

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 of 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 Accountant General (A&E), Odisha, by 30 June of that year.

Through the instrument of UC, 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.

¹ Rule 173 of OGFR

Utilisation Certificates for ₹ 20940.07 crore remained outstanding against 33 grantee institutions as of March 2015 in the books of Accountant General (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 as of March 2015 | Number of grants-in-aid (G.I.A) vouchers for which UCs are awaited. |
|---------------|-----------------------------|---|
| Up to 2003-04 | 489.02 | 2054 |
| 2004-05 | 396.37 | 1384 |
| 2005-06 | 398.56 | 1229 |
| 2006-07 | 463.95 | 1200 |
| 2007-08 | 571.42 | 2058 |
| 2008-09 | 640.58 | 2441 |
| 2009-10 | 771.64 | 1683 |
| 2010-11 | 793.96 | 3212 |
| 2011-12 | 969.03 | 2795 |
| 2012-13 | 1043.91 | 2420 |
| 2013-14 | 4357.01 | 4487 |
| 2014-15 | 10044.62 | 4207 |
| TOTAL | 20940.07 | 29170 |

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

The major defaulting departments were Panchayati Raj (₹ 7609.65 crore), Planning and Co-ordination (₹ 3306.66 crore), Housing & Urban Development (₹ 2365.87 crore), School and Mass Education (₹ 1508.11 crore), Revenue and Disaster Management (₹ 1185.46 crore), ST, SC, Minorities & Backward Class Development (₹ 1054.61 crore), Health and Family Welfare (₹ 889.43 crore) and Water Resources (₹ 592.81 crore) constituting ₹ 18512.60 crore being 88.41 *per cent* of total outstanding UCs as of March 2015. However, in comparison to 2013-14 pendency of UCs position has been reduced by ₹ 10291 crore involving 33931 number of grants-in-aid vouchers.

Besides, as of 31 December 2014, UCs for ₹ 8561.07 crore of Central Assistance were pending against 31 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 accepted that there is scope of improvement through continuous monitoring and release of further grants-in-aid should be based on submission of UC only.

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 / 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 2008-14 (paragraph 3.2). However, during 2014-15, 12 departments have furnished information regarding receipt of grants by the institutions / organisations under their jurisdiction to the Accountant General as detailed in **Appendix-3.3**. Twelve new bodies² were identified under Section 14(1) of C&AG's DPC Act 1971 during the year 2014-15.

3.3 Delays in Submission of Accounts of Autonomous Bodies

As many as 167 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.

Eleven bodies / authorities were identified under CAG's DPC Act for submission of accounts to audit as of March 2015. 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 2013-14.

² Odisha Backward Classes Finance and Development Cooperative Corporation Limited (OBCFDCC), Training Centre for Teachers of Visually Handicapped (TCTVH), Odisha State Handloom Weavers Co-operative Societies Limited (BOYONIKA), Sambalpuri Bastralaya Handloom Co-operative Society Limited, Odisha State Co-operative Handicraft Co-operation Limited (Utkalika), Odisha State Tassar & Silk Federation Limited (SERIFED), Odisha Spinning Mills Federation Limited (SPINFED), Odisha Co-operative Coir Corporation Limited, Odisha Rajya Talgur Samabaya Sangha Limited, Odisha State Fisherman Co-operative Federation Limited (FISHFED), Society for Prevention to Cruelty to Animals (SPCA), Odisha State Poultry Products Co-operative Marketing Federation Limited.

So far, the accounts of remaining nine development authorities³ under section 19(3) of C&AG DPC Act have not been received in the Office of Accountant General (G&SSA), Odisha as of October 2015 despite entrustment of audit to the Comptroller and Auditor General of India.

The Government replied (November 2015) that an Office Memorandum has been issued for modalities of submission of accounts and Audit Report of Autonomous bodies receiving grant-in-aid. However, the memorandum is silent on timely submission of accounts to the office of Accountant General.

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.

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 2015, there were 16 such undertakings and none had prepared accounts up to 2014-15, except Chief Conservator of Forests, Kendu Leaves (Odisha), which has prepared the accounts up to 2010-11. Of these, four undertakings/activities remained inoperative or closed. Their assets and liabilities were not fully disposed off 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 methodology of preparation of proforma accounts. Only Personal Ledger Accounts were opened during 1977-78 for 'Purchase and distribution of quality seeds to cultivators'.

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

³ 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.

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

arrears in preparation of proforma accounts and investment made by the Government are given in **Appendix 3.4**.

The Government assured (November 2015) to prescribe the format and procedure for preparation of Proforma Accounts of Departmentally managed commercial activities.

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 1324 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 15.76 crore up to March 2015 on which final action was pending. The department-wise break up of pending cases and age-wise analysis are given in **Appendix 3.5** and nature of these cases is given in **Appendix 3.6**. Age-wise profile of the pending cases and the number of cases pending in each category of theft and misappropriation/loss as of March 2015 as evident from these appendices are summarised 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 lakhs) | |
| | 2013-14 | 2014-15 | 2013-14 | 2014-15 |
| 0 - 5 | 11 | 12 | 53.95 | 53.88 |
| 5 - 10 | 56 | 43 | 276.20 | 159.47 |
| 10 - 15 | 126 | 69 | 282.63 | 264.36 |
| 15 - 20 | 290 | 227 | 419.97 | 270.74 |
| 20 - 25 | 352 | 272 | 196.10 | 394.99 |
| 25 & above | 913 | 701 | 517.04 | 432.19 |
| Total | 1748 | 1324 | 1745.89 | 1575.63 |

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

The above table indicates that the number of cases of misappropriations, losses and defalcations were reduced to 1324 (₹ 15.76 crore) from 1748 (₹ 17.46 crore) in 2014-15 over previous year.

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

| Nature/Characteristics of the Cases | Number of Cases | Amount Involved (₹ in lakhs) |
|---|-----------------|------------------------------|
| Theft | 723 | 401.44 |
| Misappropriation/Loss of material | 601 | 1174.19 |
| Total | 1324 | 1575.63 |
| Cases of Losses Written off during the Year | 0 | 0 |
| Total Pending cases | 1324 | 1575.63 |

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

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

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 | 438 | 505.47 |
| ii) | Departmental action initiated but not finalised | 566 | 691.75 |
| 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 | 148 | 66.86 |
| v) | Pending in the courts of law | 140 | 291.64 |
| Total | | 1324 | 1575.63 |

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

It is pertinent to mention that as many as 438 cases involving ₹ 5.05 crore were awaiting departmental and criminal investigation up to 50 years since the year 1965-66. Similarly, 148 cases involving ₹ 0.67 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 566 misappropriation and loss cases involving ₹ 6.92 crore on which departmental action had been initiated.

The Government stated (November 2015) that these matters are being continuously monitored through Departmental Monitoring Committees.

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 (A&E). The total amount of Detailed Contingent (DC) bills received up to 2014-15 was only ₹ 551.70 crore (89.63 per cent) against AC bills worth ₹ 615.51 crore drawn during 2004-05 to 2014-15 leading to outstanding balance of DC bills of ₹ 63.81 crore as on 31 March 2015. Year-wise details are given in **Table 3.4**.

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

| Year | AC bills drawn | | DC bills outstanding | | Amount of outstanding DC bills as percentage of AC bills |
|---------------|----------------|---------------|----------------------|--------------|--|
| | No. | Amount | No. | Amount | |
| Up to 2010-11 | 91903 | 277.18 | 570 | 2.23 | 0.80 |
| 2011-12 | 10347 | 61.18 | 78 | 0.66 | 1.08 |
| 2012-13 | 10227 | 74.14 | 53 | 3.90 | 5.26 |
| 2013-14 | 11122 | 130.78 | 295 | 24.58 | 18.79 |
| 2014-15 | 12862 | 72.23 | 5586 | 32.44 | 44.91 |
| TOTAL | 136461 | 615.51 | 6582 | 63.81 | 10.37 |

Source: Compiled from the information received from Accountant General (A&E), Odisha.

Department-wise pendency of AC bills for the year up to 2014-15 are detailed in **Appendix-3.8** which shows that three major Departments viz. Home (₹ 51.40 crore), Commerce and Transport (₹ 3.60 crore) and ST, SC, Minorities and Backward Class Development (₹ 2.48 crore) comprised 90.08 *per cent* of the total unadjusted AC bills. Further, it was noticed that the outstanding DC bills decreased by ₹ 83.12 crore in 2014-15 over the previous year (₹ 114.49 crore). 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 account is settled within the time allotted, the expenditure stands inflated. This would impact the fiscal indicators of the Government (Revenue surplus/Fiscal deficit)

3.6.1 Analysis of Pendency in adjustment of Abstract Contingent Bills of Home Department

Home Department was reviewed by Audit for pendency of AC bills, since there were 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 bills draws in VLC database of the Home 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 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 disciplines and leads to risk of misappropriation. Funds drawn through AC bills remaining outstanding as of March 2015 are detailed in **Table 3.5**.

Table 3.5: Year-wise outstanding AC Bills of Home Department

| Year | AC Bill Drawn | | Outstanding DC bills | |
|---------------|---------------|---------------|----------------------|--------------|
| | No. of items | Amount | No. of items | Amount |
| Up to 2010-11 | 87449 | 231.21 | 302 | 1.22 |
| 2011-12 | 9812 | 32.77 | 29 | 0.05 |
| 2012-13 | 9759 | 54.16 | 23 | 0.02 |
| 2013-14 | 10598 | 119.52 | 256 | 23.87 |
| 2014-15 | 12372 | 51.30 | 5409 | 26.25 |
| Total | 129990 | 488.96 | 6019 | 51.41 |

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

Out of the total AC bills of ₹ 488.96 crore drawn up to 2014-15, DC bills for ₹ 51.41 crore remained outstanding even after lapse of 12 years, which raises serious concerns about proper utilisation of amount drawn on AC bills. The outstanding DC bills for years together further indicated that Government funds drawn for various purposes *inter-alia* on the plea of immediate disbursement were irregularly remained 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 of India, State Government may spend money within the authorised appropriation during the same financial year. Rule 242 of the OTC stipulated that no money should be drawn from the Treasury unless it is required for immediate disbursement. 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 Accountant General (A&E) generated report revealed that during 2010-11 to 2014-15, total amount of ₹ 106.94 crore was drawn in the month of March only, which constituted 37.18 *per cent* of total drawal of ₹ 287.64 crore during the years, as detailed in the **Table 3.6**.

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

| (₹ in crore) | | | | |
|--------------|---------|-----------------------------------|----------------------------------|--------------------------------------|
| Sl. No. | Year | Total bills drawn during the year | Drawal during the month of March | Percentage against total bills drawn |
| 1 | 2010-11 | 29.89 | 7.56 | 25.29 |
| 2 | 2011-12 | 32.77 | 6.31 | 19.26 |
| 3 | 2012-13 | 54.16 | 27.47 | 50.72 |
| 4 | 2013-14 | 119.52 | 61.10 | 51.12 |
| 5 | 2014-15 | 51.30 | 4.50 | 8.77 |
| Total | | 287.64 | 106.94 | 37.18 |

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

Amounts drawn in the month of March were indicative of the fact that likelihood of actual expenditure of such drawals within the concerned financial year 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 Home Department remaining outstanding as of March 2015.

Table 3.7: Year-wise AC bills drawn on Plan Scheme of Home Department

(₹ in lakh)

| Sl. No. | Year | Drawal of AC bills on Plan Scheme (CP/SP/CSP) | No. of items | Outstanding DC bills on Plan Scheme (CP/SP/CSP) | No. of items |
|--------------|---------------|---|--------------|---|--------------|
| 1 | Up to 2010-11 | 179.74 | 115 | 56.98 | 20 |
| 2 | 2011-12 | 0.05 | 1 | 0 | 0 |
| 3 | 2012-13 | 558.58 | 14 | 0 | 0 |
| 4 | 2013-14 | 0.10 | 2 | 0 | 0 |
| 5 | 2014-15 | 1.99 | 10 | 1.51 | 8 |
| Total | | 740.46 | 142 | 58.49 | 28 |

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

Out of total AC bills of ₹ 488.96 crore drawn for Home Department, ₹ 7.40 crore were drawn for Plan Scheme, which constituted 1.51 *per cent*, out of which ₹ 0.58 crore, comprising 7.84 *per cent* of the total drawal for Plan Scheme, remained outstanding as of March 2015. Withdrawal of funds under Plan Heads through AC bill mode was indicative of the fact that project 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 appropriation. 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.

Government assured (November 2015) to clear the pending DC bills prior to 2012-13 by the end of November 2015.

3.7 Non-closure of inoperative / 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 form 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 Accountant General (A&E) immediately after 31 March of each financial year.

There were 856 PD Account holders in the State with a closing balance (unspent) of ₹ 1146 crore operating under the head 8443 and 8448 as Personal Deposits at the end of March 2015. During 2014-15, ₹ 2461.03 crore were transfer-credited from the Consolidated Fund of the State to these PD accounts and expenditure of ₹ 2601.87 crore was incurred therefrom resulting in net decrease of ₹ 140.84 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 (November 2015) that concerned administrators are being reminded to furnish the proposal for closure of inoperative account.

3.8 Booking under minor heads ‘800-Other Receipts and 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 2014-15 disclosed that under 58 major heads of account (both Revenue and Capital) ₹ 6596.75 crore (10.60 *per cent*) of total expenditure of ₹ 62211 crore were classified under the minor head of account ‘800-Other Expenditure’ in the accounts which also ranged between 51 and 100 *per cent* of the total expenditure under the respective major heads. Similarly, under 54 major heads of account (Revenue Receipt), ₹ 10861.89 crore (19.06 *per cent*) out of total receipts of ₹ 56998 crore was classified under ‘800-Other Receipts’, which ranged between 55 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 Labour Cess amounting to ₹ 773.34 crore kept in Boards Account without Legislative scrutiny

The Government of India in the Ministry of Labour & Employment have enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act, 1996) with the objective of regulating the Employment and Conditions of Service of the Building and Other Construction Workers and to provide their safety, health and welfare measures. As per section 18 of the Act, every State shall constitute a Board for welfare of the construction workers. The fund for the purpose was to be raised by levy and collection of cess not less than one *per cent* and not more than two *per cent* of the cost of construction incurred by employers/builders. Accordingly Government of Odisha enforced the provisions of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 by promulgating Odisha Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2002.

As per Article-266(1) of the Constitution of India, all revenues received by the State Government shall form part of the Consolidated Fund of the State. The BOCW Act 1996 provides that the proceeds of the cess shall be transferred to the head of account of the Board under the accounting procedure of the State Government.

Scrutiny of records of Odisha Building and Other Construction Workers Welfare Board (OB & OCWWB) revealed that the cess collected by various agencies were sent through cheques/drafts to the Board or deposited in the savings bank account of the Board opened for the purpose through District Labour Offices. The cess so collected was kept in shape of savings bank account and fixed/term deposit receipts in violation of constitutional provisions and the BOCW Act 1996. The year-wise position of receipt and expenditure of cess from inception to 31 March 2015 is detailed in **Table 3.8**.

Table 3.8: Year-wise Receipt and Utilisation of Labour Cess

| (₹ in crore) | | | | | | |
|--------------|-----------------|---------|------------------|--------|-------------|-----------------|
| Year | Opening Balance | Receipt | Interest Accrued | Total | Expenditure | Closing Balance |
| 2010-11 | 22.48 | 73.46 | 3.43 | 99.37 | 0.42 | 98.95 |
| 2011-12 | 98.95 | 103.56 | 8.86 | 211.37 | 0.30 | 211.07 |
| 2012-13 | 211.07 | 132.23 | 25.43 | 368.73 | 0.81 | 367.92 |
| 2013-14 | 367.92 | 168.90 | 35.34 | 572.16 | 7.62 | 564.54 |
| 2014-15 | 564.54 | 210.94 | 36.72 | 812.20 | 38.86 | 773.34 |

Source: Compiled from the information received from Odisha Building and Other Construction Workers Welfare Board

Moreover, as can be seen from the table, the board could utilise only five *per cent* of the total money received.

The Board however, stated that the labour cess needs to be utilized for welfare of Building and other Construction workers as per Supreme Court Writ Petition No.318/2006. Accordingly, in the 12th meeting of OB & OCWWB, the Board decided to deposit the cess in designated bank account of the Board after approval of the department. However, the judgement of Supreme Court did not mention about keeping the cess collected in bank account.

The Government agreed (November 2015) to review the position as there is a risk in management of large amount of funds kept outside Public Account.

3.10 Fund Management Practices

Fund management entails strict adherence to prescribed rules and procedures in handling and retention of funds. Treasury and Financial Rules of the State Government require that no money is drawn from treasury unless it is 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.

3.10.1 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, 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 57 DDOs of the departments where Cash Management System was implemented revealed that in case of four DDOs advances of ₹ 2.34 crore as of 31 March 2015 have not been adjusted since long, details of which were not available. Advances lying in Executive Officer, Dhenkanal Municipality were ₹ 73.57 lakh, Block Development Officer, Balikuda were ₹ 91.50 lakh, Executive Officer, Baripada Municipality were ₹ 20.78 lakh and Block Development Officer, Tirtol were ₹ 47.73 lakh. 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 23 DDOs, though advance ledger was maintained in the prescribed manner, advances amounting to ₹ 7.43 crore were still lying unadjusted (*Appendix-3.9*) up to March 2015. Advances have been given to the Government employees/suppliers 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.

3.10.2 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 six out of 57 DDOs, expenditure of ₹ 6.59 lakh was incurred without any allotment and sanction by the competent authority at the end of the March 2015. The amount is still kept in the shape of 'paid vouchers' by the offices.

3.10.3 Discrepancy of ₹40.81 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 17 out of 57 sample DDOs, difference of ₹ 40.81 crore (*Appendix-3.10*) between the balances in cash book and bank pass book as of March 2015 was not reconciled. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouchsafed in audit.

3.10.4 Retention of time barred Cheques /Bank Drafts

As per instructions of the Finance Department, under no circumstances 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 13 cases out of 57 DDOs, time barred Cheques / BDs amounting to ₹ 8.44 lakh (**Appendix-3.11**) formed part of closing balance as on 31 March 2015. These Cheques/Bank Drafts have lost their validity period (six months), but were neither revalidated nor deposited in the Bank account. 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.

3.10.5 Non-accountal of interest amounting to ₹ 3.70 crore in Cash Book.

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

Scrutiny of records of 57 DDOs revealed that in nine DDOs though interest was accrued and credited to different pass books (**Table 3.11**), the same was not accounted for in the relevant cash book as detailed below:

Table 3.11: Interest not accounted for as on 31 March 2015

| Sl. No. | Name of the DDO | Interest not accounted for (₹ in lakh) |
|--------------|---------------------|--|
| 1 | BDO, Jagatsinghpur. | 2.78 |
| 2 | BDO, Balikuda. | 15.50 |
| 3 | PD, DRDA, Boudh. | 4.07 |
| 4 | BDO Bahanaga | 1.07 |
| 5 | PD, DRDA, Keonjhar | 13.24 |
| 6 | BDO, Tirtol | 1.81 |
| 7 | DSWO, Kendrapara | 156.03 |
| 8 | DSWO, Jagatsinghpur | 171.67 |
| 9 | PD, DRDA, Koraput | 4.30 |
| Total | | 370.47 |

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

This resulted in non-accountal of interest amounting to ₹ 3.70 crore.

3.11 Conclusion

- There is pendency in receipt of UCs of grants-in-aid paid to various autonomous bodies. Government released grants as a matter of routine without 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**).
- As per reports of different departmental offices, 1324 cases of misappropriation / defalcation of Government money amounting to ₹ 15.76 crore were pending for settlement 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 Accountant General (A&E) in respect of ₹ 63.81 crore drawn on Abstract Contingent Bills (6582 cases) up to 31 March 2015. Besides, some departments allowed


drawal of AC Bills despite AC Bills of earlier years remaining unadjusted (*Paragraph 3.6*).

- Labour cess amounting to ₹ 773.34 crore at the end of March 2015 was kept in bank accounts violating the resolution by the Government of Odisha, Labour and Employees State Insurance department (*Paragraph 3.9*).
- 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. These lapses reflected inadequacy in the internal control mechanism in their offices (*Paragraph 3.10*).

Recommendations


- Government may prioritise early submission of pending Utilisation Certificates by the defaulting departments. The pendency in submission of Utilisation Certificates should be cleared by addressing the departmental officers to obtain Utilisation Certificates from the organisations to whom grants were given.
- 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 cases which are awaiting orders for recovery and write off.

Bhubaneswar
The 10 Dec 2015


(R Ambalavanan)
Accountant General (G&SSA), Odisha

Countersigned

New Delhi
The 14 Dec 2015


(Shashi Kant Sharma)
Comptroller and Auditor General of India