

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 2014-15 against 40 grants and four appropriations was as given in **Table 2.1**:

Table 2.1: Position of actual expenditure vis-à-vis original/supplementary provisions for the year 2014-15

(₹ in crore)

	Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)	Amount Surrendered	Amount surrendered on 31 March	Percentage of amount surrendered on 31 March to unspent provision
	1	2	3	4	5	6	7	8	9
Voted	I Revenue	58993.16	2512.05	61505.21	48891.02	(-)12614.19	12025.96	11523.17	91
	II Capital	13787.71	502.52	14290.23	11197.39	(-)3092.84	2545.41	2284.37	74
	III Loans and Advances	546.44	0.00	546.44	358.00	(-)188.44	195.51	192.28	102
Total Voted		73327.31	3014.57	76341.88	60446.41	(-)15895.47	14766.88	13999.82	88
Charged	IV Revenue	5325.12	3.11	5328.23	2881.25	(-)2446.98	2427.88	1927.88	79
	V Capital	13.02	9.50	22.52	9.34	(-)13.18	12.61	12.61	96
	VI Public Debt -Repayment	3055.50	1475.16	4530.66	4111.45	(-)419.21	419.21	419.21	100
Total Charged		8393.64	1487.77	9881.41	7002.04	(-)2879.37	2859.70	2359.70	82
Grand Total		81720.95	4502.34	86223.29	67448.45	(-)18774.84	17626.58	16359.52	87

Source: The Odisha Appropriation Act 2014, Finance and Appropriation Accounts 2014-15, 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 (₹ 636.53 crore) and Capital heads (₹ 132.10 crore). The overall saving of ₹ 18774.84 crore was due to savings in all the 40 Grants and two Appropriations under Revenue Section and 34 Grants and two Appropriations under Capital Section, which is offset by excess of ₹ 0.01 crore in one grant under Capital Section.

It is seen from the above table that against the original provision of ₹ 81720.95 crore, expenditure of ₹ 67448.45 crore was incurred, thereby not requiring any supplementary provision, as there were savings of ₹ 14272.50 crore from the original provision which clearly indicates inaccurate estimation of funds and lack of control mechanism.

Further, it was also noticed that against the total savings of ₹ 18774.84 crore during the year, departments surrendered ₹ 17626.58 crore, out of which ₹ 16359.52 crore (87 per cent) was surrendered on the last day of the financial year i.e 31 March 2015. In Loans and Advances (voted section), though there were savings of ₹ 188.44 crore, department had surrendered ₹ 195.51 crore, resulting in excess surrender of ₹ 7.07 crore above the total savings in the section. Out of the

total surrender (₹ 195.51 crore) in Loans and Advances (voted) section, ₹ 192.28 crore were surrendered on 31 March i.e. the last day of the Financial year.

Thus, the Chief Controlling Officers overlooked the budgetary controls laid down in OBM and made inaccurate estimation for the budget provision.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

During the year the outcome of the appropriation audit revealed that in 18 cases relating to 13 grants and two appropriations, savings exceeded ₹ 10 crore and by more than 20 per cent of total provision in each case (**Appendix-2.1**) amounting to ₹ 12722.94 crore. Out of the above, savings as large as ₹ 12506.47 crore (98 per cent)¹ occurred in 14 cases relating to nine grants and two 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	Supple- mentary	Total	Actual Expenditure	Savings
Revenue (Charged)						
1	2048-Appropriation for Reduction or Avoidance of Debt	500.00	0	500.00	0	500.00
2	2049- Interest Payments	4729.18	0	4729.18	2810.27	1918.91
Revenue (Voted)						
3	3-Revenue and Disaster Management	3365.39	80.60	3445.99	2198.52	1247.47
4	5-Finance	8710.13	300.00	9010.13	6957.35	2052.78
5	13-Housing and Urban Development	2169.30	110.63	2279.93	1779.13	500.80
6	17-Panchayati Raj	6809.10	52.06	6861.16	4796.24	2064.92
7	28-Rural Development	1695.48	685.63	2381.11	1625.15	755.96
8	34-Co-operation	827.35	3.23	830.58	601.97	228.61
9	36-Women and Child Development	4522.41	0.12	4522.53	3414.81	1107.72
Capital (Voted)						
10	11-Scheduled Tribes & Scheduled Castes Development and Minorities & Backward Classes Welfare	601.15	2.32	603.47	436.02	167.45
11	13-Housing and Urban Development	867.06	20.37	887.43	560.69	326.74
12	28-Rural Development	2983.40	56.06	3039.46	2213.83	825.63
13	30-Energy	1251.75	0	1251.75	726.92	524.83
14	34-Co-operation	280.60	65.00	345.60	60.95	284.65
TOTAL		39312.30	1376.02	40688.32	28181.85	12506.47

Source: Appropriation Accounts for the year 2014-15, Government of Odisha.

¹ Exceeding ₹ 100 crore in each case

Reasons furnished by the departments to 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 ₹ 6.06 crore under major head “2506-Land Reforms-NP-102-Consolidation of Holdings-0483-Field Establishment (Circle Office)”, was due to (i) non-finalisation of pay under ORSP Rule, 2008 and (ii) non-submission of RCM, FRC and NAC claims.

05-Finance (Revenue-Voted)

- Anticipated savings of (i) ₹ 7.25 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-0308-District Establishment” and (ii) ₹ 3.11 crore under major head “2040-Taxes on Sales, Trade etc.-NP-001-Direction and Administration-1158-Range Administration”, were due to vacancy of post, non-submission of admissible claims, non-completion of procurement process and observance of economy.
- Anticipated savings of ₹ 1.05 crore under major head “2040- Taxes on Sales, Trade etc.-NP-001-Direction and Administration-1515-Upgraded Check Gates in Commercial Tax Organisation”, was due to (i) non-filling up of vacant posts, (ii) non-submission of admissible claims and (iii) non-availing of LTC.
- Anticipated savings of ₹ 310.75 crore under major head “2052-Secretariat-General Services- NP- 090- Secretariat- 0488- Finance Department”, was attributed mainly to meet the additional requirement of funds under other heads as per Supplementary Statement of Expenditure and vacancy of posts.
- 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 of a Database for Government Employees and Pensioners”, was due to non-sanction of funds by ThFC.
- Anticipated savings of entire provision of ₹ 300.00 crore under major head “2075-Miscellaneous General Services-NP-800-Other Expenditure-2897-Fund for Protection of Interest of Depositors”, was due to non-utilisation of Reserve Fund during the year.

11- Scheduled Tribes and Scheduled Castes Development, Minorities and Backward Classes Welfare (Capital-Voted)

- Anticipated savings of (i) ₹ 32.00 crore under major head “4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other

Backward Classes-SP-DS-01-Welfare of Scheduled Castes-277-Education-0649-Hostels” and (ii) ₹ 69.16 crore under major head “4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes-SP-DS-02-Welfare of Scheduled Tribes-277-Education-0047-Ashram School”, were surrendered due to non-receipt of Central Assistance.

13-Housing and Urban Development (Revenue-Voted)

- There were anticipated savings of (i) ₹ 71.91 crore under major head “2217-Urban Development-SP-DS-05-Other Urban Development Schemes-192-Assistance to Municipalities/ Municipal Councils-1840-National Urban Renewal Mission (NURM), (ii) ₹ 63.64 crore under major head “2217-Urban Development-SP-DS-05-Other Urban Development Schemes-789-Special Component Plan for Scheduled Castes-1840-National Urban Renewal Mission” and (iii) ₹ 85.20 crore was under major head “2217-Urban Development-SP-DS-05-Other Urban Development Schemes-796-Tribal Area Sub-Plan -1840-National Urban Renewal Mission ”, were due to non-receipt of additional Central Assistance.

13-Housing and Urban Development (Capital-Voted)

- There were anticipated savings of ₹ 176.35 crore under major head “4215-Capital Outlay on Water Supply and Sanitation-SP-SS-02-Sewerage and Sanitation-106-Sewerage Services-2138-EAP assisted by JBIC, Japan for Integrated Sewerage and Sanitation Project for Bhubaneswar and Cuttack”, were stated to be based on actual requirement.
- Anticipated savings of entire provision of ₹ 5.00 crore under major head “4215-Capital Outlay on Water Supply and Sanitation-SP-SS-02-Sewerage and Sanitation-106-Sewerage Services-2718-EAP assisted by JBIC, Japan for Integrated Sewerage and Sanitation Project in Urban Areas”, were due to non-acquisition of land.

28-Rural Development (Revenue-Voted)

- There were anticipated savings of (i) ₹ 17.54 crore under major head “2059-Public Works-NP-80-General-001-Direction and Administration-0453-Executive Engineer, Rural Works-Establishment Charges”, (ii) ₹ 0.87 crore under major head “2059-Public Works-NP-80-General-001-Direction and Administration-1422-Superintending Engineer, Rural Works -Establishment” were due to non-drawal of salaries for want of LPC of the EEs and SEs of the newly created divisions and non-drawal of arrear salaries of the JEs.

28-Rural Development (Capital-Voted)

- Anticipated savings of (i) ₹ 23.50 crore under major head “5054-Capital Outlay on Roads and Bridges-SP-DS-04-District and Other Roads- 789-

Special Component Plan for Scheduled Castes-2161-Rural Infrastructure Development Fund (RIDF)” and (ii) ₹ 75.18 crore under major head “5054-Capital Outlay on Roads and Bridges-SP-DS-04-District and Other Roads-800-Other Expenditure-2161-Rural Infrastructure Development Fund (RIDF)” were due to (i) non-finalisation of guidelines and project list of RIDF in time and (ii) as per actual requirements.

34-Co-operation (Revenue-Voted)

- Reduction of the anticipated savings of ₹ 2.30 crore under the major head “2425-Co-operation-SP-SS-107-Assistance to Credit Co-operatives-2053-Infrastructure Development” was due to non-release of fund by Finance Department.
- Reduction of anticipated savings of (i) ₹ 2.90 crore under the major head “2425-Co-operation-SP-SS-107-Assistance to Credit Co-operatives-2845-Agro Service Centre” and (ii) entire amount of ₹ 2.90 crore under the major head “2425-Co-operation-SP-SS-107-Assistance to Credit Co-operatives-2876-Soil Testing and Quality Control Laboratory” were due to non-submission of Utilisation Certificates for previous years.

34-Co-operation (Capital-Voted)

- Entire provision of anticipated savings of (i) ₹ 70.00 crore under “4425-Capital Outlay on Co-operation-SP-DS-107-Investment in Credit Co-operatives-2875-Construction of Godown”, (ii) ₹ 35.50 crore under “4425-Capital Outlay on Co-operation-SP-DS-789-Special Component Plan for Scheduled Castes-2875- Construction of Godown” and (iii) ₹ 44.50 crore under “4425-Capital Outlay on Co-operation-SP-DS-796-Tribal Area Sub-Plan -2875- Construction of Godown” were surrendered due to non-construction of godowns by the Executing Agency.

2049-Interest Payments (Revenue-Charged)

- Anticipated savings of ₹ 237.60 crore under major head “2049-Interest Payments-NP-01-Interest on Internal Debt-101-Interest on Market Loans-0754-Interest Payment on Market Loans”, was due to raising of market loan in the last quarter of the financial year by the State Government.

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 (November 2015) that instructions would be issued to the Departments to frame their estimates on realistic basis and avoid excessive savings to minimise year end savings and surrenders.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 10 crore in 21 cases in 18 grants and in one appropriation during 2010-15 as detailed in **Appendix-2.2**. The savings ranged between ₹ 23.07 crore and ₹ 2064.92 crore during the year 2014-15. 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 for funds.

This has been pointed out repeatedly in earlier Audit Reports, but no action has been taken by the Government (November 2015).

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 ₹ 598.84 crore was incurred over the provisions during 2010-11, 2011-12 and 2013-14 as detailed in **Table 2.3**.

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
2013-14	3	-	22-Forest and Environment, 26-Excise and 31-Handlooms, Textile and Handicrafts	18.56
Total	8	2		598.84

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

However, excess expenditure over the provisions amounting to ₹ 580.28 crore pertaining to the year 2010-11 and 2011-12 was recommended for regularisation by the Public Accounts Committee in its Seventh Report of 14th Assembly (December 2013), which is yet to be done.

2.3.4 Excess expenditure over Consolidated Fund of the State during 2014-15 requiring regularisation by the State Legislature

During 2014-15, Excise Department made an expenditure of ₹ 500.88 crore against the total provision of ₹ 500 crore in the Capital (voted) section, thereby an excess expenditure of ₹ 0.88 crore was made over and above the amount authorised from the Consolidated Fund of the State (CFS) by the State

Legislature. The excess expenditure occurred under the head “4059-Capital Outlay on Public Works-State Plan-State Sector-01-Office Buildings-051-Construction-1938-Construction/repair of Office Buildings”. No demand for consideration of regularisation by the State Legislature has yet been placed. Thus, the excess expenditure remained unauthorised.

2.3.5 Unnecessary/Excessive supplementary provision

Supplementary provision aggregating to ₹ 2045.61 crore (₹ one crore or more in each case) obtained in 31 cases (21 grants and one appropriation), during the year 2014-15 proved unnecessary as the actual expenditure (₹ 47493.11 crore) did not come up to the level of original provision (₹ 58810.79 crore) as detailed in ***Appendix-2.3***.

Similarly, supplementary provision aggregating to ₹ 2449.93 crore (₹ one crore or more in each case) proved excessive by ₹ 947.41 crore over the total required supplementary provision of ₹ 1502.52 crore in 11 cases under 10 grants and one appropriation (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.

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 105 sub-heads, of which excess / saving was more than ₹ one crore in 33 sub-heads (savings of ₹ 111.03 crore in 17 sub-heads under nine grants and excess of ₹ 49.26 crore in 16 sub-heads under eight grants) as detailed in ***Appendix-2.5***.

The Government accepted (November 2015) 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.

2.3.7 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 10th March at the latest. As per the records of the Office of the Accountant General (A&E), during 2014-15, 547 re-appropriation orders amounting to ₹ 11945.50 crore were issued, out of which five re-appropriation orders aggregating to ₹ 469.42 crore were issued by the Finance Department (four

cases) and Home Department (one case) on 31 March 2015, the last day of the financial year where there was no scope for expenditure during that year as given in **Table 2.4** below.

Table 2.4: Re-appropriations on 31 March 2015 (last day of 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	Finance Department	2071-Non Plan	433.04	9230/31.03.2015
2	Finance Department	7610-Non Plan	1.74	9234/31.03.2015
3	Finance Department	2049-Non Plan	34.06	9236/31.03.2015
4	Finance Department	6003- Non Plan	0.08	9232/31.03.2015
5	Home Department	2055- Non Plan	0.50	932/31.03.2015
TOTAL			469.42	

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

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 ₹ 1881.76 crore were made under 39 sub heads (₹ 10 crore or more in each case) under 13 grants 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 (14 cases), to meet additional requirement of funds under other heads as per supplementary statement of expenditure (two cases), non-construction of godowns by the executing agency (three cases), non-assessment of exact damage during Khariff 2014 (two cases), non-utilisation of Reserve fund during the year (one case), non-completion of survey and planning works (one case), introduction of the cash management system (one case) and non-finalisation of modalities for expenditure (one case). No reasons were assigned by the departments to the Accountant General (A&E) office in 14 cases.

2.3.9 Surrender in excess of savings

In case of six grants (seven cases), as against savings of ₹ 7482.27 crore (₹ one crore or more in each case) as detailed in **Appendix-2.7**, the amount surrendered was ₹ 7717.97 crore resulting in excess surrender of ₹ 235.70 crore. The excess surrender indicates that the departments failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

The Government stated (November 2015) that Finance department will issue an advisory to the Departments to enforce the reconciliation mechanism and

surrender the exact amount of savings. But, despite repeated assurances, the department had not taken any concrete steps to ensure timely reconciliation.

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 2014-15 and surrender thereof by the departments concerned revealed the following:

- In 15 cases (11 grants and one appropriation) savings of more than ₹ one crore in each case remained to be surrendered, revealed that the departments partially refunded saving resulting in retention of ₹ 1379.80 crore (21 per cent of the total savings of ₹ 6638.82 crore in these cases) as per details given in *Appendix-2.8*.
- Besides, as per information compiled by the Office of the 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 2015 in 86 cases (in 29 grants and three appropriations) aggregating to ₹ 16105.27 crore covering 21 per cent of the total budget provision in these cases (*Appendix-2.9*).

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

Government stated (November 2015) that surrender of anticipated savings would be ensured through stabilisation of the expenditure reconciliation module of IFMS.

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 74 schemes listed in *Appendix-2.10*, Revenue / Capital Expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure (in each case) for the year was incurred in March 2015. **Table 2.5** represents the sub-heads (22 cases) where 100 per cent of expenditure was incurred during the last month of the financial year.

Table 2.5: Cases, where entire expenditure was incurred in March 2015

Sl. No.	Grant No.	Major Head	Total expenditure during the year (₹ in crore)	Expenditure during March 2015	
				Amount (₹ in crore)	Percentage of total expenditure
1	2	2217-SP-SS-01-800-2224-Improvement of Open Space	10.00	10.00	100
2	4	2235-NP-60-200-2552-ThFC Grant for Improving Justice Delivery	11.63	11.63	100
3	5	2075-NP-00-797-2897-Fund for Protection of Interest of Depositors	300.00	300.00	100

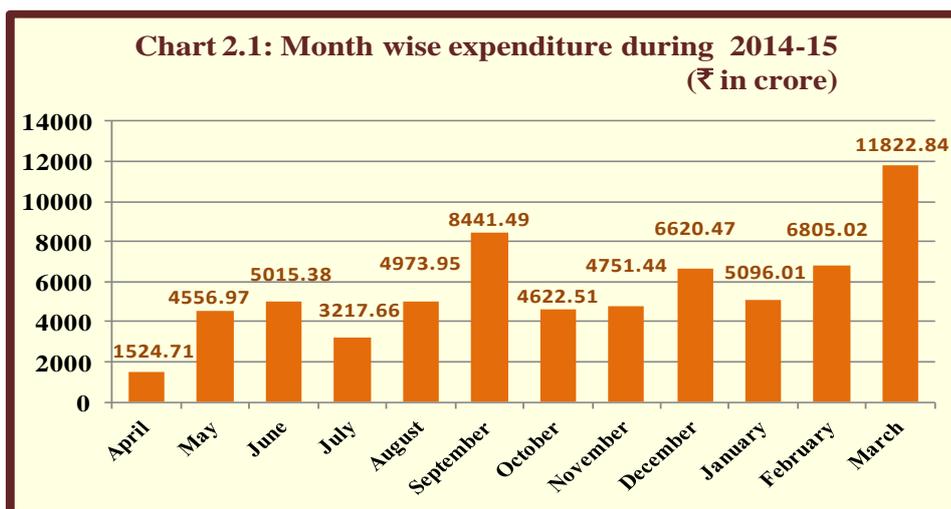
Sl. No.	Grant No.	Major Head	Total expenditure during the year (₹ in crore)	Expenditure during March 2015	
				Amount (₹ in crore)	Percentage of total expenditure
4	10	4202-SP-SS-01-201-1192-Repair, Renovation and Restoration	10.00	10.00	100
5	11	2225-SP-DS-03-277-2418-Post Matric Scholarship and Stipend to OBC	14.08	14.08	100
6	13	2215-SP-SS-02-105-2131-Urban Sanitation Scheme	10.00	10.00	100
7	13	3045-NP-80-191-2582-Maintenance of Roads and Bridges under ThFC Award	12.22	12.22	100
8	13	3045-NP-80-192-2582-Maintenance of Roads and Bridges under ThFC Award	12.75	12.75	100
9	20	2702-SP-DS-03-102-2161-Rural Infrastructure Development Fund (RIDF)	85.83	85.83	100
10	20	2702-SP-DS-03-789-2161-Rural Infrastructure Development Fund (RIDF)	29.62	29.62	100
11	20	2702-SP-DS-03-796-2161-Rural Infrastructure Development Fund (RIDF)	19.59	19.59	100
12	23	6401-SP-SS-00-103-2979-Corpus Fund for Odisha State Seeds Corporation Ltd.	25.00	25.00	100
13	23	6401-SP-SS-00-105-2980- Corpus Fund for Odisha State Co-operative Marketing Federation Ltd.	75.00	75.00	100
14	23	6401-SP-SS-00-105-2981- Corpus Fund for Odisha Agro Industries Corporation Ltd.	25.00	25.00	100
15	27	2810-SP-SS-00-102-0247- Demonstration of Improved Choolah	10.00	10.00	100
16	28	2215-SP-DS-02-105-2940- Nirmal Bharat Abhiyan	40.12	40.12	100
17	28	2215-SP-DS-02-789-2940- Nirmal Bharat Abhiyan	15.42	15.42	100
18	28	2215-SP-DS-02-796-2940- Nirmal Bharat Abhiyan	32.24	32.24	100
19	28	3054-NP-80-190-1230- Rural Roads	48.00	48.00	100
20	30	6801-SP-SS-00-205-2612- CAPEX Programme for Development and Up-gradation of Distribution System	67.34	67.34	100
21	33	4403-SP-SS-00-101-2161- Rural Infrastructure Development Fund (RIDF)	10.80	10.80	100
22	37	2852-SP-SS-07-202-0776- Implementation of e-Governance Projects as per the National e-Governance Programme- One time ACA	19.10	19.10	100
			883.74	883.74	100

Source: Monthly Appropriation Reports for the month of March 2015.

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.

Monthly expenditure of the State of Odisha² is presented in **Chart 2.1**. As can be seen from the graph, maximum expenditure is booked in month of March (17.53 per cent), i.e. just before the closing of annual accounts and September (12.52 per cent), i.e. just before the supplementary budget.

² Prepared from Monthly Appropriation Accounts excluding Deduct-recoveries



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. Its corpus was ₹ 400 crore. Advance of ₹ 150 crore drawn in the previous year (2013-14) was recouped during the year.

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 ₹ 58993.16 crore and ₹ 2512.05 crore respectively aggregating at ₹ 61505.21 crore against which the actual expenditure was ₹ 48891.02 crore resulting in savings of ₹ 12614.19 crore. This was more than the supplementary provision.
- Similarly under Capital (voted), the original and supplementary grants were ₹ 13787.71 crore and ₹ 502.52 crore respectively aggregating ₹ 14290.23 crore against which the actual expenditure was ₹ 11197.39

crore resulting in savings of ₹ 3092.84 crore. This was more than the supplementary provision.

In the above two cases, supplementary provision of ₹ 2512.05 crore in revenue (voted) and ₹ 502.52 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 2.6**.

Table 2.6: 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)	58993.16	2512.05	61505.21	48891.02	(-)12614.19
2	Capital (voted)	13787.71	502.52	14290.23	11197.39	(-)3092.84
TOTAL		72780.87	3014.57	75795.44	60088.41	(-)15707.03

Source: Odisha Appropriation Act 2014, Finance and Appropriation Accounts 2014-15.

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 18 departments continued to have savings of more than ₹ 10 crore during last five years, despite repeated comments in the Audit Reports from 2010-11 to 2014-15 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 of 2014-15 for tax revenue was ₹ 19274 crore and the actual realisation was ₹ 19828 crore, resulting in upward variation of resources of ₹ 554 crore, nearly three *per cent* above the revised estimate. Similarly, in non-tax revenue the projection was ₹ 7606 crore, while the actual realisation was ₹ 8071 crore, resulting in upward variation of resources of ₹ 465 crore, nearly six *per cent* above the revised estimate. Trend of revenue projection for last five years (2010-11 to 2014-15) is given in **Table 2.7** below.

Table 2.7: Variation between Revised Estimate and Actuals on Revenue Resources for the periods 2010-11 to 2014-15

(₹ in crore)					
Sl. No.	Year		Revised Estimate	Actuals	Differences (Column 5-4)
1	2	3	4	5	6
1	2010-11	Tax Revenue	10608	11193	585
		Non-Tax Revenue	3317	4780	1463
2	2011-12	Tax Revenue	13399	13443	44
		Non-Tax Revenue	5000	6443	1443
3	2012-13	Tax Revenue	15310	15034	(-)276
		Non-Tax Revenue	6500	8078	1578

Sl. No.	Year		Revised Estimate	Actuals	Differences (Column 5-4)
1	2	3	4	5	6
4	2013-14	Tax Revenue	17105	16892	(-)213
		Non-Tax Revenue	7475	8379	904
5	2014-15	Tax Revenue	19274	19828	554
		Non-Tax Revenue	7606	8071	465

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 was unrealistic during last five years and the actual achievement for non-tax revenue was more than the projections for last five years. There is a need for the Government to have a better system of forecasting of resources.

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 2014-15. 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.13081 dated 11 April 2014, the level of expenditure at the end of third quarter should not 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 five departments spent minimum 60 *per cent* of the budget provision by the end of third quarter, while remaining 13 departments failed to achieve the norm during 2014-15. Similarly, nine departments exceeded 15 *per cent* of the budget provision for the month of March 2015 as indicated in **Table 2.8**.

Table 2.8: Analysis of Cash Management System

(₹ in crore)

Sl. No.	Grant No./ Department	Original Budget Provision	April 2014 - December 2014		March 2015	
			Expenditure during first 3 quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	3887.01	2275.35	59	714.01	18
2	10-School and Mass Education	9352.12	5562.23	59	785.70	8
3	11-ST, SC Dev. and Minorities and Other Backward Development	2456.29	1128.16	46	384.23	16
4	12- Health and Family Welfare	3922.73	2048.41	52	629.28	16
5	13-Housing and Urban Development	3038.65	1029.97	34	807.03	27
6	17-Panchayati Raj	6834.23	4298.60	63	398.71	6
7	19-Industry	18.87	13.84	73	8.89	47
8	20-Water Resources	5111.77	2579.81	50	1009.41	20
9	22-Forest and Environment	718.21	427.12	59	89.46	12
10	23-Agriculture	2734.99	1747.50	64	309.12	11
11	28-Rural Development	4679.44	2153.06	46	1085.01	23
12	30-Energy	1283.18	405.71	32	139.27	11
13	31-Handloom, Textile & Handicrafts	146.77	64.38	44	33.03	23
14	33-Fisheries and Animal Resources Development	525.08	324.61	62	91.66	17
15	36-Women & Child Development	4666.66	2275.00	49	601.54	13
16	38-Higher Education	2202.92	1280.39	58	305.19	14
17	39- Employment, Technical Education and Training	513.98	334.94	65	50.84	10
18	40-Micro, Small and Medium Enterprises	96.84	54.64	56	11.63	12

Source: Monthly Appropriation Reports for December 2014 and Finance Accounts 2014-15, Govt. of Odisha

The Government stated (November 2015) that none of the departments have exceeded the expenditure limit of 40 *per cent* of the Budget Estimate during last quarter and only one department i.e. Textile and Handloom Department (22 *per cent*) has exceeded the expenditure limit of 15 *per cent* of the Budget Estimate during March which was allowed by Finance Department in order to facilitate expenditure for important schemes.

The reply is not acceptable as supplementary provision is made if the original provision is found insufficient, which can be prudently done in case expenditure is made in initial period of the financial year as per the percentage fixed by the Government. Besides, in several schemes 100 *per cent* expenditure was made during March as mentioned in Para 2.3.11.

2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of Housing and Urban Development Department (Grant No. 13) and Water Resources Department (Grant No. 20) as reported in the Appropriation Accounts revealed the following irregularities:

2.6.1 Short/Excess surrender of savings / belated surrenders

Odisha Budget Manual (Rule 144 and 146) provides 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 2014-15, Housing and Urban Development Department (Grant No.13) surrendered ₹ 497.27 crore as against total savings of ₹ 500.80 crore under revenue (voted) section resulting in non-surrender of ₹ 3.53 crore. Water Resources Department (Grant No.20) surrendered ₹ 317.83 crore as against total savings of ₹ 333.91 crore under revenue (voted) section and ₹ 556.82 crore as against total savings of ₹ 558.12 crore under capital (voted) section, resulting in non-surrender of ₹ 16.08 crore and ₹ 1.30 crore respectively.

Further, during the year, Housing and Urban Development Department surrendered ₹ 331.85 crore as against the total savings of ₹ 326.74 crore under capital (voted) section, thereby surrendering an excess of ₹ 5.11 crore over the provision.

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.13 (Housing and Urban Development Department), supplementary provision of ₹ 110.63 crore under revenue (voted) and ₹ 20.37 crore under capital (voted) section obtained during December 2014 proved unnecessary in view of sizeable savings of ₹ 390.17 crore and ₹ 306.37 crore respectively from the original Budget provision in the year. In Grant No.20 (Water Resources Department), supplementary provision of ₹ 74.12 crore under revenue (voted) and ₹ 11.91 crore under capital (voted) section obtained during December 2014 proved unnecessary, as the department saved ₹ 259.78 crore under revenue (voted) and ₹ 546.21 crore under capital (voted) sections respectively, 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

Housing and Urban Development and Water Resources Departments made a provision of ₹ 64.77 crore and ₹ 289.84 crore respectively under different heads/schemes during 2014-15, but the total provisions were withdrawn by way of re-appropriation and surrender during the financial year 2014-15 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 (August 2014) laid down the Guidelines for timely spending of budgetary grants through the Cash Management System in 2014-15 in 18 departments including the Housing and Urban Development (Grant No. 13) and Water Resources (Grant No. 20) Departments.

As per Cash Management System, both the departments had 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 2014-15. The distribution of the QEA vis-à-vis quarterly expenditure for the departments during 2014-15 is given in **Table 2.9**.

Table 2.9: Budget Estimate and Quarterly Expenditure Allocation by Housing and Urban Development and Water Resources Departments.

Sl. No.	Budget Estimate	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
		QEA	Expenditure	QEA	Expenditure	QEA	Expenditure	QEA	Expenditure
13-Housing and Urban Development Department									
1	3038.65	759.66 (25%)	159.28 (5%)	455.80 (15%)	500.30 (16%)	607.73 (20%)	370.39 (12%)	1215.46 (40%)	1310.75 (43%)
20-Water Resources Department									
2	5111.77	1277.94 (25%)	840.25 (16%)	766.77 (15%)	695.63 (14%)	1022.35 (20%)	1043.93 (20%)	2044.71 (40%)	1721.87 (34%)

Source: Monthly Appropriation Reports 2014-15.

Housing and Urban Development department failed to adhere to the stipulated expenditure norms by 20 per cent and eight per cent during first quarter and third quarter respectively against the targeted norm and also failed to achieve up to the third quarter norm (60 per cent of BE) by 27 per cent. The department also exceeded the expenditure by three per cent for the fourth quarter norm (40 per cent of BE).

Similarly, Water Resources department failed to adhere to the stipulated expenditure norms by nine per cent, one per cent and six per cent during first, second and fourth quarter respectively. It also failed to achieve up to the third quarter norm by 10 per cent against the 60 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, 2015 i.e the last month of the financial year, exceeded by two per cent (₹ 47.37 crore) in case of Housing

and Urban Development Department (expenditure in March 2015 was ₹ 807.03 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 2014-15, 30 District Treasuries, eight Special Treasuries and 62 Sub-Treasuries were inspected by the officials of the Accountant General (A&E), Odisha. Irregularities and lapses noticed during 2014-15, 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 2015 by the office of the Accountant General (A&E), excess payment of pension and gratuity amounting to ₹ 32.82 lakh was noticed as indicated in **Table 2.10** below:

Table 2.10: Outcome of inspection of treasuries

Sl. No.	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy.	0.44
2	Excess payment due to delayed commencement of reduced pension on account of payment of commuted value of pension.	4.42
3	Excess payment of pension in favour of family pension due to payment at enhanced rate beyond the stipulated date.	14.21
4	Excess payment of pension due to other miscellaneous reasons.	13.75
TOTAL		32.82

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

There is thus 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 ₹ 5.36 crore as calculated up to 31 March 2015 remained under “8658- Suspense Account 101- PAO Suspense” head. Details are given in **Table 2.11**:

Table 2.11: Outstanding pension claims from different Accounting Circles

Sl. No.	Name of the Accounting Circle	Outstanding amount (₹ in lakh)
1	Central Pay & Accounts Office, New Delhi	479.34
2	Defence	56.20
3	Railways (SE Railway/ Eastern Railway/ Central Railway)	0.40
TOTAL		535.94

Source: Annual Review Report on the working of Treasuries 2014-15 prepared by Office of the Accountant General (A&E), Odisha

2.8 Conclusion

- 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 provisions were spent in certain schemes /sub-heads during March 2015 instead of spreading it throughout the year leading to rush of expenditure (*Paragraph 2.3.11*).
- Instructions on Cash Management System were not strictly adhered to by the departments, resulting in non achievement of targeted periodical expenditure norm fixed by the State Government (*Paragraph 2.5.2*).

Recommendations

- Government may consider issuing instructions to all the departments to ensure surrender of unutilised allocations as soon as they are foreseen so that the funds can be allocated to other needy departments.
- Excess expenditure over provision in the grants out of the Consolidated Fund of the State needs to be regularised.