

Chapter-II

Financial Management And Budgetary Control

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the actual expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue Expenditure on various specified services vis-à-vis those authorised by the Appropriation Acts in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. It also seeks to assess to what extent the Government/Executive has been able to manage the planned and intended allocation of its resources amongst various departments.

2.1.3 As per the Odisha Budget Manual (OBM), the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the detailed estimates called “Demand for Grants”. In the preparation of the budget, the aim should be to achieve as close an approximation to the actual as possible. This demands the exercise of the foresight in both estimating revenue and anticipating expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees etc.

Deficiencies in the management of budget and expenditure and violation of the OBM noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2013-14 against 40 grants and four appropriations was as given in **Table 2.1**:

Table 2.1: Summarised position of Actual Expenditure vis-à-vis Original/ Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
Voted	I Revenue	44638.89	8124.37	52763.26	44263.19	(-)8500.07
	II Capital	7817.17	1059.68	8876.85	7816.99	(-)1059.86
	III Loans and Advances	251.40	233.56	484.96	463.55	(-)21.41
Total Voted		52707.46	9417.61	62125.07	52543.73	(-)9581.34
Charged	IV Revenue	5587.05	2.65	5589.70	2945.12	(-)2644.58
	V Capital	22.96	0.99	23.95	19.38	(-)4.57
	VI Public Debt- Repayment	2818.69	---	2818.69	2293.22	(-)525.47
Total Charged		8428.70	3.64	8432.34	5257.72	(-)3174.62
Grand Total		61136.16	9421.25	70557.41	57801.45	(-)12755.96

Source: The Odisha Appropriation Act 2013, Finance and Appropriation Accounts 2013-14, Govt. of Odisha

The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (₹ 1590.56 crore) and Capital heads (₹ 79.98 crore). The overall saving of ₹ 12755.96 crore was due to savings in all the 40 grants and two appropriations under Revenue Section and 28 grants and two appropriations under Capital Section, which is offset by excess of ₹ 18.56 crore in three grants under Capital Section.

It is seen from the above table that against the original provision of ₹ 61136.16 crore, expenditure of ₹ 57801.45 crore was incurred, thereby not requiring any supplementary provision, as there were savings of ₹ 3334.71 crore from the original provision which clearly indicates inaccurate estimation of funds and lack of control mechanism.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 15 cases relating to 11 grants and three appropriations, savings exceeded ₹ 10 crore and by more than 20 per cent of total provision in each case (**Appendix 2.1**) amounting to ₹ 8993.78

crore. Out of the above, savings of as large as ₹ 8810.11 crore (98 per cent)¹ occurred in seven cases relating to four grants and three appropriations as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 100 crore and above

(₹ in crore)						
Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue (Charged)						
1	2048-Appropriation for Reduction or Avoidance of Debt	500.07	---	500.07	---	500.07
2	2049- Interest Payments	5007.86	---	5007.86	2888.22	2119.64
Revenue (Voted)						
3	3- Revenue and Disaster Management	1960.32	4181.34	6141.66	3508.13	2633.53
4	5- Finance	8321.20	1096.25	9417.45	6662.73	2754.72
5	22-Forest and Environment	664.79	102.08	766.87	600.10	166.77
Capital (Charged)						
6	6003- Internal Debt	2275.41	--	2275.41	1775.32	500.09
Capital (Voted)						
7	39-Employment and Technical Education and Training	247.87	30.29	278.16	142.87	135.29
TOTAL		18977.52	5409.96	24387.48	15577.37	8810.11

Source: Appropriation Accounts for the year 2013-14, Government of Odisha.

Reasons furnished by the departments to Principal Accountant General (A&E), for unspent provision under few major heads of account as reported in Appropriation Accounts are given below:

03-Revenue and Disaster Management (Revenue-Voted)

- Anticipated savings of ₹ 3.67 crore under major head “2029-Land Revenue-NP-102-Survey and Settlement Operations-1167-Record-of-rights and Settlement Operations”, were due to (i) non-filling up of vacant posts (ii) non-approval of TA, LTC, RRT and (iii) resignation of DEO.
- Anticipated savings of ₹ 7.11 crore under major head “2030-Stamps and Registration-NP-03-Registration-001-Direction and Administration-0308-District Establishment”, were due to (i) vacancy in field offices and (ii) non-submission of claims in time.

¹ Exceeding ₹ 100 crore in each case

05-Finance (Revenue-Voted)

- Anticipated savings of ₹ 1337.16 crore under major head “2052-Secretariat General Services-NP-090-Secretariat-0488-Finance Department”, were due to (i) non-filling up of some vacant posts and (ii) less requirement of funds.
- Anticipated savings of entire provision of ₹ 7.50 crore under major head “2054-Treasury and Accounts Administration-NP-800-Other Expenditure-2555-ThFC Grant for Setting up a Database for Govt. Employees and Pensioners”, was due to non sanction of ThFC grant.
- Anticipated savings of (i) ₹ 113.96 crore under major head “2071-Pensions and Other Retirement Benefits-NP-01-Civil-104-Gratuity-0600-Gratuity, (ii) ₹ 103.68 crore under major head “2071-Pensions and Other Retirement Benefits-NP-01-Civil-105-FamilyPensions-1038-Pension and Pensionary Benefits and (iii) ₹ 923.54 crore under major head “2071-Pensions and Other Retirement Benefits-NP-01-Civil-109-Pensions to Employees of State Aided Educational Institutions-1036-Pension and Gratuity for Non-Government teachers of Secondary Schools and Colleges”, were attributed to less requirement of funds.

05-Finance (Capital-Voted)

- Anticipated savings of ₹ 4.83 crore under major head “4059-Capital Outlay on Public Works-NP-01-Office Buildings-051-Construction-0182-Construction of Buildings”, were attributed to (i) non finalisation of work in time and (ii) less requirement of funds.

22-Forest and Environment (Revenue-Voted)

- Anticipated savings of ₹ 3.15 crore under major head “2406-Forestry and Wild Life-NP-02-Environmental Forestry and Wild Life-110-Wild Life Preservation-2557-ThFC Grant for Preservation of Forest Wealth”, were due to (i) non-execution of work by the tenderer and (ii) theft of drawn money during transit.
- Anticipated savings of ₹ 72.34 crore under major head “2406-Forestry and Wild Life-SP-SS-01-Forestry-2556-ThFC Grant for Development and Maintenance of Forest”, was surrendered due to transfer of ThFC Grant from State Plan Scheme to Non-Plan Scheme.

39-Employment and Technical Education and Training (Capital -Voted)

- There was anticipated savings of ₹ 119.36 crore under major head “4202-Capital Outlay on Education, Sports, Arts and Culture-CP-SS-02-Technical Education-104-Polytechnics (i) 2463-Establishment of new Polytechnics, (ii) 2649-Introduction of Hospitality Sector courses at Women Polytechnic, Berhampur (iii) 2691- Construction of Hostels, (iv) 2692- Upgradation of existing Polytechnics and (v) 2702-Community Development Polytechnics

(CDPT)". The amount was surrendered due to non-sanction of funds by Government of India.

2048-Appropriation for reduction or avoidance of Debt (Revenue - Charged)

- Entire provision of ₹ 500.07 crore was surrendered due to Government's decision, not to transfer any sum to the Consolidated Sinking Fund, considering the ways and means position of the State.

6003-Internal Debt of the State Government (Capital - Charged)

- Anticipated savings of ₹ 500 crore under major head "6003-Internal Debt of the State Government-NP-111-Spl. Securities issued to NSSF of Central Government-1195-Loans", were surrendered due to non-receipt of reply from the Government of India for pre-payment of NSSF Loan.

The above cases indicate lack of monitoring of the flow of expenditure in the department by the Chief Controlling Officers (CCOs) of such grants as required under Chapters IV and VI of OBM.

The Government stated (October 2014) that cases of committed liabilities like debt servicing, Interest payment provision was made to cover the likely requirement and under NDRF, the provision was made in anticipation of larger assistance from Government of India and there were also cases of non-release of central assistance, as a result savings occurred. However, the savings should be surrendered as soon as it was anticipated, so that the same amount could be utilised where necessary.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 10 crore in 18 cases in 16 grants and in one appropriation during 2009-14 as detailed in ***Appendix 2.2***. The savings ranged between ₹ 32.85 crore and ₹ 2754.72 crore during the year 2013-14. Persistent savings in a substantial number of grants over the years is indicative of over assessment of requirement of fund by the Government in Appropriation Act repeatedly without taking into account the previous years' trends and adequately scrutinising the need and examining the flow of expenditure.

This has been pointed out repeatedly in earlier Audit Reports, but no action has been taken by the Government (October 2014).

2.3.3 Excess expenditure over provisions relating to previous years requiring regularisation by the State Legislature

According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to ₹ 580.28 crore was incurred over the provisions during 2010-11 and 2011-12 as detailed in **Table 2.3**. However, excess expenditure over the provisions amounting to ₹ 580.28 crore was recommended

for regularisation by the Public Accounts Committee in its Seventh report of 14th Assembly (December 2013), which is yet to be done.

Table 2.3: Excess expenditure over provisions relating to previous years requiring regularisation

Year	Number of		Grants/ Appropriations	Amount of excess (₹ in crore)
	Grants	Appropriations		
2010-11	4	1	07-Works, 22-Forest and Environment, 23-Agriculture, 28-Rural Development, 6004-Loans and Advances from Central Government	428.51
2011-12	1	1	05-Finance, 6004 - Loans and Advances from Central Government	151.77
Total	5	2		580.28

Source: Appropriation Accounts for the respective years, Government of Odisha.

2.3.4 Excess expenditure over Consolidated Fund of the State during 2013-14 requiring regularisation by the State Legislature

Table 2.4 contains the summary of total excesses in three grants amounting to ₹ 18.56 crore over and above what was authorised from the Consolidated Fund of the State (CFS) by the State Legislature during 2013-14. No demand for consideration of regularisation by the State Legislature has yet been placed. Thus, these excess expenditures remained unauthorised.

Table 2.4: Excess expenditure over provisions during 2013-14 requiring regularisation.

(₹ in lakh)

Sl. No	Number and title of Grant / Appropriation	Total Grant / Appropriation	Actual Expenditure	Excess
Capital (Voted)				
1	22- Forest and Environment	240.09	269.23	29.14
2	26- Excise	600.00	627.06	27.06
3	31- Textile and Handloom	10.03	1810.00	1799.97
TOTAL		850.12	2706.29	1856.17 or 18.56 crore

Source: Appropriation Accounts for 2013-14, Government of Odisha.

The excess expenditure under (i) Grant 22-Forest and Environment due to misclassification of revenue expenditure of ₹ 29.23 lakh in capital section(voted) resulted in final excess of ₹ 29.14 lakh(₹ 29,13,522), (ii) Grant 26-Excise, excess of ₹ 27.06 lakh occurred under the major head “4059-SP-SS-01-051-1938-Construction/Repair of office building” and (iii) Grant-31-Textile and Handloom, expenditure exceeded by ₹ 1799.97 lakh due to conversion of loan of ₹ 1800 lakh sanctioned during 2009-10 into investment under the major head “4851-Capital

Outlay on Village and Small Industries-SP-DS-103-Handloom Industries-1878- Restructuring Plan for Sambalpuri Bastralaya”.

2.3.5 Unnecessary/Excessive supplementary provision

Supplementary provision aggregating to ₹ 1929.58 crore (₹ one crore or more in each case) obtained in 28 cases (24 grants), during the year 2013-14 proved unnecessary as the actual expenditure (₹ 28832.65 crore) did not come up to the level of original provision (₹ 32319.96 crore) as detailed in *Appendix-2.3*.

Similarly, supplementary provision aggregating to ₹ 7476.48 crore (₹ one crore or more in each case) proved excessive by ₹ 3885.37 crore over the total required supplementary provision of ₹ 3591.11 crore in 17 cases under 13 grants (one crore or more in each case) as detailed in *Appendix-2.4*.

This indicates that the CCOs did not adequately watch the actual requirement of funds for the remaining period of the financial year and monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of OBM.

The Government stated (October 2014) that instructions would be issued by Finance Department to the concerned grant controlling authorities. The fact however remains that year after year, the State Government has been issuing instructions.

2.3.6 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh in 142 sub-heads, of which excess / saving was more than ₹ one crore in 51 sub-heads (savings of ₹ 252 crore in 37 sub-heads under 8 grants and excess of ₹ 50.77 crore in 14 sub-heads under 7 grants) as detailed in *Appendix-2.5*.

The Government stated (October 2014) that re-appropriation should be made to meet the additional requirement of funds for expenditure under a unit and augmented provision through re-appropriation should be fully utilised. But this continued despite being commented in earlier Audit Reports.

2.3.7 Defective Re-appropriations / Re-appropriations on the last day of the financial year

According to Rule 139 of OBM, reasons for additional expenditure and savings should be explained in the re-appropriation statement which should reach the Finance Department by 10 March at the latest. As per the records of the office of

the Principal Accountant General (A&E), during 2013-14, 826 re-appropriation orders amounting to ₹ 3316.36 crore were issued, out of which three orders on defective re-appropriation amounting to ₹ 4.52 crore were issued during the year as given in **Table 2.5** below:

Table 2.5: Defective re-appropriations during the financial year

Sl No	Name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)	Order No./ Date
1	05-Finance Department	2230 and 2052 (Non Plan)	0.27	10843/ 13.03.2014
2	16- Planning and Co-ordination Department	4059-CP-SS 5475-SP-SS	3.85	141/ 04.01.2014
3	33- Fisheries and Animal Resources Development Department	2403-SP 2403-CSP	0.4	3767/ 30.03.2014
TOTAL			4.52	

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

Again five re-appropriation orders aggregating to ₹ 488.45 crore were issued by the Finance Department on 31 March 2014, the last day of the financial year where there was no scope for expenditure during that year. It was also noticed that issue of such belated re-appropriation orders persisted during the year despite the irregularity being pointed out in the earlier Audit Reports.

2.3.8 Substantial surrenders

Surrenders of 100 per cent of total provision of ₹ 1169.07 crore were made under 18 sub heads (₹ 10 crore or more in each case) under 12 grants and one appropriation representing different schemes / programmes / projects and activities which are given at **Appendix-2.6**. The surrenders were attributed to non-release/non-receipt of central share (five cases), non-release of grants arising out of non-submission of pending utilisation certificates (one case), non-finalisation of proposals, agreements and tender processes (three cases), non-fulfillment of criteria stipulated by ThFC and transfer of ThFC grant from State Plan scheme to Non-Plan scheme (four cases) and the Governments decision not to transfer any sum to Consolidated Sink Fund in one appropriation (2048-Appropriation for reduction or avoidance of Debt). No reasons were assigned in four cases.

2.3.9 Surrender in excess of savings

In case of six grants, as against savings of ₹ 1128.70 crore (₹ 25 lakh or more in each case) as detailed in **Appendix-2.7**, the amount surrendered was ₹ 1151.19 crore resulting in excess surrender of ₹ 22.49 crore. The surrender indicated that the departments failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

The Government did not furnish any concrete reasons for the excess surrender (October 2014) and stated that it may be due to want of timely reconciliation of expenditure by Controlling Officer. But it is the duty of the Controlling Officers to reconcile the expenditure in time.

2.3.10 Anticipated savings not surrendered

As per Rule 146 of OBM, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. A review of saving of grants at the end of the 2013-14 and surrender thereof by the departments concerned revealed the following:

- In 25 cases (19 departments) savings of more than ₹ one crore remained to be surrendered, revealed that the departments partially refunded saving resulting in retention of ₹ 3690.26 crore (37 per cent of the total savings of ₹ 9944.20 crore in these cases) as per details given in ***Appendix 2.8***.
- Besides, as per information compiled by the office of the Principal Accountant General (A&E), Odisha, there were surrender of funds under different major heads of accounts in excess of ₹ 10 crore on the last working day of the financial year i.e. on 31 March 2014 in 65 cases aggregating to ₹ 7091.38 crore covering 10 per cent of the entire budget (***Appendix 2.9***).

Thus, the Chief Controlling officers overlooked the budgetary controls laid down in OBM.

Government stated (October 2014) that timely surrender of anticipated savings would be ensured at all levels.

2.3.11 Rush of expenditure

According to Rule 147 of OBM, rush of expenditure in the closing month of the financial year will ordinarily be regarded as breach of financial regularity, which should be avoided. Contrary to this, in respect of 77 schemes listed in ***Appendix 2.10***, Revenue / Capital Expenditure exceeding ₹ 10 crore and also more than 50 per cent (in each case) of the total expenditure for the year was incurred in March 2014. **Table 2.6** also represents the sub-heads (11 cases) where 100 per cent of expenditure was incurred during the last month of the financial year. Expenditure, which remained to be spread throughout the year was incurred in the last month of the year.

Table 2.6: Cases of rush of expenditure towards the end of the financial year 2013-14

Sl. No.	Grant No.	Major Head	Total expenditure during the year (₹ in crore)	Expenditure during March 2014	
				Amount (₹ in crore)	Percentage of total expenditure
1	11	2225-SP-SS-01-277-2888-DFID assisted	10.49	10.49	100
2	11	2225-CP-SS-03-277-2418-Post Matric Scholarship and stipend to OBC students	24.47	24.47	100
3	20	2702-NP-03-102-2896-Subsidy	156.72	156.72	100
4	20	4702-SP-DS-00-796-2624-Mega Lift Project under State Plan	42.32	42.32	100
5	23	2401-SP-SS-789-2866-Biju Krushak Kalyan Yojana	13.00	13.00	100
6	23	2401-SP-SS-796-2866-Biju Krushak Kalyan Yojana	17.59	17.59	100
7	28	5054-SP-DS-04-789-1230-Rural Roads	11.33	11.33	100
8	28	5054-SP-DS-04-796-1230-Rural Roads	13.97	13.97	100
9	30	4801-NP-80-190-1276-Share Capital Investment	143.73	143.73	100
10	30	6801-SP-SS-202-2886-Odisha's share for UMPP	233.56	233.56	100
11	38	2202-SP-SS-03-800-2887-Distribution of Laptops to Meritorious Students	30.00	30.00	100
			697.18	697.18	100

Source: Monthly Appropriation Reports for the month of March 2014.

Maintaining uniform pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of Revenue Expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

The Government stated (October 2014) that after introduction of Cash Management System expenditure during the month of March as percentage of total expenditure has come down from 27 per cent in 2009-10 to 24 per cent in 2013-14. However the fact remains that it exceeded the norm fixed by Finance Department of 'not more than 15 per cent.'

2.4 Advances from Contingency Fund

Contingency Fund of the State has been established under the Orissa Contingency Fund Act, 1967 in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned. During the year 2013-14, advances of ₹ 150 crore were withdrawn from the fund but not recouped.

Table 2.7: Un-recouped amount of the Contingency Fund of the State

(₹ in thousand)

Sl No	Period	Grant No.	Major Head of Account	Amount
1	2013-14	09-Food Supplies and Consumer Welfare	2408-Food, Storage and Warehousing	1500000
2	2013-14	30-Energy	4801-Capital Outlay on Power Projects	1
				1500001

Source: Information furnished by the office of the Principal Accountant General (A&E) and Finance Accounts 2013-14

2.5 Errors in Budgetary Process

The Odisha Budget Manual (Rule 46) requires the Controlling Officers to see that proper estimates are made which should take into account only such payments which are expected to be made during the budget year. The aim is to make the estimates as accurate as possible, not to over-estimate and show large savings at the end of the year.

Implementation of the Budget was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) the original grants and supplementary grants were ₹ 44638.89 crore and ₹ 8124.37 crore respectively aggregating at ₹ 52763.26 crore against which the actual expenditure was ₹ 44263.19 crore resulting in savings of ₹ 8500.07 crore. This was more than the supplementary provision.
- Similarly under Capital (voted), the original and supplementary grants were ₹ 7817.17 crore and ₹ 1059.68 crore respectively aggregating ₹ 8876.85 crore against which the actual expenditure was ₹ 7816.99 crore resulting in savings of ₹ 1059.86 crore. This was more than the supplementary provision.

In the above two cases, supplementary provision of ₹ 8124.37 crore in revenue (voted) and ₹ 1059.68 crore in capital (voted) obtained during the year, proved unnecessary as the expenditure did not come up to the level of original provision as indicated in **Table 2.8**.

Table 2.8: Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

Sl No	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings(-)/ Excess(+)
1	Revenue (voted)	44638.89	8124.37	52763.26	44263.19	(-)8500.07
2	Capital (voted)	7817.17	1059.68	8876.85	7816.99	(-)1059.86
TOTAL		52456.06	9184.05	61640.11	52080.18	(-)9559.93

Source: Odisha Appropriation Act 2013, Finance and Appropriation Accounts 2013-14.

The aim of Budget preparation must be to estimate Revenue and expenditure as accurate as possible, not to overestimate and show large savings at the end of the year. However, it was noticed that 16 departments continued to make savings of more than ₹ 10 crore during last five years, despite repeated comments in the Audit Reports from 2009-10 to 2012-13 as detailed in *Appendix 2.2*.

2.5.1 Unrealistic forecasting of resources

Rule 46 of OBM stipulates that Budget of a State is based on the departmental estimate submitted by the Controlling officers. Both the departmental and the district estimate should always receive careful personal attention of the officers who submit them. They should be neither inflated nor under-pitched, but should be as accurate as possible. However, it was noticed that revised estimate 2013-14 for non-tax Revenue projection was ₹ 7475 crore, while actual realisation was ₹ 8379 crore, resulting in upward variation of resources of ₹ 904 crore, nearly 12 *per cent* above the revised estimate. In this connection trend of revenue projection for last five years (2009-10 to 2013-14) are given in **Table 2.9** below.

Table 2.9: Variation between Revised Estimate and Actuals on Revenue Resources for the periods 2009-10 to 2013-14

(₹ in crore)

Sl No.	Year		Revised Estimate	Actuals	Differences (Column 5-4)
1	2	3	4	5	6
1	2009-10	Tax Revenue	8920	8982	62
		Non-Tax Revenue	2912	3212	300
2	2010-11	Tax Revenue	10608	11193	585
		Non-Tax Revenue	3317	4780	1463
3	2011-12	Tax Revenue	13399	13443	44
		Non-Tax Revenue	5000	6443	1443
4	2012-13	Tax Revenue	15310	15034	(-)276
		Non-Tax Revenue	6500	8078	1578
5	2013-14	Tax Revenue	17105	16892	(-)213
		Non-Tax Revenue	7475	8379	904

Source: Budget at a glance and Finance Accounts for the respective years

It could be seen from the table above that revenue projection of tax and non-tax revenue were unrealistic such that the actual achievements were more than the projections for last five years.

2.5.2 Analysis of Cash Management System

Pursuant to the provisions of sub-section (1-a) of Section 8 of the Odisha Fiscal Responsibility & Budget Management Act, Government of Odisha implemented Cash Management System in 18 departments for 2013-14. The objectives of Cash Management System were:

- (i) Even pacing of expenditure within the Financial Year.
- (ii) Reducing rush of expenditure during last quarter especially in the last month of the financial year.

- (iii) Front loading of expenditure in the first three quarters of the financial year so that corrective measures can be taken in the mid year to achieve the fiscal objectives.
- (iv) Curb the tendency of parking of funds outside Government Account
- (v) Effective monitoring of expenditure pattern to improve the quality of expenditure
- (vi) Improve the quality of expenditure and
- (vii) Better ways and means management.

As per Finance Department circular No.14520 dated 12th April 2013, the level of expenditure at the end of third quarter was not to be less than 60 *per cent* and during the month of March, the same should not be more than 15 *per cent* of the budget provision.

However, it was noticed that out of 18, only seven departments spent minimum 60 *per cent* of the budget provision by the end of third quarter, while rest 11 departments failed to achieve the norm during 2013-14. Similarly, 13 departments exceeded 15 *per cent* of the budget provision for the month of March 2014 as indicated in **Table 2.10**.

Table 2.10: Analysis of Cash Management System

(₹ in crore)

Sl No	Grant No/ Deptt	Original Budget Provision	Aprl. 2013- Dec. 2013		March 2014	
			Expenditure during first 3 quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	2536.68	1550.01	61	653.76	26
2	10-School and Mass Education	7160.84	4725.88	66	1034.16	14
3	11-ST, SC Dev. and Minorities and Other Backward Development	1965.04	1071.69	55	530.97	27
4	12- Health and Family Welfare	2207.18	1269.00	57	356.57	16
5	13-Housing and Urban Development	2390.46	1497.47	63	544.21	23
6	17-Panchayati Raj	3228.98	2395.45	74	616.27	19
7	19-Industry	28.73	8.15	28	(-)0.84	---
8	20-Water Resources	4048.25	1918.93	47	1252.20	31
9	22-Forest and Environment	667.39	392.70	59	94.90	14
10	23-Agriculture	1830.77	1056.14	58	947.60	52
11	28-Rural Development	2033.77	868.57	43	765.02	38
12	30-Energy	743.68	285.20	38	390.41	52
13	31-Handloom, Textile & Handicrafts	131.81	82.80	63	20.78	16
14	33-Fisheries and Animal Resources Development	449.61	246.99	55	72.99	16
15	36-Women & Child Development	3359.79	2306.92	69	1093.66	32
16	38-Higher Education	1452.99	968.91	67	288.68	20
17	39- Employment, Technical Education and Training	457.05	211.76	46	53.33	12
18	40-Micro, Small and Medium Enterprises	71.00	33.35	47	8.56	12

Source: Monthly Appropriation Accounts for December 2013 and March 2014

The Government stated (October 2014) that some of the Departments were allowed to exceed the expenditure limit for the 4th Quarter / March in view of the urgency of expenditure. However, 13 out of 18 departments covered under Cash Management System had exceeded the prescribed expenditure limit. This indicated that objective of Cash Management System was only partially met.

2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of Panchayati Raj Department (Grant No - 17) and Rural Development Department (Grant No - 28) as reported in the Appropriation Accounts revealed the following irregularities:

2.6.1 Short/Excess surrender of savings / belated surrenders

Odisha Budget Manual provides (Rule 144 and 146) that all anticipated savings should be surrendered immediately after these are foreseen and latest by 10 March of the financial year without waiting till the end of the year.

During 2013-14, Panchayati Raj Department (Grant No.17) surrendered ₹ 388.39 crore as against total savings of ₹ 436.05 crore under revenue (voted) section and the Rural Development Department (Grant No.28) surrendered ₹ 29.56 crore as against total savings of ₹ 32.85 crore under capital (voted) section, resulting in non surrender of ₹ 47.66 crore and ₹ 3.29 crore respectively.

Further, during the year Rural Development Department surrendered ₹ 69.49 crore as against the total savings of ₹ 68.87 crore under revenue (voted) section, thereby surrendering an excess of ₹ 0.62 crore over the provision.

Besides, in violation of above provisions of OBM, these amounts were surrendered on 31 March 2014. Thus, the amounts surrendered were not in conformity with the actual savings thereby indicating lack of monitoring of monthly expenditure as provided in the OBM by the CCOs before passing the surrender orders.

2.6.2 Unnecessary supplementary provision

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the Grants/Appropriations during a financial year. But it was noticed that in Grant No.17 (Panchayati Raj Department), supplementary provision of ₹ 542.08 crore under revenue (voted) section obtained during December 2013 proved unnecessary in view of sizeable savings of ₹ 436.05 crore from the original Budget provision in the year. In Grant No.28 (Rural Development Department), supplementary provision of ₹ 3.55 crore under revenue (voted) section and ₹ 55.78 crore under capital (voted) section obtained during December 2013 proved unnecessary, as the department saved ₹ 68.87 crore in revenue (voted) and ₹ 32.85 crore under capital (voted) section out of the original provision. This showed that the CCOs of these two departments did not watch actual requirement of funds for the remaining period of the financial year due to failure of monthly expenditure control mechanism prescribed in the OBM.

2.6.3 Withdrawal of entire provision by way of surrender and re-appropriation

Panchayati Raj and Rural Development Departments made a provision of ₹ 20.29 crore and ₹ 66.68 crore respectively under different heads/schemes during 2013-14, but the total provisions were withdrawn by way of re-appropriation and surrendered on the last day of the financial year 2013-14 as indicated in **Appendix -2.11**.

This indicated that the CCOs prepared the budget and made allocation to different schemes/projects/objects of expenditure without sufficient basis and without carrying out the required due diligence as prescribed in the OBM.

2.6.4 Non-adherence to Cash Management System

Government of Odisha (Finance Department) in their circular (April 2013) implemented Cash Management System in 18 departments including the Panchayati Raj (Grant No. 17) and Rural Development (Grant No. 28) departments.

As per Cash Management System, Rural Development Department has to adhere to the Quarterly Expenditure Allocation (QEA) norm of 25 per cent, 15 per cent, 20 per cent and 40 per cent for of the Budget Estimates in First, Second, Third and Fourth quarter respectively as prescribed by the Finance Department for the year 2013-14. The distribution of the QEA vis-à-vis quarterly expenditure for the department during 2013-14 is given in **Table 2.11**.

Table 2.11: Budget Estimate and Quarterly Expenditure Allocation by Rural Development department.

Sl No	Budget Estimate	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
		QEA	Expenditure	QEA	Expenditure	QEA	Expenditure	QEA	Expenditure
28-Rural Development Department									
2	2033.77	508.44 (25%)	270.01 (13%)	305.07 (15%)	287.71 (14%)	406.75 (20%)	310.85 (15%)	813.51 (40%)	1122.44 (55%)

Source: Monthly appropriation accounts 2013-14.

Rural Development department failed in adhering to the stipulated expenditure norms by 12 per cent, one per cent and five per cent during first quarter, second quarter and third quarter respectively against the targeted norm and also failed in achieving up to the third quarter norm (60 per cent of BE) by 18 per cent. The department also exceeded the expenditure by 15 per cent for the fourth quarter norm (40 per cent of BE).

Further, it was also seen from the monthly appropriation accounts that the monthly expenditure norm (15 per cent) for the month of March, 2014 i.e the last month of the year, exceeded by 22.62 per cent (₹ 459.95 crore) in case of Rural Development Department (March, 2014 expenditure was ₹ 765.02 crore).

The above not only violates instruction of the Cash Management System but also stands in the way of achieving the objective thereof like (i) even pacing of

expenditure within the financial year, (ii) reduce rush of expenditure during the last month of the financial year and (iii) effective monitoring of the expenditure pattern.

2.7 Outcome of Inspection of Treasuries

During 2013-14, 30 District Treasuries, eight Special Treasuries and 62 Sub-Treasuries were inspected by the officials of the Principal Accountant General (A&E), Odisha. Irregularities and lapses noticed during 2013-14, were brought to the notice of the Treasury Officers / Sub-Treasury Officers concerned through Inspection Reports. Some of the important irregularities and lapses noticed during inspection are given below:

2.7.1 Excess payment of pension and gratuity

During inspection of treasuries/sub-treasuries for the year ended 31 March 2014 by the office of the Principal Accountant General (A&E), excess payment of pension and gratuity amounting to ₹ 12.71 lakh was noticed as indicated in **Table 2.12** below:

Table 2.12: Outcome of inspection of treasuries

Sl No	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy.	0.85
2	Excess payment due to delayed commencement of reduced pension on account of payment of commuted value of pension.	4.37
3	Excess payment of pension in favour of family pension due to payment at enhanced rate beyond the stipulated date.	0.78
4	Excess payment of pension due to other miscellaneous reasons.	6.71
TOTAL		12.71

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

There is a need to improve the controls in the Treasury on pension and pension-related payments.

2.7.2 Outstanding pension claims from Central Pay and Accounts Office, New Delhi / Defence / Railways.

Treasuries in Odisha are not rendering Central Civil Pension/Central political pension vouchers to concerned accounting circle for reimbursement due to which claims of State Government to the extent of ₹ 9.99 crore as calculated up to 31 March 2014 remained in “8658- Suspense Account 101- PAO suspense” head. Details are given in **Table 2.13**:

Table 2.13: Outstanding pension claims from different Accounting Circle

Sl. No.	Name of the Accounting Circle	Outstanding amount (₹ in crore)
1	Central Pay & Accounts Office, New Delhi	7.18
2	Defence	2.02
3	Railways (SE Railway/ Eastern Railway/ Central Railway)	0.79
TOTAL		9.99

Source: Annual review report on the working of Treasuries 2013-14 prepared by office of the Principal Accountant General (A&E), Odisha

2.7.3 Irregularities in maintenance of Personal Ledger Accounts

Apart from Inspection of Treasuries, a special drive was undertaken by Principal Accountant General (A&E) to review the accounting of Personal Ledger Accounts at the Administrators level, (275 Administrators account) under 99 Treasuries were reviewed during 2013-14.

Review revealed that an amount of ₹ 36.03 crore remained unspent in respect of 1954 schemes operated by 196 PL Account Administrators coming under the jurisdiction of 99 Treasuries. There is diversion of fund of ₹ 4.7 crore in 25 schemes operated by 11 PL Administrators. Further, there was excess expenditure of ₹ 28.84 crore by 63 PL Administrators under different schemes resulting in minus closing balances. This practice resulted in erosion of legislative control over expenditure

2.8 Conclusions

- Avoidable supplementary provisions being made, defective orders for re-appropriation of fund, re-appropriation orders being issued on the last day of the year, substantial surrenders, surrender in excess of savings and anticipated savings not surrendered did not reflect prudent financial management by the Chief Controlling Officers (*Paragraphs 2.3.5 to 2.3.10*).
- Hundred *per cent* of Revenue and Capital provision were spent in some schemes /sub-heads during March 2014 instead of spreading it throughout the year leading to rush of expenditure (*Paragraph 2.3.11*).
- Instructions on Cash Management System were not sufficiently adhered to by the departments, resulting in non achievement of targeted periodical expenditure norm fixed by the State Government (*Paragraph 2.5.2*).

Recommendations

- Excess expenditure over provision in the grants out of the Consolidated Fund of the State needs to be regularised.
- Irregularities in Personal Ledger Accounts may be reviewed and settled in a time bound manner.