

Executive Summary

Background

This Report on the Finances of the Government of Odisha assesses the financial performance of the State during 2016-17 and provides an overview of financial data.

The Report

Based on the audited accounts of the State Government for the year ended March 2017, this Report provides a review of the Annual Accounts of the State Government. 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 2017. It provides an insight into trends in committed expenditure, borrowing pattern, resource allocation and resource generation.

Chapter II is based on audit of Appropriation Accounts and it gives grant-wise 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 included in Chapter II.

Chapter III is an inventory of Government's compliance with various reporting requirements and financial rules. The Report also has an appendix of additional data collected from several sources in support of the findings.

Audit findings

Finances of the State Government

Amendment to the State FRBM Act: In accordance with the Fourteen Finance Commission (FFC) recommendations, the State Government had amended (November 2016) the FRBM Act. It incorporated the targets of zero revenue deficit; fiscal deficit of three *per cent*; debt GSDP ratio of twenty five *per cent*; and interest payment as a percentage of Revenue Receipt of fifteen *per cent*. Review of compliance with provisions of FRBM Act was to be done through an independent agency as required by

the Thirteen Finance Commission (ThFC). The Government complied with these targets during 2016-17.

However, disclosures viz., i) projection of Revenue Consequences of Capital Expenditure (RCCE) in the MTFP, ii) Public Private Partnerships (PPPs) and related liabilities, iii) bringing out statements on physical and financial assets and vacant public land and building were not made. In terms of ThFC recommendations, the disclosures were to be included in MTFP.

Revenue Receipts: Revenue Receipts showed progressive increase from ₹ 43,937 crore in 2012-13 to ₹ 74,299 crore in 2016-17, registering a growth of 69 per cent. The annual growth rate had decreased by thirteen per cent from 21 per cent during 2015-16 to 8 per cent during 2016-17.

Revenue Expenditure: Revenue Expenditure had a predominant share which was 78 per cent of Total Expenditure in 2016-17. Revenue Expenditure increased by ₹ 6,235 crore during current year. Plan Revenue Expenditure (PRE) contributed 33 per cent (₹ 2,061 crore) of the increase in Revenue Expenditure. Non Plan Revenue Expenditure (NPRE), as a proportion of Revenue Expenditure, decreased from 70 per cent in 2012-13 to 61 per cent in 2016-17.

Funds parked in Bank Accounts: Funds amounting to ₹ 1,571.52 crore were parked in bank accounts of 30 District Rural Development Agencies (DRDAs), 20 Block Development Offices (BDOs), 10 Integrated Tribal Development Agencies (ITDAs), 10 District Education Offices (DEOs), 10 District Project Coordinators (DPCs) and 10 Municipalities, violating the Odisha Treasury Code provision and Finance Department instructions.

Public Debt: Public Debt of the State Government increased from ₹ 23,317 crore in 2012-13 to ₹ 42,018 crore in 2016-17. It registered an increase of 80.20 per cent during the period 2012-17. Debt repayment as a percentage of Debt Receipt showed a decreasing trend.

Fiscal position: Fiscal position of the State is viewed in terms of trends in deficit/surplus indicators. The State continued to maintain revenue surplus. The fiscal and primary deficit of the previous year continued during 2016-17, though it was within the limits prescribed by FRBM (Amendment) Act, 2016. The FFC had recommended that fiscal liability should be limited to 25 per cent of GSDP during 2015-16 to 2019-20. The Government had been able to achieve this target during 2016-17.

Greater priority to Capital Expenditure: Capital Expenditure (CE) increased significantly by 8 *per cent* over the previous year. However, the CE was 4.87 *per cent* of GSDP.

Review of Government Investments: As of 31 March 2017, Government had invested ₹ 4,423.02 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. Average return on this investment was 18.10 *per cent* in the last five years (12.80 *per cent* during 2016-17). Meanwhile, Government paid an average interest rate of 5.90 *per cent* to 7.62 *per cent* on its borrowings during 2012-13 to 2016-17.

Financial Management and Budgetary Control

During 2016-17, there was overall saving of ₹ 16,617.32 crore. The savings were mainly due to non implementation of schemes, less requirement of funds etc. Major Policy initiatives in the budget could not be implemented due to lack of prior planning. There were savings of ₹ 8,617.24 crore in five cases under five grants exceeding ₹ 100 crore in each case.

There were instances of persistent savings by the departments exceeding ₹ 10 crore in 26 cases relating to 22 grants and two appropriations during 2012-17. There were instances of excess expenditure and expenditure without provision of funds, unnecessary/excessive supplementary provision, substantial surrenders, non-surrender of anticipated savings during 2016-17.

Monthly expenditure during the year was erratic. Rush of expenditure was noticed during the month of March. In several instances, 100 *per cent* expenditure was incurred during March.

Financial Reporting

There were delays in submission of Utilisation Certificates against Grants-in-Aid of ₹ 30,533.95 crore. This was mainly due to non-adherence to the existing instructions for watching timely receipt of UCs from implementing agencies.

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

The Controlling Officers did not submit Detailed Contingent Bills against the advances drawn on Abstract Contingent Bills for ₹ 80.20 crore as of March 2017.

A large amount of unspent balance (₹ 1,097.36 crore) was lying in 827 Personal Deposit (PD) Accounts which was not credited back to Government Account at the end of March 2017.