

Chapter-III

Financial Reporting

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 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 subordinate 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 their utilisation, utilisation certificates (UCs) should be furnished by the grantee institutions in duplicate (in form OGFR-7A) countersigned by the disbursing authorities so as to reach the Administrative Department by 1 June of the succeeding year. One copy of the certificate is to be retained in the Administrative Department and another copy is to be sent to the office of the Principal Accountant General (A&E), Odisha, by 30 June of that year.

Through the instrument of 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 (CCO)-cum-Heads of Department (HODs) who ultimately countersigns it and submits it to the Government. At every stage of counter-signature, necessary due diligence is required to be exercised by the counter-signing authority.

Utilisation Certificates for ₹ 16829.84 remained outstanding against 34 grantee institutions as of March 2014 in the books of Principal Accountant General

¹ Rule 173 of OGFR

(A&E). Year wise break up of wanting UCs is given in **Table 3.1** and in **Appendix 3.1**

Table 3.1: Year wise break up of wanting Utilisation Certificates in respect of grants-in-aid
(₹ in crore)

Year	UC wanting	Number of grants-in-aid (GIA) vouchers for which UCs awaited.
2003-04	774.79	8962
2004-05	674.66	6138
2005-06	803.88	7377
2006-07	1045.44	2629
2007-08	1501.80	3197
2008-09	1690.75	5131
2009-10	2013.55	4124
2010-11	2366.28	6949
2011-12	3268.28	4799
2012-13	2690.41	5101
TOTAL	16829.84	54407

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

The major defaulting departments were Panchayati Raj (₹ 6249.59 crore), Planning and Co-ordination (₹ 3034.90 crore), Housing & Urban Development (₹ 1926.42 crore), ST, SC & Minorities & Backward Class Development (₹ 1096.51 crore), Rural Development (₹ 941.88 crore) and School and Mass Education (₹ 581.07 crore) constituting ₹ 13830.37 crore being 82.18 *per cent* of total outstanding UCs as of March 2013.

Besides, as of March 2014, UCs for ₹ 7939.98 crore of Central Assistance were pending against 30 departments as given in **Appendix 3.2**. The huge pendency was mainly on account of non-adherence to existing instructions in OGFR for watching timely receipt of UCs by CCO-cum-HODs and further release of grants to them as a matter of routine without insisting on UCs for earlier grants. 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. CCOs/HODs does not get complied with. Thus, Government which is the grantor received no assurance about the correct use of its grants. Such delays are also prone to fraudulent expenditure / transactions, diversion of funds and creation of fake assets for which the responsibility would be apportionable on the CCO-cum-HODs.

The Government stated (October 2014) that to enforce time line for submission of Utilisation Certificate, a detailed guideline had been issued (October 2014) wherein establishment of a separate mechanism to keep track of GIA sanctioned and submission of UCs within stipulated time has been prescribed.

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 (HODs) are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which the assistance is granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts 2007 provides that Governments and HODs who sanction grants and / or loans to bodies or authorities shall furnish to the Audit by the end of July every year a statement of such bodies and authorities to which grants and / or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority. The above obligation of the Government Departments and their HODs for furnishing necessary information through Finance Department was also mentioned in the C&AG's Report on State Finances for the years 2008-13 (paragraph 3.2). However, the Administrative Departments of the Government did not furnish necessary information through the Finance Department to the Accountant General and failed to meet the above obligation and no new bodies were identified under Section 14(1) of C&AG's DPC Act 1971 during the year 2013-14.

3.3 Delays in Submission of Accounts of Autonomous Bodies

As many as 204 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.

Twenty six bodies / authorities were identified under CAG's DPC Act for submission of accounts to audit as of March 2014. Of these, only two bodies / authorities viz., Odisha State Legal Services Authority (OSLSA) and Odisha Forestry Sector Development Project (OFSDP) submitted their accounts to audit up to 2012-13.

So far, the accounts of remaining 24 bodies/authorities, nine development authorities² under section 19(3) of C&AG DPC Act in the office of Accountant

² 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.

General (G&SSA), Odisha and 15 bodies/authorities³ under Section 14(1) of DPC Act of the Principal Accountant General (E&RSA) have not been received as of September 2014 despite entrustment of audit to the Comptroller and Auditor General of India.

The Government stated (October 2014) that instructions would be issued to the concerned Administrative Departments for ensuring timely submission of Accounts / Audit Reports of Autonomous Bodies.

3.4 Departmentally Managed Commercial Activities

Government departments which perform activities of quasi commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their performance. The finalised accounts of departmentally managed commercial and quasi-commercial activities reflect their overall financial health and efficiency in conducting their business. In absence of timely finalisation of accounts, investment 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 CCO-cum-HODs 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 March 2014, there were 16 such undertakings and none had prepared accounts up to 2013-14, except Chief Conservator of Forests, Kendu Leaves (Odisha), which has prepared the accounts up to 2005-06. 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 for Purchase and distribution of quality seeds to cultivators.

³ Utkal Gomangal Samiti(UGS) (ii) CEO, Brakish Water Fisheries Development Agency, Balasore (iii) CEO, Brakish Water Fisheries Development Agency, Puri (iv)CEO, Brakish Water Fisheries Development Agency, Berhampur (v) Odisha Livestock resources development society, Cuttack (vi)Indira Gandhi Institute of Technology, Sarang (vii)Biju Patnaik University of Technology (BPUT) (viii) College of Engineering and Technology (CET), (ix) Veer Surendra Sai University of Technology,Burla (x) Odisha Industrial Infrastructure Development Corporation (IDCO), (xi)Institute of Enterprenureship Development, Bhubaneswar (xii) Institute of Textile Technology, Choudwar, Cuttack (xiii) Odisha Khadi and Village Industries Board (xiv) State Agency for Handloom Cluster (SADHAC), Bhubaneswar and (xv) State Institute for Development of Art and Craft (SIDAC), Bhubaneswar.

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

The Government stated (October 2014) that standard format for preparation of Proforma Accounts by the departmentally managed commercial entities would be prescribed in consultation with the Accountant General.

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

As per provisions of OGFR Vol. I (Rule-19), Government Officers are empowered to report such cases of loss of money, departmental revenue, stores or other properties to immediate superior officers as well as to Accountant General (G&SSA), Odisha where amount is ₹ 500 or more. Various departments of the State Government reported that there were 1748 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹17.46 crore up to March 2014 on which final action was pending. The department-wise break up of pending cases and age wise analysis are given in *Appendix 3.4* and nature of these cases is given in *Appendix 3.5*. Age-wise profile of the pending cases and the number of cases pending in each category of theft and misappropriation/loss as of March 2014 as evident from these appendices are summarized in **Table 3.2(i)** and **Table 3.2(ii)**.

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 lakh)
0 - 5	11	53.95
5 - 10	56	276.20
10 - 15	126	282.63
15 - 20	290	419.97
20 - 25	352	196.10
25 & above	913	517.04
Total	1748	1745.89

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

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

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

Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in lakh)
Theft	796	400.81
Misappropriation/Loss of material	952	1345.08
Total	1748	1745.89
Cases of Losses Written off during the Year	0	0
Total Pending Cases	1748	1745.89

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

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

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

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	473	530.75
ii)	Departmental action initiated but not finalised	605	708.57
iii)	Criminal proceedings finalised but execution of certificate cases for recovery of the amount pending	32	19.91
iv)	Awaiting orders for recovery or write off	491	194.53
v)	Pending in the courts of law	147	292.13
Total		1748	1745.89

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

It is pertinent to mention that as many as 473 cases involving ₹ 5.31 crore were awaiting departmental and criminal investigation up to 49 years since the year 1965-66. Similarly, 491 cases involving ₹ 1.95 crore were awaiting orders for recovery or write off of the competent authority. The Departments concerned did not furnish the reasons for non-finalisation of 605 misappropriation and loss cases involving ₹ 7.08 crore on which departmental action had been initiated, though called for in Audit (May-2014).

The Government stated (October 2014) that cases of misappropriations, losses and defalcations are reviewed on monthly basis in Departmental Monitoring Committee (DMC) but no significant results seems to have been achieved 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 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 Contingent (DC) bills received up to 2013-14 was only ₹ 428.60 crore (78.92 per cent) against AC bills worth ₹ 543.10 crore drawn during 2004-05 to 2013-14 leading to outstanding balance of AC bills of ₹ 114.49 crore as on 31 March 2014. Year wise details are given in **Table 3.4**

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

Year	(₹ in crore)			
	Amount of AC bills	Amount of DC bills outstanding	Outstanding DC bills as percentage of AC bills	No of the outstanding AC bills
Up to 2009-10	241.46	4.96	2.05	1442
2010-11	35.54	2.49	7.01	374
2011-12	61.18	2.01	3.29	344
2012-13	74.14	10.03	13.53	226
2013-14	130.78	95.00	72.64	2517
TOTAL	543.10	114.49	21.08	4903

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

Department wise pending AC bills for the years up to 2013-14 are detailed in **Appendix-3.7** which shows that three major Departments viz. Home (₹ 92.17 crore), Higher Education (₹ 6.36 crore) and Planning & Co-ordination (₹ 5.32 crore) comprises 90.71 per cent of the total 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 possible embezzlement of Government funds.

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

Government stated (October 2014) that a module would be developed for online tracking of AC Bills and corresponding DC Bills which would help in reducing the pendency level.

3.6.1 Analysis of Pendency in adjustment of Abstract Contingent Bills of Higher Education Department

Higher Education Department was reviewed by Audit for pendency of AC Bills, since there was withdrawal of funds on AC bills on large scale and non-adjustment/ settlement of substantial number of AC bills by way of submission of DC bills over the years. An analysis of AC bill draws in VLC database of the Higher Education department revealed the following:

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

At the time of drawal of funds through AC bill, the expenditure is booked under the relevant service head. Therefore, it is essential to ensure utilisation of such funds for the specific purpose within the stipulated period, but not later than 31 March of the financial year. Non-submission on time entails breach of financial discipline and leads to risk of misappropriation. Funds drawn through AC bills remaining outstanding as of March 2014 are detailed in **Table 3.5**.

Table 3.5: Year wise outstanding AC Bills of Higher Education Department

year	Amount Drawn (in ₹)	No. of items	Outstanding AC bills (in ₹)	No. of items
2003-04	2943758	39	---	---
2004-05	6714332	146	5024008	92
2005-06	9495963	172	6284285	114
2006-07	7460084	181	6207218	92
2007-08	6941470	188	5234946	123
2008-09	6076220	176	3750748	115
2009-10	7264570	161	5439698	106
2010-11	11151275	230	6171138	157
2011-12	12374795	245	4624090	113
2012-13	14495490	218	4278455	73
2013-14	16997119	192	16550302	183
Total	101915076	1948	63564888	1168

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

Non-submission of DC bills even after lapse of 10 years raises concerns about proper utilisation of amount drawn on AC bills. The outstanding AC bills for years together further indicated that government funds drawn for various purposes inter alia on the plea of immediate payment were irregularly retained at DDO level. Further Rule 261 of OTC requires that a certificate shall be furnished by the DDOs to the effect that funds drawn on AC bills shall be spent within the same financial year. But, the funds were carried forward to the next financial year.

3.6.1.2 Drawal of AC bills in the Month of March

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

Scrutiny of Voucher Level Computerisation (VLC) package of office of the Principal Accountant General (A&E) generated report revealed that during 2003-04 to 2013-14, total amount of ₹ 74.03 lakh was drawn in the month of March, out of which ₹ 27.73 lakh remained outstanding as of March 2014, as detailed in the **Table 3.6**.

Table 3.6: Year wise break up of AC bills during the month of March

Sl No	Year	Drawal during March (in ₹)	Total Outstanding as on 31 March 2014 (in ₹)
1	2003-04	2015555	---
2	2004-05	735117	142456
3	2005-06	86371	17676
4	2006-07	663137	630707
5	2007-08	85372	---
6	2008-09	975311	938161
7	2009-10	191855	56683
8	2010-11	906221	412221
9	2011-12	293763	176509
10	2012-13	657465	6525
11	2013-14	792427	392213
		7402594	2773151

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

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

3.6.1.3 Drawal of funds on AC bills for Plan Expenditure

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

Table 3.7 below depicts the AC bills drawn for Plan expenditure of the State Government remaining outstanding as of March 2014.

Table 3.7: Year wise outstanding AC Bills (Plan scheme) of Higher Education Department

Sl. No.	Year	Drawal of AC bills in Plan Scheme (in ₹)	Total outstanding AC drawals (in ₹)
1	2004-05	133698	32838
2	2005-06	865292	555150
3	2006-07	85000	Nil
4	2007-08	Nil	Nil
5	2008-09	1560550	520975
6	2009-10	231550	231547

Sl. No.	Year	Drawal of AC bills in Plan Scheme (in ₹)	Total outstanding AC drawals (in ₹)
7	2010-11	324569	120915
8	2011-12	272411	1711
9	2012-13	715040	452910
10	2013-14	5142203	5129313
Total		9330313	7045359

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

Out of total AC bills of ₹ 93.30 lakh drawn for plan purposes during 2004-05 to 2013-14, ₹ 70.45 lakh, comprising 75.51 *per cent* of the total drawal, remained outstanding as of March 2014. Withdrawal of funds under Plan heads through AC bill mode was indicative of the fact that object level planning was deficient, items of expenditure were not linked while drawing the amount and thus moneys were simply drawn for future use awaiting finalisation of implementation modalities and to avoid lapse of appropriations. As a result, the Government funds so drawn on the pretext of immediate requirement were allowed to be parked outside Consolidated Fund at the end of each financial year.

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

Note below Rule 141 read with sub-rule (3) of OBM provides that money should neither be withdrawn from the Treasury unless it is required for immediate disbursement nor is it permissible to draw money from the treasury under Revenue heads of accounts which 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 874 PD Account holders in the State with a closing balance (unspent) of ₹ 1287 crore operating under the head 8443 and 8448 as Personal Deposits at the end of March 2014. During 2013-14, ₹ 2287.13 crore were transfer-credited from the Consolidated Fund of the State to these PD accounts and expenditure of ₹ 2413.07 crore was incurred therefrom resulting in net decrease of ₹ 125.94 crore in the cumulative closing balance at the end of the year.

All such drawals had the approval of the CCOs of the concerned Departments including of the Finance Department. This practice resulted in erosion of legislative control over expenditure, as drawals from PD Accounts in the

subsequent years neither required legislative approval nor was the expenditure incurred subject to legislative authority through the appropriation mechanism.

The Government stated (October 2014) that 51 number of inoperative PL accounts had been identified for closure during the current financial year out of which, 12 accounts were closed as of September 2014.

3.8 Booking under minor heads ‘800-Other Receipts and 800-Other Expenditure’

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 2013-14 disclosed that under 29 major heads of account (both Revenue and Capital) ₹ 5124.13 crore (36 *per cent*) of total expenditure of ₹ 14078.66 crore were classified under the minor head of account ‘800-Other Expenditure’ in the accounts which also ranged between 10 and 100 *per cent* of the total expenditure under the respective major heads. Similarly, under 36 major head of account (Revenue Receipt), ₹ 883.52 crore (28 *per cent*) out of total receipts of ₹ 3137.39 crore was classified under ‘800-Other Receipts’, which ranged between 15 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.

3.9 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.

3.9.1 Advances remaining unadjusted

As per Subsidiary Rule 37 Notes 9 of 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 No.43784/F dated 2nd December 1986, each item of outstanding advances as appearing in the cash book of the DDO is to be analysed and adjusted within one month of disbursement, failing which, the salary of the Government servant concerned should be withheld. Subsidiary Rule 509 of OTC Vol. I, envisages that the advance register should be reviewed frequently by the DDO to ensure that all the advances are cleared by adjustment without delay. Non-adherence not only results in understatement of actual expenditure but is also fraught with the risk of improper and irregular utilisation of the advance so drawn. Continued non-adjustment over a long period is also fraught with the risk of misappropriation and embezzlement.

Test check of records of 36 DDOs revealed that in case of 11 DDOs as of 31 March 2014 advances of ₹ 12.85 crore (*Appendix-3.8*) have not been adjusted since long. 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 20 DDOs, though advance ledger was maintained in the prescribed manner, advances amounting to ₹ 42.07 crore were still lying unadjusted (*Appendix-3.9*) up to March 2014 for the period ranging from one to 50 years. Advances have been given to the Government employees/supplier for departmental allied purposes, execution of work, imparting training and supply of agricultural implements. In 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.

3.9.2 Misutilisation of undisbursed cash balance with DDOs.

In terms of Rule 8 and 11 of OGFR, 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 revealed that, in 13 out of 36 DDOs, expenditure of ₹ 26.65 lakh (*Appendix-3.10*) was incurred without any allotment and sanction by the competent authority. The amount is still kept in the shape of 'paid vouchers' by the offices.

3.9.3 *Discrepancy of ₹177.08 crore due to non-reconciliation between bank balance and cash book balance.*

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

Audit noticed that in 16 out of 36 sample DDOs, difference of ₹ 177.08 crore (*Appendix-3.11*) between the balances in the cash book and the bank pass book as of March 2014 was not reconciled. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouchsafed in audit.

3.9.4 *Retention of time barred Cheques/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 authorised by Finance Department in writing.

Scrutiny of records revealed that in four out of 36 sample DDOs, 68 time barred Cheques/Bank Drafts (BDs) amounting to ₹ 17.34 lakh (*Appendix-3.12*) formed part of closing balance as on 31 March 2014. These Cheques/Bank Drafts have lost their validity period (six months), but were neither revalidated nor deposited in the Bank account. In DSWO, Koraput the amount of BD (₹ 15.27 lakh) was depicted in the closing balance of the cash book which could not produced to audit. Retention of such BDs for long periods not only resulted in blockage of Government fund but also affected the ways and means position of the State.

3.10 **Conclusions**

- There is pendency in receipt of Utilisation Certificates (UCs) of grants-in-aid paid to various autonomous bodies. Government released grants as a matter of routine without simultaneously keeping a watch on timely receipt of UCs for grants given earlier, as required under the OGFR and sanction orders for release of such grants (*Paragraph 3.1*).
- 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 2013-14 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 2013-14 (except one which prepared accounts up to 2005-06), despite repeated comments in the earlier Audit Reports (*Paragraphs 3.2 and 3.4*).

- As per reports of different departmental offices, 1748 cases of misappropriation/ defalcation of Government money amounting to ₹ 17.46 crore were pending for enquiry up to 25 years or more (*Paragraph 3.5*).
- Contrary to the provisions of financial rules, Controlling Officers did not submit Detailed Countersigned Contingent Bills to the Principal Accountant General (A&E) in respect of ₹ 114.49 crore drawn on Abstract Contingent Bills (4903 cases) up to 31 March 2014. Besides, some departments allowed drawal of AC Bills despite AC Bills of earlier years remaining unadjusted (*Paragraph 3.6*).
- Funds remained unspent in many inoperative Personal Deposit Accounts for years together without being returned 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 and locked up resources which could otherwise have been used in other areas during that year. (*Paragraph 3.7*).
- An amount of ₹ 5124.13 crore (36 per cent) of total expenditure of ₹ 14078.66 crore were classified under the minor head of account '800-Other Expenditure' and similarly, ₹ 883.52 crore (28 per cent) out of total receipts of ₹ 3137.39 crore was classified under '800-Other Receipts' (*Paragraph 3.8*).
- 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. They did not reconcile the cash book figure with that of figures of bank pass book balance, and expenditure incurred on items without having any allotment. These lapses reflected inadequacy in the internal control mechanism in their offices (*Paragraph 3.9*).

Recommendations

- Government may prioritise early submission of pending Utilisation Certificates at least in the first instance of the major defaulting departments like Panchayati Raj, Planning and Co-ordination, Housing & Urban Development, ST, SC & Minorities & Backward Class Development, Rural Development and School and Mass Education constituting 82.18 per cent of total outstanding UCs as of March 2014.

- In the matter of outstanding cases of misappropriation, losses and defalcations etc., Government may prioritise and finalise in the first instance at least the cases where departmental action has been initiated and recovery and write off cases.

Bhubaneswar
The

(Amar Patnaik)
Accountant General (G&SSA), Odisha

Countersigned

New Delhi
The

(Shashi Kant Sharma)
Comptroller and Auditor General of India