

A sound internal financial reporting 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 depict the 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 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

Odisha General Financial Rule¹ (OGFR) provides 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 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 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 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-cum-Head of the Department 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.

At the close of March 2013, out of the total amount of ₹ 43204.13 crore drawn and disbursed to 68689 grantees by the State Government, UCs in respect of expenditure of ₹ 22221.22 crore (51.43 *per cent*) remained outstanding as of March 2013 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**

¹ 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	941.52	63.38	10245
2004-05	1367.24	898.18	65.69	7634
2005-06	1862.52	1048.46	56.29	8955
2006-07	2597.29	1343.03	51.71	4150
2007-08	3696.03	1867.23	50.52	4403
2008-09	4585.64	2359.92	51.46	6339
2009-10	5273.70	2622.17	49.72	5374
2010-11	6752.79	3195.85	47.33	8496
2011-12	8559.99	4443.00	51.90	6545
2012-13	7023.30	3501.87	49.86	6548
TOTAL	43204.13	22221.23	51.43	68689

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

information furnished by office of the Pr. Accountant General (A&E), Odisha in respect of 35 departments out of 40 departments revealed that UCs of ₹ 22221.22 crore was pending as of March 2013 (*Appendix-3.1*). The major defaulting departments were Panchayati Raj (₹ 7050.92 crore), Planning and Co-ordination (₹ 3220.75 crore), Housing & Urban Development (₹ 2288.65 crore), ST, SC & Minorities & Backward Class Development (₹ 2190.02 crore) and Rural Development (₹ 1434.24 crore) constituting ₹ 16184.58 crore being the 72.83 per cent of total outstanding UCs as of March 2013.

Similarly, Utilisation Certificates (UCs) in respect of grants aggregating to ₹ 1117.35 crore were found to be wanting in 34 units audited up to the year 2011-2012 by the Accountant General (G&SSA), Odisha. They comprise Government Offices (21) Autonomous Bodies (10) and Urban Local Bodies (3). Department wise break up of wanting UCs is given in *Appendix-3.2*

Besides, at the end of December 2012, UCs of ₹ 6588.24 crore of Central Assistance were pending against 30 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 the 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. Head of Departments/ Chief Controlling Officers does not get complied with. 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 Government stated (November 2013) that UCs for ₹ 12721.79 crore has been submitted as per special drive undertaken to streamline UCs by the FD instructions to all Departments vide Letter No. 18022/f Dt. 18.05.2013 in which there is provision of stoppage of salaries of Officers responsible for non-submission of UCs in time

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, 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 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, 2010-11 and 2011-12 (paragraph 3.2) about the above obligation of the Government Departments and their heads of departments for furnishing the necessary information through Finance Department. As of October 2013, Finance department is yet to furnish such details. 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 utilized, specifically on the issue of diversion and mis-utilisation. This dilutes control in Government expenditure systems. However, 12 new bodies were identified under Section 14(1) of C&AG's DPC Act 1971 during the year 2008-13.

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 SARs in respect of 32 bodies, i.e., the Odisha State Legal Services Authority, 30 District Legal Services Authorities and the Odisha Forestry Sector Development Project (OFSDP) were issued during 2012-13. However, as of September 2013, none of these 32 bodies have provided their accounts for 2012-13 to audit. Of the remaining 19 bodies / authorities their accounts have not been received by the Audit office as of September 2013, 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 11 bodies / authorities² in the office of the Accountant General (G&SS Audit) Odisha between November 2010 and March 2012. The entrustment of audit of balance eight³ bodies / authorities have not yet been made by Government as of September 2013, despite the matter having been taken up demi-officially with the Chief Secretary during April and subsequent reminders in June 2012.

² (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

³ (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 Programme (OTELP), (vii) Targeted Rural Initiative for Poverty Termination and Infrastructure (TRIPTI), (viii) Poverty and Human Development Monitoring Authority (PHDMA).

The Government stated (November 2013) that instructions would be issued to the concerned Administrative Departments for ensuring timely submission of Accounts / Audit Reports of Autonomous Bodies. The Government had also previously (November 2012) assured the same, but there were delays in submission of Accounts and audit reports during the year.

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 2013, there were 16 such undertakings and none had prepared accounts up to 2012-13. 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 till date prescribed the preparation of proforma accounts. Only Personal Ledger Accounts were opened during 1977-78 and 1979-80 respectively.

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 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 3.4**. 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 pro-forma accounts was taken up (September 2013) with the Finance Department for examination and initiating appropriate action.

The Government stated (November 2013) that instructions would be issued to the concerned Administrative Departments for taking up with the departmentally managed commercial entities for timely submission of proforma accounts. A model format for preparation of proforma accounts would be circulated for preparation of proforma accounts by departmentally managed commercial entities. The Government had also previously (November 2012) assured the same, but the proforma accounts by Departmentally managed commercial entities were not prepared during the year.

The Government stated (November 2013) that a model format would be circulated for

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

preparation of proforma accounts by departmentally managed commercial entities.

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

As per provisions of Odisha General Finance 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), Odisha where amount is ₹ 500 or more. Various departments of the State Government reported that there were 1750 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹17.07crore up to March 2013 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6**. Age-wise profile of the pending cases and the number of cases pending in each category of theft and misappropriation/loss as emerged from these appendices are summarized in **Table 3.2(i)** and **Table 3.2(ii)** as of March 2013.

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

Age-Profile of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (₹ in lakhs)
0 - 5	9	21.43
5 - 10	77	300.88
10 - 15	201	319.74
15 - 20	272	389.94
20 - 25	343	177.32
25 & above	848	497.58
Total	1750	1706.89

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

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	795	342.77
Misappropriation/Loss of material	955	1364.12
Total	1750	1706.89
Cases of Losses Written off during the Year	0	0.00
Total Pending cases	1750	1706.89

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

Reasons for which the cases (**Appendix-3.7**) were outstanding are classified into five categories, a summary of which is given **Table 3.3** below:

Table 3.3: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases	Number of Cases	Amount (₹ in lakh)
i) Awaiting departmental and criminal investigation	476	491.13
ii) Departmental action initiated but not finalized	601	705.61
iii) Criminal proceedings finalised but execution of certificate cases for the recovery of the amount pending	32	19.91
iv) Awaiting orders for recovery or write off	494	198.11
v) Pending in the courts of law	147	292.13
Total	1750	1706.89

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

It is pertinent to mention that as many as 476 cases involving ₹4.91 crore were awaiting departmental and criminal investigation up to 48 years since the year 1965-66. Similarly, 494 cases involving ₹ 1.98 crore were awaiting orders for recovery or write off of the competent authority. The Heads of the Departments concerned 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 601 cases involving ₹ 7.05 crore on which departmental action had been initiated, though called for in Audit (May-2013). This indicated that the CCOs are indifferent to the vigilance cases pending in their departments.

The Government stated (November 2013) that instructions would be issued to the concerned Administrative Departments for taking timely action on cases of misappropriations, losses, defalcations, etc. The Government had also previously (November 2012) assured the same, but no significant follow up action was taken during the year.

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 2012-13 was only ₹ 359.35 crore (87.1 per cent) against AC bills worth ₹ 412.31 crore drawn during 2004-13 leading to an outstanding balance of AC bills of ₹ 52.96 crore as on 31 March 2013. 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	5.69	2.95	1340
2009-10	48.95	1.62	3.30	402
2010-11	35.54	3.27	9.20	557
2011-12	61.18	7.22	11.80	945
2012-13	74.14	35.16	47.42	3940
TOTAL	412.31	52.96	12.84	7184

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

Department wise pending AC bills for the years up to 2012-13 is detailed in **Appendix-3.8**. The Appendix disclose that three major Departments viz. Home- ₹ 27.63 crore, Higher Education- ₹ 7.41 crore and Planning & Co-ordination- ₹ 5.04 crore 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 cost than actual expenditure and is also fraught with the risk of embezzlement of Government funds.

The Government stated (November 2013) that the Financial Advisers and Controlling Officers have been sensitized about timely submission of DCC Bills. In the proposed IFMS, a module would be developed for online tracking of AC Bills and corresponding DCC Bills which will help in reducing the pendency level.

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

Note below Rule 141 read with sub-rule (3) of Odisha Budget Manual (OBM) provides that money should neither be withdrawn from the Treasury unless it is required for immediate disbursement nor, it is permissible to draw money from the treasury under Revenue heads of accounts which forms 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 affect 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 in-operative 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 889 PD Account holders in the State with a closing balance (unspent) of ₹ 795 crore operating under the head 8443-Civil Deposits-106-Personal Deposits as of March 2013. During 2012-13, ₹ 1842.47 crore were transfer-credited from the Consolidated Fund of the State to these PD accounts and expenditure of ₹ 1703.53 crore was incurred therefrom resulting in net increase of ₹ 138.94 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 ₹2.53 crore remained unspent for last three years ending March 2012 in respect of 142 schemes and 82 miscellaneous activities operated by 21 Personal Ledger Account Administrators coming under the jurisdiction of eight⁵ District Treasuries/Sub-Treasuries.

All such irregular drawals had the approval of the CCOs of the concerned Departments including 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 was the expenditure incurred subject to legislative authority through the appropriation mechanism.

The Government stated (November 2013) that the Treasury Officers are to enforce monthly and annual reconciliation of accounts envisaged under SR 475 & 479 of Odisha Treasury Code and in case of default, further drawals from the PD Account are to be stopped. The verification mechanism prescribed under SR 475 should be strictly enforced. The reply was not tenable as scrutiny of inoperative PL accounts by Audit revealed that no such PL account was closed during 2010 and 2011, while 37 PL accounts were closed in 2012 and 8 PL accounts were closed in 2013.

3.8 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

⁵ Sub-Treasury Gunupur, Dist. Treasury Kalahandi, Dist. Treasury Nawarangpur, Sub Treasury Umerkote, Dist. Treasury Malkangiri, Dist. Treasury Angul, Sub Treasury Atthamallik, Dist Treasury Sundergarh.

manner and to the level of disaggregation necessary to meet the basic information needs of all the important stakeholders.

Scrutiny of State Finance Accounts 2012-13 disclosed that under 17 major heads of account (both Revenue and Capital) ₹ 2951.82 crore (48 *per cent*) of total expenditure of ₹ 6169.79 crore were classified under the minor head of account '800-Other Expenditure' in the accounts which also ranged between 31 and 100 *per cent* of the total expenditure under the respective major heads. Similarly, under 29 major head of account (Revenue Receipt), ₹ 646.43 crore (54 *per cent*) out of total receipts of ₹ 1206.93 crore was classified under '800-Other Receipts', which also ranged between 30 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.

3.9 Inadequate mechanism for obtaining the dates of death of pensioners/family pensioners - excess credit of fund

Guidelines for payment of pension through Public Sector banks provide that the pensioners are to produce life certificate in November each year to the bank where one is drawing pension, failing which the payment of pension is to be stopped by the bank from the next month. On receipt of the life certificate, the bank continues to credit the pension/family pension to the respective accounts irrespective of death of the pensioner/family pensioner during the intervening period i.e. December to November next year.

Audit scrutiny revealed that, in respect of two branches at Bhubaneswar, pension/family pension of ₹ 3.58 lakh were credited to 26 pensioners/family pensioner's account, which were lying inoperative for more than three years as detailed in *Appendix 3.9*.

It was stated in reply that the list of pensioners in respect of which the certificates were not obtained was forwarded to the respective branches during January-February each year. In respect of excess payment, the amount was stated to be recovered from the balance lying in the account and the shortfall, if any was to be recovered from the legal heirs by respective branches.

The reply is not acceptable since amount credited to the bank accounts of the deceased pensioner/family pensioner are liable to be withdrawn by the legal heirs without intimating the bank about the death of the pensioner/family pensioner. In case of death of pensioners there is a chance of recovery of the excess payment of pension from the family pensioner but in case of death of family pensioner, the chance of recovery is remote.

3.9.1 Irregular payment of additional family pension

To ensure that the date of birth and the age of a pensioner is invariably indicated in the Odisha Civil Services (Pension) Form 7 and to facilitate the Accountant General(A&E), Odisha to record the same in the Pension payment Order (PPO) to be issued in favour of the pensioner for payment of additional pension, the Pension sanctioning Authority is to furnish all details regarding dates of birth of the pensioner

as well as his/her spouse. The amount of additional pension sanctioned is to be shown distinctly in the PPO.

Scrutiny of records of Central Pension Processing Centre (CPPC), State Bank of India, Bhubaneswar revealed that in 30 cases of pre 2008 pensioners, the dates of birth of the family pensioners were not recorded in the PPO. But additional family pension was paid to the family pensioners based on incorrect entries of dates of birth in contravention of Finance Department's resolution dated 19 January 2009. This resulted in irregular payment of ₹ 12.83 lakh to the pensioners, as indicated in **Appendix-3.10**.

On being pointed out, the Chief General Manager, State Bank of India, Odisha stated (January 2013) that CPPC was advised to ascertain and confirm the dates of birth of the family pensioners from the respective treasuries. Finance Department stated (February 2013) that instructions were issued to all banks to quantify the additional family pension paid without authentication of date of birth of the family pensioners for recovery from the pensioners concerned.

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 was 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 the items for which there is no specific allotment and sanction of Government. It is also required that the cash book should be closed every day and the Head of the Office also physically verified the cash balance in hand as per the cash book and records a certificate to that effect at the end of each month. Bill-wise analysis with dates of drawal in respect of closing cash balance is also required to be made at the end of each month.

A review of the fund management practices during the year 2011-12 of test check of records of 201 out of 6689 Drawing & Disbursing Officers (DDOs) of the State revealed the following deficiencies.

3.10.1 Advances remaining unadjusted

As per Subsidiary Rule 37 Note 9 of Odisha Treasury Code (OTC) Vol. I, the DDO is required to maintain a Register of Advance showing all the particulars like date, the 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 so rendered are required to be checked and passed by the DDO. Further, as per Finance Department Notification, each item of outstanding advances as appearing in the cash book of the DDO is analyzed 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 also fraught with the risk of improper and irregular utilization 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 201 DDOs revealed that in case of 54 DDOs as of 31 March 2012 advances of ₹ 90.49 crore (**Appendix-3.11**) have not been adjusted since long.

The 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. Due to lack of timely action to adjust the advances, the possibility of recovery of the advances is remote.

Besides, in respect of 103 DDOs, though advance ledger was maintained in the prescribed manner, advances amounting to ₹ 45.90 crore were still lying unadjusted (*Appendix-3.12*) up to March 2012 for the period ranging from one to 56 years. The advances were mainly given to the Government employees/supplier for departmental allied purposes, execution of work, imparting training and supply of agricultural implements. In the absence of details, the scheme from which such advances were given was not ascertainable in audit. Such situation is also fraught with the risk of embezzlement of Government fund.

The Finance Department stated (April 2013) that instructions were issued to the departments concerned to ensure early adjustments of outstanding advances at the level of the DDOs.

3.10.2 Misutilisation of undisbursed cash balance with DDOs.

In terms of Rule 8 and 11 of Odisha General Financial Rules, no authority can incur expenditure or enter into any liability until the expenditure has been sanctioned by Government. Further, expenditure in excess of the amount of grant or appropriation, as well as expenditure not falling within the scope or intention of the grant would be treated as unauthorised expenditure.

Test check of records of different offices revealed that during 1964-2012, in 77 out of 201 DDOs, expenditure of ₹ 2.56 crore (*Appendix-3.13*) was incurred without any allotment and sanction by the competent authority as disbursements were made without any allotment or sanction. The amount is still kept in the shape of 'paid vouchers' by these departments. The department-wise abstract is as under:

Sl. No.	Name of the Departments	Amount of "Paid Vouchers" (₹ in crore)
1	Agriculture	0.73
2	Revenue & Disaster Management	1.14
3	Women & Child Development	0.23
4	Schedule Caste & Schedule Tribe	0.42
5	School & Mass Education	0.04
Total		2.56

The Finance Department stated (April 2013) that the State Government had introduced electronic disbursement of Government payment directly to the account of the beneficiary through the Central electronic Payment Processing Centre (CePC) with effect from 1 August 2012 so as to minimize the possibility of retention of undisbursed cash balance with the DDOs in future and also minimize the possibility of incurring expenditure without allotment and sanction. Appropriate action was stated to be taken by the respective departments at their level to prevent misuse of the undisbursed cash balance with DDOs.

3.10.3 Discrepancy of ₹102.49 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 in order to ensure accuracy of the transaction entered in the books of accounts. The DDOs were required to carry out reconciliation at the end of each month to set right the mismatches/discrepancies, if any.

It was observed that in 95 out of 201 sample DDOs, difference of ₹ 102.49 crore (*Appendix-3.14*) was noticed between the balances in the cash book and the bank pass book as of January 2013 which was not reconciled. In absence of reconciliation of balances of cash, the authenticity of accounts maintained by these DDOs could not be vouchsafed in audit.

However, Finance Department stated (April 2013) that instructions had been issued to all departments to the effect that the DDOs would prepare Bank reconciliation statement every month and discrepancy, if any, would be reconciled instantly.

3.10.4 Unspent balance of ₹1.22 crore held by DDOs relating to closed/non-operational schemes

As per the guidelines of the schemes and instructions contained in the sanctions issued by the Government, unspent balance of closed and non-operational schemes/programmes were to be refunded to the funding agency/Government.

It was observed in 18⁶ out of 201 DDOs that a sum of ₹ 1.22 crore pertaining to 32 various closed/non-operational schemes and programmes were lying in the bank accounts of the DDOs and were not refunded to the funding agency/Government which is fraught with the risk of mis-utilisation and unauthorized expenditure of these funds as these funds were not meant to be at the disposal of DDOs., the details of which are given in *Appendix-3.15*. Besides blockage of funds, this led to denial of intended benefits to beneficiaries in other schemes.

The Finance Department stated (April 2013) that instructions had been issued to all DDOs for refund of unspent amount of closed schemes by 31 May 2013.

3.10.5 Non-accountal of bank interest in to the Cash Book

Rule 6 (1) of OTC Vol.I requires that the Department of the Government all money received on account of Revenue of the State should be kept in the Public Account of the State.

Scrutiny of records of five DDOs revealed that in regular intervals interest accrued in different Savings Bank account and credited in to the Bank Pass Books (*Appendix-3.16*) but were not duly accounted for in relevant cash books. This resulted understatement of interest of ₹ 41.71 lakh.

3.10.6 Retention of time barred Bank Drafts

As per instructions of the Finance Department, under no circumstance should money be drawn and kept in Demand at Call Receipt (DCR), Term deposit, Bank Draft (BD) or in sealed bag or in any other form. Any such instance would be treated as temporary misappropriation except when specifically authorized by Finance Department in writing.

Scrutiny of records revealed that in three out of 201 sample DDOs in January / February 2013, 130 time barred Bank Drafts (BDs) amounting to ₹ 13.32 lakh (*Appendix-3.17*) formed part of closing balance as on 31 March 2012. These Bank Drafts have lost their validity period (six months); but were neither revalidated nor deposited in the Bank account. Retention of these BDs for long periods not only

⁶ BDO Satyabadi, BDO Subarnapur, BDO Ghasipura, BDO Chatrapur, DoSC Bhubaneswar, BDO Dhenkanal, BDO Talcher, BDO Baranga, BDO Khurda, DSWO Bhadrak, DSWO, Balasore, DIS, Khurda, EE(RW), Jagatsinghpur, DSWO, Sonapur, BDO, Balangir, DIS, Koraput, BDO, Bargarh, BDO, Phulbani

resulted in blockage of Government fund but also affected the ways and means position of the State.

3.10.7 Un-disbursed pay and allowances.

Rule 235(1) of OTC Vol.I envisaged that un-disbursed pay and allowances beyond 3 months should be refunded to Treasury. Scrutiny of records of four DDOs revealed that pay and allowances amounting to ₹ 5.30 lakh pertaining to the period from February 2005 to March 2012 (*Appendix-3.18*) was irregularly kept in the DDO's current account as of December 2012 instead of refunding it to treasury.

On this being pointed out by audit, the DDOs stated that steps would be taken to disburse the undisbursed amount early or else deposited to Government account.

The Finance Department stated (April 2013) that the DDOs had been instructed to refund the undisbursed pay and allowances by short drawal in the next pay bill.

3.10.8 Non-verification of cash balance during audit.

All the 201 DDOs were requested by audit to get their cash balance physically verified in presence of audit between June 2012 and January 2013. Out of which 15 DDOs of Five departments did not get their cash balance physically verified in the course of audit because the cash books were not closed at the time of inspection (*Appendix-3.19*).

The Finance Department stated (April 2013), the concerned heads of Departments would ensure verification of cash by 31 May 2013.

3.10.9 Physical verification not conducted by DDOs

Seventy-two out of 201 test checked DDOs did not conduct physical verification at the end of each month as required under Rule 37 (IV) of OTC Vol. I, thereby rendering a total amount of ₹ 647.12 crore remaining unverified for the period ranging from 2 months to 60 months (*Appendix-3.20*). Details are enumerated in the table below.

Sl.No.	Name of the Department	No. of DDOs involved
1	Revenue	10
2	Panchayati Raj	15
3	Agriculture	15
4	W&CD	9
5	SSD	9
6	S&M	8
7	H&FW	4
8	RD	2

The Finance Department stated (April 2013) that instructions had been issued to all DDOs to adhere the provision of SR 37 (iv) regarding the physical verification of cash balance.

3.11 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, Planning and Co-ordination, Housing and Urban Development, STSC Minorities and Backward Class Development and Rural 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 2012-13 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 2012-13 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 thereby avoid the possibility of any fraud, misappropriation etc.

- As per reports of different departmental offices, 1750 cases of misappropriation/defalcation of Government money amounting to ₹ 17.07 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. Internal controls should be strengthened to prevent the recurrence of such cases.

- Contrary to the provisions of financial rules, Controlling Officers did not submit (June 2013) Detailed Countersigned Contingent Bills to the Principal Accountant General (A&E) in respect of ₹ 52.96 crore drawn on Abstract Contingent Bills (7184 cases) up to 31 March 2013. 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, fraud/embezzlement etc.

- Funds remained unspent in many inoperative Personal Deposit 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 3.7**).

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 2012-13 by getting booked under the minor head '800-Other Expenditure' and '800-Other Receipts, thus affecting transparency in financial reporting (**Paragraph 3.8**).

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.

- A large number of DDOs test checked failed to comply with various financial rules and procedures prescribed in OTC Vol. I and OGFR Vol. I. The DDOs did not reconcile the cash book figure with that of figures of bank pass book balance, funds remained in the bank account without utilization and expenditure incurred on items without having any allotment. These lapses reflected inadequacy in the internal control mechanism in the offices of these DDOs (**Paragraph 3.10**).

Reconciliation of cash book with the bank pass book should be carried out on a regular basis. Unspent balance of defunct /closed scheme should be refunded to the funding Department. Allowing funds to roll in the bank account without their timely utilization for years together should be avoided.

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