

# **EXECUTIVE SUMMARY**

# Executive Summary

## Background

This Report on the Finances of the Government of Odisha is being brought out with a view to assess objectively the financial performance of the State during 2013-14 and to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in the Fiscal Responsibilities and Budget Management (FRBM) Amendment Act 2011 under Mid Term Fiscal Plan (MTFP), in the Budget Estimates of 2013-14, and norms recommended by the Thirteenth Finance Commission (ThFC).

## The Report

Based on the audited accounts of the State Government for the year ending March 2014, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the FRBM Act, budget documents, ThFC recommendations and other financial data obtained from various Government departments and organisations. The Report is structured in three chapters.

**Chapter I** is based on the audit of Finance Accounts and makes an assessment of Odisha Government's fiscal position as of 31 March 2014. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of central funds transferred directly to the State implementing agencies through off-budget route and resources generated through public private partnership mode.

**Chapter II** is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions and outcome of inspection of treasuries have also been made in chapter-II.

**Chapter III** is an inventory of Government's compliance with various reporting requirements and financial rules. The Report also has an

appendage of additional data collected from several sources in support of the findings.

*Appendix 4.1* at the end gives a glossary of selected terms related to State economy, as used in this Report.

### **Audit findings**

***Amendment to the State FRBM Act:*** In accordance with the ThFC recommendations the State Government amended (February 2012) the FRBM Act incorporating therein the continuation of the already achieved zero revenue deficit, setting a target of three *per cent* of fiscal deficit and review of compliance to provisions of FRBM Act through an independent agency as required by the ThFC.

However, disclosures like projection of Revenue Consequences of Capital Expenditure (RCCE) in the MTFP, Public Private Partnerships (PPPs) and related liabilities and bringing out statements on physical and financial assets and vacant public land and building were not included as recommended by ThFC to be featured under MTFP. Further, the Government has not prepared the outcome indicators of Fiscal Correction Path (FCP) during the period covered by ThFC.

***Oversight over funds transferred directly from the GoI to the State implementing agencies:*** GoI directly transferred substantial amount of Grants-in-aid to the State implementing agencies for implementation of different schemes in the State. Funds flowing directly to the implementing agencies through off-budget route inhibit FRBM Act requirements of transparency and escape accountability. There is no single agency monitoring the use of these funds and no data is readily available on the amounts spent in major flagship and other important schemes. Unless uniform accounting practices are followed by all these agencies and there is proper documentation and timely reporting of expenditure, it will be difficult to monitor the end use of these direct transfers.

***Revenue Receipts:*** Revenue Receipts showed progressive increase from ₹ 26430 crore in 2009-10 to ₹ 48947 crore in 2013-14 registering a growth of 85 *per cent*, yet the annual growth rate has increased by two *per cent* from 9 *per cent* in 2012-13 to 11 *per cent* during 2013-14.

***Revenue Expenditure:*** Revenue Expenditure had a predominant share of 87 *per cent* of total expenditure in 2009-10 which decreased to 85 *per cent* in 2013-14. However, it increased by 19 *per cent* from ₹ 38238 crore in 2012-13 to ₹ 45618 crore in 2013-14 in absolute terms. NPRE as a proportion of Revenue Expenditure, decreased from 78 *per cent*

(₹ 19677 crore) in 2009-10 to 67 per cent (₹ 30610 crore) in 2013-14. Out of the total increase of ₹ 7380 crore in Revenue Expenditure during the current year over the previous year, increase in NPRE contributed 54 per cent (₹ 3965 crore) and the remaining 46 per cent (₹ 3415 crore) was Plan Revenue Expenditure (PRE). Increase in NPRE during the current year was mainly on Social Welfare and Nutrition (₹ 894 crore), Education, Sports, Art and Culture (₹ 428 crore), Agriculture & Allied Services (₹ 240 crore), Transport (₹ 127 crore) and Welfare of SC, ST and OBC (₹ 84 crore).

### **Fiscal position**

Fiscal position of the State viewed in terms of trends in deficit/surplus indicators revealed that while the State continued to maintain revenue surplus, whereas the fiscal and primary surplus of previous year turned into deficit during 2013-14, revenue surplus decreased to ₹ 3329 crore during 2013-14 from ₹ 5699 crore in 2012-13. The Fiscal surplus of previous year turning into fiscal deficit during this year was due to increase in net capital expenditure and net loans and advances disbursed during the year.

**Greater priority to capital expenditure:** The Capital Expenditure (CE) increased significantly by 39 per cent over the previous year. However, the CE was 2.69 per cent of GSDP as against State Government's projection of 2.72 per cent for 2013-14 and less than the budget estimates.

**Review of Government investments:** As of 31 March 2014, Government had invested ₹ 3308.79 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 11.82 per cent in the last five years (13.67 per cent during 2013-14) while Government paid an average interest rate of 6.09 per cent to 7.63 per cent on its borrowings during 2009-10 to 2013-14.

**Debt sustainability:** During 2011-14 quantum spread together with primary deficit consistently remained positive resulting in a continuous decline in debt/GSDP ratio from 17 per cent in 2012-13 to 15 per cent in 2013-14. The trends in debt sustainability revealed that the incremental non-debt receipts of the State had been able to meet the incremental interest liabilities and incremental primary expenditure during the period 2009-12. However, it turned into negative of ₹ 619 crore and ₹ 4636 crore during 2012-13 and 2013-14 indicating non-sustainability of debt which needs to be addressed.

### **Financial Management and Budgetary Control**

During 2013-14, there was overall saving of ₹ 12755.96 crore. The savings were mainly due to non-implementation of schemes, less requirement of

funds etc. This included savings of ₹ 8810.11 crore in seven cases under four grants and three appropriation exceeding ₹ 100 crore in each case.

There were instances of persistent savings exceeding ₹ 10 crore in 18 cases relating to 16 grants and one appropriation during 2009-14. There were instances of persistent savings, excess expenditure and expenditure without provision of funds, unnecessary/excessive supplementary provision, substantial surrenders, non-surrender of anticipated savings during the current year and instances of rush of expenditure during the last month of the financial year.

### **Financial reporting**

State Government's compliance with various rules, procedures and directives relating to utilisation of funds was unsatisfactory as evident from delays in furnishing Utilisation Certificates (UCs) against the grants from various grantee institutions and issue of inaccurate UCs. This was mainly due to non-adherence to the existing instructions for watching timely receipt of UCs.

Information on financial assistance given to various institutions / authorities by different departments of the State Government have not been furnished to Audit as required under the provisions of Audit and Accounts Regulations 2007 and State Government rules.

As of September 2014, accounts of 24 bodies/authorities were not received in the office of the Accountant General (G&SSA), Odisha.

Delays were also noticed in submission of annual accounts by the departmentally managed commercial undertakings.

Cases of misappropriation, losses and defalcations were pending for settlement for long in many of the departments of State Government despite the same being pointed out regularly in earlier Audit Reports.

The Chief Controlling Officers did not submit Detailed Contingent Bills against the advances drawn on Abstract Contingent (AC) Bills of ₹ 114.49 crore as of March 2014.

A large amount of unspent balance (₹ 1287 crore) was lying in 874 Personal Deposit (PD) Accounts and were not credited back to Government Account.