aid (GIA) vouchers for which UCs awaited.
2003-04	1485.63	1251.02	84.21	12975
2004-05	1367.24	1238.71	90.60	9526
2005-06	1862.52	1568.81	84.23	13181
2006-07	2597.29	1939.52	74.67	7912
2007-08	3696.03	2936.21	79.44	9531
2008-09	4585.64	3639.53	79.37	10849
2009-10	5273.70	4138.82	78.48	9418
2010-11	4833.09	3938.85	81.50	12339
2011-12	8559.99	7268.25	84.91	12442
<b>TOTAL</b>	<b>34261.13</b>	<b>27919.72</b>	<b>81.49</b>	<b>98173</b>

Source: Finance Accounts 2011-12 (Notes to Accounts)

However, information furnished by office of the Pr. Accountant General (A&E) in respect of 10 departments out of 38 departments, it was observed that UCs of ₹ 25908.90 crore was pending as of March 2012 (**Appendix-3.1**). The major defaulter departments were Panchayati Raj (₹ 8304.50 crore), Housing and Urban Development (₹ 4107.97 crore), School and Mass Education (₹ 3324.72 crore), Planning and Co-ordination (₹ 3264.78 crore) and ST, SC and Minorities and Backward Class Development (₹ 2122.63 crore) constituting ₹ 21124.60 crore being the 75.66 per cent of total outstanding UCs as of March 2012.

Similarly, Utilisation Certificates (UCs) in respect of grants aggregating to ₹ 553.93 crore were found to be wanting in 44 units audited during the year 2011-2012 by the Accountant General (G&SSA). They comprised Autonomous Bodies (18), Panchayat Samitis (23), Zilla Parishads (1) and Urban Local Bodies (2). Department wise break up of wanting UCs is given in **Appendix-3.2**

Besides, at the end of December 2011, UCs of ₹ 5379.73 crore of Central Assistance were pending against 27 departments as given in **Appendix 3.3**. The huge pendency was mainly on account of non-adherence to the existing instructions in OGFR for watching timely receipt of UCs by Chief Controlling Officers-cum-Heads of the Department and further release of grants to them as a matter of routine without insisting on UCs for earlier grants as stipulated in the OGFR and sanction orders. In absence of UCs, the two certificates (certifying non-diversion and non mis-utilisation) that the authority spending the Government grant is required to furnish, i.e. Heads of Departments/ Chief Controlling Officers gets uncomplified. Thus, Government which is the grantor received no assurance about the correct use of its grant. Such delays are also prone to fraudulent expenditure / transactions, diversion of funds and creation of fake assets for which the responsibility lies squarely on the Chief Controlling Officers-cum-Head of Departments.

The Principal Secretary, Finance Department stated (November 2012) that the State Government had introduced (March 2012) a revised time schedule for submission of Utilisation Certificate by the grantee institutions to bring improvement in furnishing Utilisation Certificate

### 3.1.1 Issue of inaccurate utilisation certificates

Utilisation Certificates were required to be furnished by the grantee institutions in support of actual utilization of funds for which, these were provided. However, test check of records of 23 DDOs (June-October 2012) it was found that the DDOs received grants-in-aid to the tune of ₹ 53.86 crore and utilized ₹ 23.89 crore against which UC for ₹ 50.58 crore were submitted resulting issue of inflated / inaccurate UC of ₹ 26.69 crore. Further, it was noticed in performance audit of Indira Awas Yojana (IAY) conducted during 2011-12 five Panchayat Samitis received grant-in-aid of ₹ 91.49 crore out of which ₹ 32.65 crore utilized against which they submitted UC for ₹ 57.65 crore resulting in submission of excess/inaccurate UC of ₹ 25.00 crore. Similarly during performance audit of Integrated Action Plan (IAP), it was noticed that the Planning and Coordination Department furnished UC for the entire amount of ₹ 75 crore received from Government of India (GoI) against the actual utilization of ₹ 29.04 crore as submitted by the Collectors of three districts which resulted in submission of inflated/inaccurate UC to the tune of ₹ 45.96 crore. Details are given in *Appendix-3.4*.

This indicates the lack of integrity of financial reporting. Furnishing UC with inaccurate certificates was fraught with the risk of fraudulent expenditure and should be shunned at all cost.

### 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 / Heads of the Departments are required to furnish to Audit every year the 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 heads of departments which sanction grants and / or loans to bodies or authorities shall furnish to the Audit Office by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating ₹ ten 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. It was also mentioned in the C&AG's Report on State Finances for the years 2008-09, 2009-10 and 2010-11 (paragraph 3.2) on Government of Odisha about the above obligation of the Government Departments and their heads of departments for furnishing the information. As of August 2012, no department of the Government had furnished such details for the year 2011-12 even after Principal Secretary, Finance department agreed (October 2011) with the audit observation and concurred with Audit to take necessary steps in this regard. This resulted in Audit not being able to provide assurance to Legislature/Government about the manner in which the grants sanctioned/ paid by them has been utilised, specifically on the issue of non-diversion and non mis-utilisation. This dilutes control in Government expenditure systems. However, two<sup>18</sup> new bodies / units were identified under Section 14(1) of C&AG's DPC Act 1971 during the year 2011-12.

<sup>18</sup> (i) International Institute of Information Technology (IIIT)  
(ii) National Law University of Odisha

Due to non-furnishing of the above details to the office of the Accountant General (G&SS Audit), the bodies / institutions could not be identified in Audit to bring them under audit purview, as a result of which the accuracy and propriety of expenditure from out of such loans and grants given out of Consolidated Fund of the State could not be examined in Audit and opinion expressed.

The Principal Secretary, Finance Department stated (November 2012) that the possibility for uploading of the sanction orders for GIA & Loan and submission of Utilisation Certificate in the Treasury Portal for audit of expenditure and timely recovery of loan and submission of Utilisation Certificate would be explored.

### **3.3 Delays in Submission of Accounts / Audit Reports of Autonomous Bodies**

As many as 219 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. of these bodies.

Fifty one bodies / authorities were identified for Separate Audit Reports (SARs) as per provisions of respective legislations. Of these 32 bodies, the Odisha State Legal Services Authority, 30 District Legal Services Authorities and the Odisha Forestry Sector Development Corporation (OFSDC) rendered their accounts to Accountant General (G&SS Audit), Odisha during December 2011 to January 2012, the audit of their accounts were completed and SARs were issued during 2011-12. However, as of August 2012, these 32 bodies have not provided their accounts for the year 2011-12 to audit. Of the remaining 19 bodies / authorities their accounts have not been received by the Audit office as of August 2012, though entrustment of audit to the C&AG of India under Section 19 (3) of C&AG's DPC Act were received in respect of 10 bodies / authorities<sup>19</sup> in the office of the Accountant General (G&SS Audit) Odisha between November 2010 and January 2011. The entrustment of audit of balance nine<sup>20</sup> bodies / authorities have not yet been made by Government as of September 2012, despite the matter having been taken up demi-officially with the Chief Secretary during April and subsequent reminder in June 2012.

The Principal Secretary, Finance Department stated (November 2012) that necessary instructions should be issued to the defaulting Autonomous Bodies for submission of Accounts for Audit.

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<sup>19</sup> (1) Nine Development Authorities viz., (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 and

(2) Odisha State Women's Commission

<sup>20</sup> (i) Odisha Industrial Infrastructure Development Corporation (IDCO), (ii) Odisha State Housing Board (OSHB) (iii) Odisha State Pollution Control Board (OSPCB) (iv) Odisha Primary Education Programme Authority (OPEPA), (v) Odisha State Disaster Management Authority (OSDMA), (vi) Odisha Tribal Empowerment and Livelihood Project (OTELP), (vii) Targeted Rural Initiative for Poverty Termination and Infrastructure (TRIPTI), (viii) Poverty and Human Development Monitoring Authority (PHDMA) and (ix) Odisha Building and Other Construction Worker's Welfare Board (OBOCWFB).

### 3.4 Departmentally Managed Commercial Activities

Government departments which are performing 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 the absence of timely finalisation of accounts, the investment 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. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Chief Controlling Officers (CCOs)-cum-Heads of the Departments of the Government are to ensure that these units prepare proforma accounts and submit the same to Accountant General of the State within a specified time frame for audit. As of August 2012, there were 16 such undertakings and none had prepared accounts up to 2011-12. Of these, four undertakings/activities 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 yet prescribed the preparation of proforma accounts; only Personal Ledger Accounts were opened during 1977-78 and 1979-80 respectively. Despite repeated recommendations<sup>21</sup> of the State Public Accounts Committee and comments in C&AG's Reports (Civil) up to 2007-08 and thereafter in the State Finance Reports 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 was concerned. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in *Appendix 3.5*. Government will have to take special steps for preparation and finalisation of the accounts without any further delay since delays suppress misappropriation, defalcation etc. The fact of negligence in preparation of proforma accounts was taken up (September 2012) with the Finance Department for examination and initiating appropriate action.

The Principal Secretary, Finance Department stated (November 2012) that suitable instructions would be issued to the defaulting departmentally managed commercial entities for preparing the accounts in time for Audit.

### 3.5 Inadequate departmental action on cases of misappropriations, losses, defalcations, etc.

As per provisions of Odisha Financial Rules Vol. I (Rule-19), Government officers are empowered to report such cases of loss of money, departmental revenue, stores or other properties to his immediate superior officers as well as to Accountant General (G&SSA) where amount is ₹ 500 or more. Various departments of the State Government reported that there were 1759 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 17.09 crore up to the period March 2012 on which final action was pending. The department-wise break up of pending

<sup>21</sup> . 10<sup>th</sup> Assembly 14<sup>th</sup> Report para 12 and 25, 10<sup>th</sup> Assembly 33<sup>rd</sup> Report para-2 and 6.

cases and age wise analysis is given in *Appendix 3.6* and nature of these cases is given in *Appendix 3.7*. The age-wise profile of the pending cases and the number of cases pending under each category of theft and misappropriation/loss as emerged from these appendices are summarised in **Table 3.2**

**Table 3.2: Profile of misappropriations, losses, defalcations, etc.**

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (₹ in crore)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in crore)
0 - 5	14	0.35	Theft	800	3.42
5 - 10	89	3.16			
10 - 15	205	3.18	Misappropriation/Loss of material	959	13.67
15 - 20	328	3.93			
20 - 25	317	1.55	Total	1759	17.09
25 & above	806	4.92	Cases of Losses Written off during the Year	0	0
<b>TOTAL</b>	<b>1759</b>	<b>17.09</b>	<b>Total Pending cases</b>	<b>1759</b>	<b>17.09</b>

The reasons for which the cases were outstanding are classified into five categories, a summary of which is given **Table 3.3** below:

**Table 3.3: Category-wise cases of misappropriations, losses, defalcations, etc. pending finalisation.**

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	476	4.91
ii)	Departmental action initiated but not finalised	604	7.05
iii)	Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	33	0.20
iv)	Awaiting orders for recovery or write off	492	1.96
v)	Pending in the courts of law	154	2.97
<b>TOTAL</b>		<b>1759</b>	<b>17.09</b>

The details of above category-wise outstanding cases is given in *Appendix-3.8*.

It is pertinent to mention that as many as 476 cases involving ₹ 4.91 crore were awaiting departmental and criminal investigation up to 47 years since the year 1965-66. Similarly, 492 cases involving ₹ 1.96 crore were awaiting orders for recovery or write off of the competent authority. The Heads of the concerned Departments of Government also failed to write off the cases after taking appropriate action under the Odisha General Financial Rules (Rule 42). The Departments concerned did not furnish the reasons for non-finalisation of misappropriation and loss cases on the 604 cases involving ₹ 7.05 crore on which departmental action had been initiated, though called for in Audit (October 2011 and June 2012). This indicated that the CCOs are indifferent to the vigilance cases pending in their departments.



The Principal Secretary, Finance Department stated (November 2012) that appropriate action would be taken by the respective departments at their level to take up the old pending cases of misappropriations, losses, defalcations etc.

### 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 Odisha General Financial Rules (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 Accountant General. The total amount of Detailed Countersigned Contingent (DCC) bills received up to 2011-12 was only ₹ 275.99 crore (81.6 per cent) against AC bills worth ₹ 338.17 crore drawn during 2004-12 leading to an outstanding balance of AC bills of ₹ 62.18 crore as on 31 March 2012. Year wise details are given in **Table 3.4**

**Table 3.4: Pendency in submission of DCC Bills against AC Bills**  
(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills outstanding	Outstanding DCC bills as percentage of AC bills	No of the outstanding AC bills
Up to 2008-09	192.50	10.32	5.36	1771
2009-10	48.95	1.84	3.76	429
2010-11	35.54	3.95	11.10	751
2011-12	61.18	46.07	75.30	5586
<b>TOTAL</b>	<b>338.17</b>	<b>62.18</b>	<b>18.39</b>	<b>8537</b>

Source: Finance Accounts, 2011-12 (Vol-I)

Department wise pending DCC bills for the years upto 2011-12 is detailed in **Appendix-3.9<sup>22</sup>**. The Appendix disclose that three major heads viz. 2015- ₹ 29.36 crore, 2055- ₹ 19.12 crore and 2204- ₹ 6.44 crore relating to Panchayati Raj, Home and Sports and Youth Services departments topped the list of unadjusted AC bills. As the amount is already charged to the activities concerned as revenue expenditure, delayed adjustment of unspent balances may lead to booking of excess of cost than actual expenditure and is also fraught with the risk of embezzlement of Government funds.

The Principal Secretary, Finance Department stated (November 2012) that instructions had been issued time and again and review meetings were taken for improvement in the position. The possibility of a system based tracking of AC Bill and DC Bills through iOTMS would also be explored.

### 3.7 Un-reconciled expenditure by Controlling Officers

To enable Controlling Officers of Departments to monitor the progress of expenditure so as to keep it within the budget grants and also to ensure accuracy of their accounts, Odisha Budget Manual (Rule 133) and Odisha General Financial Rules (Rule 318 and 319) stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the office of the Principal Accountant General (A&E). The Public Accounts Committee, Odisha also in their

<sup>22</sup> Difference of ₹ 0.01 crore is due to rounding.

Reports <sup>23</sup> recommended that the Departments of Government were required to reconcile the departmental expenditure figures with that of the books of the office of the Principal Accountant General (A&E). Even though non-reconciliation of departmental figures was being pointed out regularly in C&AG's Audit Reports (Civil) year after year, four Controlling Officers reconciled only ₹ 175.27 crore out of their total expenditure of ₹ 346.76 crore leaving a balance of ₹ 171.49 crore (49.45 per cent) un-reconciled. The details are given in **Table 3.5** below:

**Table 3.5: List of Controlling Officers who have partly reconciled their accounts with that of the Pr. A G (A&E) during 2011-12**

Sl No.	Controlling Officer	Demand Number	Head of Account	Amount reconciled (₹ in crore)	Amount unreconciled (₹ in crore)
1	Chief Engineer and Basin Manager, Baitarani Subarnarekha Budhabalanga Basin (BSBB)	20	4701	0.97	6.18
2	Chief Construction Engineer, Kanpur Irrigation Project	20	4700	83.19	37.93
3	Chief Engineer, Rural Works-II	28	2059	47.85	60.79
			2216	11.74	18.12
			4059	18.21	20.24
			4210	2.99	11.80
			4216	10.27	16.26
4	President, State Selection Board	38	2251	0.05	0.17
<b>TOTAL</b>				<b>175.27</b>	<b>171.49</b>

**Source:** Information furnished by the office of the Principal Accountant General (A&E)

Such non-reconciliation is fraught with the grave risk of mis-appropriation, fraudulent draws etc., if any, remaining suppressed / hidden and escaping detection. The Controlling Officers were fully responsible for ensuring this.

The Principal Secretary, Finance Department stated (November 2012) that instructions were issued to all Departments in this regard regularly and review meetings were taken time and again for improvement in the position.

### **3.8 Non-closure of inoperative / unwarranted Personal Deposit Account**

Note below Rule 141 read with sub-rule (3) of Odisha Budget Manual (OBM) provides that no money should be withdrawn from the Treasury unless it is required for immediate use. Nor is it permissible to draw money from the treasury under revenue heads of accounts which forms a part of the Consolidated Fund of the State and then to place it in Deposit head under Public Account of the State in order to avoid lapse of allotment. Parking of funds in PD account adversely affect the transparency of State accounts as it inflates the revenue expenditure to that extent and locks up resources which otherwise have been utilised elsewhere for development. Further, according to the provisions of the Odisha Treasury Code, Volume I (Rule 423) PD accounts remaining in-operative for three full financial years were to be closed automatically and the unspent balances transferred to Government Account for which the Treasury Officers were to furnish detailed information

<sup>23</sup> (i) 10<sup>th</sup> Assembly- 42<sup>nd</sup> Report- Paragraph-6 and (ii) First and Fourth Report of the Fourteenth Assembly in various other departments such as Revenue (Paragraph 2.3.3), Finance (Paragraph 2.3.5), Sports & Youth Service(Paragraph 2.3.13) , Transport(Paragraph 2.3.16), Co-operation(Paragraph 2.3.24) and Public Enterprises Department (Paragraph 2.3.25)



to the Principal Accountant General (A&E) immediately after 31 March of each financial year.

There were 889 PD Account holders in the State with a closing balance (unspent) of ₹ 656.07 crore operating under the head 8443-Civil Deposits-106-Personal Deposits as of March 2012. During 2011-12, ₹ 1462.75 crore were transfer credited from the Consolidated Fund of the State to these PD accounts and expenditure of ₹ 1381.77 crore was incurred there from resulting in a net increase of ₹ 80.99 crore in the cumulative closing balance at the end of the year.

As per the Treasury Inspection Reports of the office of the Principal Accountant General (A&E), Odisha an amount of ₹13.74 crore credited to the PD accounts of 16 drawing and disbursing officers during 1967-68 to 2007-08 were continuing without closure (March 2012) despite 44 to four years were elapsed without operating the PD accounts (*Appendix-3.10*).

All such irregular drawals had the approval of the CCOs of the concerned Departments and also of the Finance Department. This irregular practice resulted in erosion of legislative control over expenditure, as drawals from PD Accounts in the subsequent years neither required legislative approval nor were the expenditure incurred subject to legislative authority through the appropriation mechanism. Thus, it also erodes budgetary control mechanism put in place by Government.

The Principal Secretary, Finance Department stated (November 2012) that necessary steps should be taken with the Departments which used to operate the fund for closure of the inoperative PD Accounts.

### **3.9 Booking under minor heads '800-Other Receipts and 800-Other Expenditure'**

One 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.

Scrutiny of State Finance Accounts 2011-12 disclosed that under 18 major heads of account (both revenue and capital) ₹ 2928.02 (51 *per cent*) of total expenditure of ₹ 5746.22 crore were classified under the minor head of account '800-Other Expenditure' in the accounts which also ranged between 32 and 100 *per cent* of the total expenditure under the respective major heads. Similarly, under 37 major head of account (Revenue Receipt) ₹ 1349.77 crore out of total receipts of 2136.60 crore (67 *per cent*) was classified under '800-Other Receipts', which also ranged between 24 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 the transparency in financial reporting as it fails to indicate disaggregated information on different activities of the Government separately in the accounts. This shows that the existing structure of the Government Accounts does not truly reflect the current activities of the Government in these Departments and is required to be updated / modified.

### 3.10 Conclusion and Recommendations

- There is a huge pendency in receipt of Utilisation Certificates (UCs) of grants-in-aid paid to various autonomous bodies relating to Panchayati Raj, Housing and Urban Development, School and Mass Education, Planning and Co-ordination and ST, SC, Minorities and Backward Class Development departments. This was due to release of grants by the Government as a matter of routine without simultaneously keeping a watch on timely receipt of UCs for the grants given earlier, as required under the General Financial Rules and sanction orders for release of such grants (**Paragraph 3.1**).

*Internal controls need to be strengthened in the executing agencies to utilise the funds within the stipulated time so as to avoid delay in submission of utilisation certificates. It should also be ensured that utilisation certificates are furnished only after actual utilisation of the earmarked funds.*

- Administrative Departments of the Government did not furnish to the Accountant General (G&SSA) information on the list of bodies / authorities to whom grants and / or loans were paid, the purposes for which such assistances were paid and position of utilisation of such assistance during 2011-12 as required under the provisions of C&AG's Audit and Accounts Regulations 2007. All the 16 departmentally managed commercial entities did not prepare proforma accounts up to 2011-12 despite repeated comments in the earlier Audit Reports (**Paragraphs 3.2 and 3.4**).

*Administrative Departments of Government need to furnish timely information to Accountant General (G&SSA) in respect of bodies/authorities to whom grant/loans have been paid so that their accounts do not remain unaudited and the departments are deprived of full knowledge about their true financial and operational health. The department must also ensure finalisation of accounts in arrears of the departmentally managed commercial activities in order to obtain assurance about the financial transactions in these bodies/institutions and also in order to avoid the possibility of any fraud, misappropriation or non-transparent transaction remaining suppressed.*

- As per reports of different departmental offices, 1759 cases of misappropriation/ defalcation involving Government money of ₹ 17.09 crore were pending for enquiry up to 26 years or more (**Paragraph 3.5**).

*Departmental enquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book. The internal controls in all the organisations should be strengthened to prevent the recurrence of such cases.*

- Contrary to the provisions of financial rules, Controlling Officers did not submit (June 2012) Detailed Countersigned Contingent Bills to the Principal Accountant General (A&E) in respect of ₹ 62.18 crore drawn on Abstract Contingent Bills (8537 cases) up to 31 March 2012. Many of these cases related to periods prior to 2004-05. Besides, some departments allowed drawal of AC Bills despite AC Bills of earlier years remaining unadjusted (**Paragraph 3.6**).

*A rigorous monitoring mechanism should be put in place in the Departments to adjust the advances drawn in Abstract Contingent bills within the stipulated*

*period as required under the extant rules and also to preclude the possibility of temporary/permanent misappropriation and fraud/embezzlement.*

- Funds were remaining unspent in many inoperative PD Accounts for years together without being written back to concerned functional heads of accounts at the end of the respective years. Transfer of budgetary allocation from the Consolidated Fund to PD Account in the Public Account at the end of the financial year to avoid lapses adversely affected the transparency of the State's accounts; it inflated the expenditure to that extent and locked up resources which could otherwise have been used in other areas during that year. Further it also eroded budgetary and legislative control over public finances (**Paragraph 3.8**).

*Government should take suitable measures for prompt closure of the inoperative and unwarranted PD accounts and transfer the balance of unspent funds lying in these accounts to the Consolidated Fund of the State as provided in the codal provisions.*

- Significant amounts of expenditure and receipts under Central and State schemes, were not distinctly depicted in the State Finance Accounts of 2011-12 by getting booked under the minor head '800-Other Expenditure' and '800-Other Receipts, this affecting transparency in financial reporting (**Paragraph 3.9**).

*In order to ensure greater transparency in financial reporting, large amounts received or expended under various schemes should be depicted in the distinct minor heads of accounts instead of being clubbed together under the same minor head of accounts '800-Other Receipts and 800-Other Expenditure.*

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