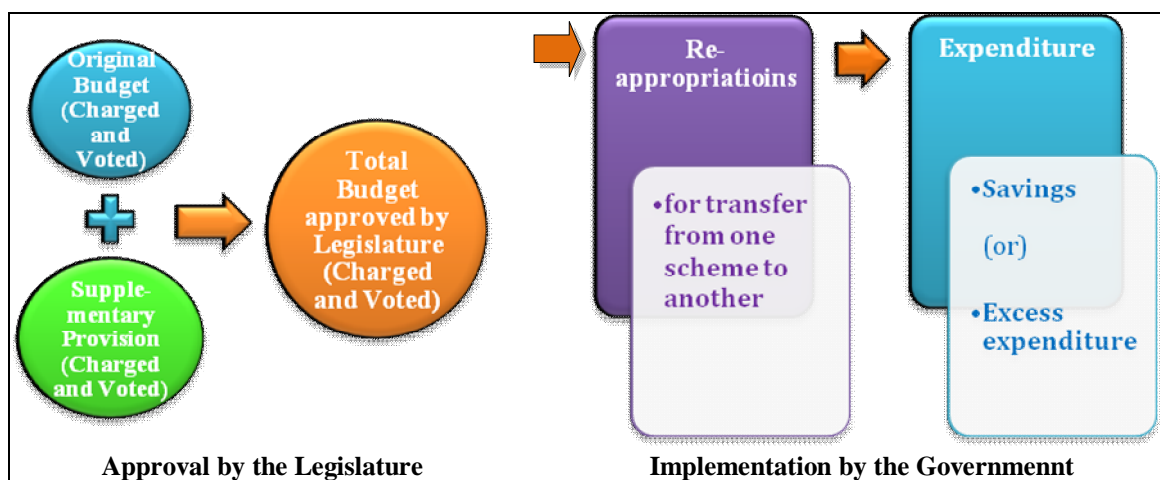


The Comptroller and Auditor General of India performs the audit of appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget is within authorisations given under the Appropriation Act for the year, that expenditure required to be charged under provisions of the Constitution is so charged, and whether, expenditure is incurred in conformity with the law, relevant rules, regulations and instructions. This chapter analyses the Appropriation Accounts of the Government for the year 2017-18.

2.1 Financial Accountability and Budget Management

The State Legislature initially approves the annual budget. The Government presents *Supplementary demands* (Para 166 of the Budget Manual) before the Legislature, when the initial allocation is found to be inadequate or expenditure has to be incurred on a new item. Further, Re-appropriation is a mechanism which allows the State Government to transfer Savings from one sub-head (usually a scheme) to another, provided such transfers occur **within the same grant¹ and under the same section²**. Appropriation Accounts captures the data along the entire process of budget formulation and implementation (*Chart 2.1*).

Chart 2.1: Flow chart of budget implementation



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure in 2017-18 against 42 grants and three appropriations is in **Table 2.1**:

¹ Grant means the amount voted by the Legislative Assembly in respect of a demand for grant

² Capital, Revenue or Loans

Table 2.1: Position of actual expenditure vis-à-vis allocations in 2017-18

(` in crore)

Nature of Expenditure		Original	Supplementary	Total	Actual Expenditure	Savings (-)/ Excess (+) with reference to total budget	Savings / Excess in percentage
Voted	I Revenue	80,129.16	5,912.44	86,041.60	68,028.36	(-)18,013.24	(-) 20.94
	II Capital	20,805.48	2,508.24	23,313.72	21,131.84	(-)2,181.88	(-) 9.36
	III Loans and Advances	685.47	0.00	685.47	475.42	(-)210.05	(-) 30.64
Total Voted		1,01,620.11	8,420.68	1,10,040.79	89,635.62	(-)20,405.17	(-) 18.54
Charged	IV Revenue	5,137.21	5.97	5,143.18	5,088.43	(-)54.75	(-)1.06
	V Capital	28.05	1.92	29.97	7.84	(-)22.13	(-) 73.84
	VI Public Debt -Repayment	3,414.64	0.00	3,414.64	2,690.21	(-)724.43	(-) 21.21
	VII Loans and Advances	0.00	1,400.00	1,400.00	1,400.00	0.00	0.00
Total Charged		8,579.90	1,407.89	9,987.79	9,186.48	(-)801.31	(-) 8.02
Grand Total		1,10,200.01	9,828.57	1,20,028.58	98,822.11	(-)21,206.48	(-) 17.67

Source: Appropriation Accounts 2017-18

The total provision for expenditure in 2017-18 was ` **1,20,028 crore**. The actual gross expenditure during the year was ` **98,822 crore** (82.33 per cent). There was an overall savings³ of ` 21,206 crore in 2017-18.

2.2.1 Revenue, Capital and Loans and Advances

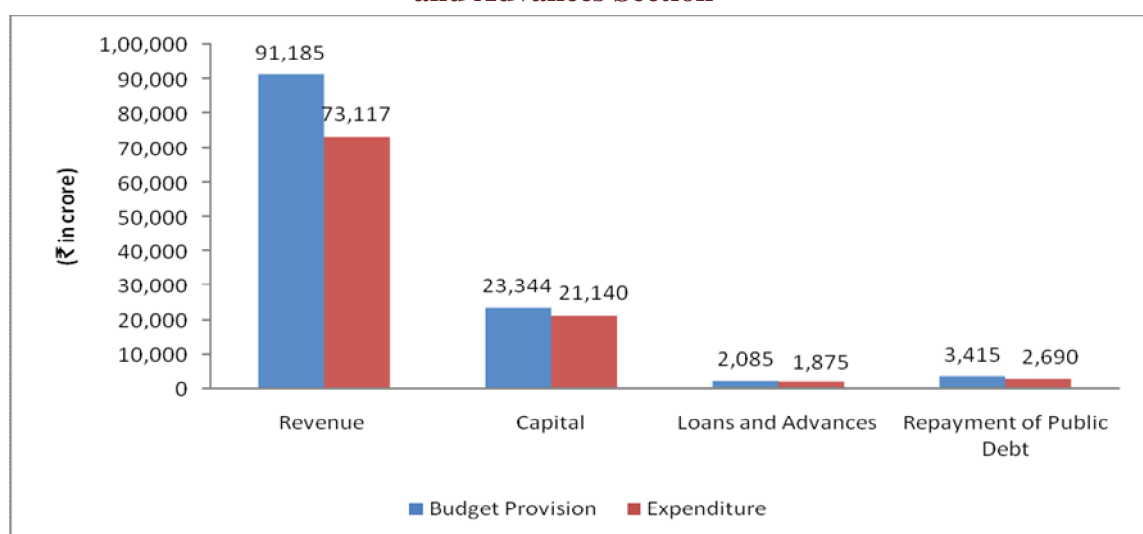
As per Rule 1 of the Odisha Budget Manual (OBM), the Government expenditure is categorised into three sections (i) Revenue expenditure⁴, (ii) Capital expenditure⁵ and (iii) Loans and advances⁶. Savings occurred in Revenue, Capital and Loans and Advances Account (**Chart 2.2**).

³ Savings is the term used for indicating the amount that could not be spent out of budget provision.

⁴ Revenue expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs etc.

⁵ Capital Expenditure means expenditure of a Capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects etc.

⁶ Loan account is the account of public debt incurred and discharged and loans and advances made by the State Government to local bodies, employees and others and recovered from them

Chart 2.2: Budget provisions and expenditure under Revenue, Capital and Loans and Advances Section

Source: Appropriation Accounts

Revenue Expenditure (₹ 73,117 crore) was lower than the Budget Estimates (₹ 91,185 crore) by 19.83 per cent. The programmes impacted by unspent savings of budget provisions were Pensions and other retirement benefits (₹ 1,656.70 crore) under Finance Department; Integrated Child Development Scheme (₹ 210.04 crore), and Maternity Benefit Programme-MAMATA (₹ 148.08 crore) under Women and Child Development Department.

Capital Expenditure (₹ 21,140 crore) was lower than the Budget Estimates (₹ 23,344 crore) by 9.44 per cent. The programmes impacted by unspent savings of budget provisions were Rashtriya Madhyamik Shiksha Abhiyan (₹ 188.41 crore) under School and Mass Education Department and Odisha Skill Development Project assisted by Asian Development Bank (₹ 100.00 crore) under Skill Development and Technical Education Department.

Loans and Advances were lower than the Budget Estimates (₹ 2,085 crore) by 10.07 per cent mainly due to surrender of funds under Loans for Cooperation (₹ 90 crore), Loans for Crop Husbandry (₹ 40 crore) and Loans for Consumer Industries (₹ 5 crore).

Repayment of Public Debt (₹ 2,690 crore) was also lower than the Budget Estimates (₹ 3,415 crore) by 21.23 per cent. This was mainly on account of less repayment to Central Government (₹ 602.84 crore) on account of debt raised from Special Securities issued to National Social Security Fund (NSSF).

2.2.2 Grant-wise analysis

As per the Budget Manual, the authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned Grant or appropriation. The expenditure in Odisha Government is incurred

through 42 different Grants. For the purpose of determining excess expenditure or savings, Revenue (voted), Revenue (charged), Capital (voted), Capital (charged) and Loans (voted) are treated as independent grants. Savings and Excess expenditures for grants/ appropriations under Revenue, Capital and Loans and Advances section are in **Table 2.2:**

Table 2.2: Total excess or savings under different grants

Description	Revenue		Capital		Loans and Advances		Amount (in crore)
	Number of grants ⁷	Number of appropriations ⁸	Number of grants	Number of appropriations	Number of grants	Number of appropriations	
Savings occurred in	42	1	33	1	--	1	2,1206.99
Excess expenditure occurred in	1	--	--	--	--	--	0.52

Source: Appropriation Accounts

The grants/appropriations where savings were more than ` 100 crore each and by more than 20 per cent of the total provision during 2017-18 are listed in **Appendix 2.1.**

2.2.2.1 Excess expenditure

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this article.

Excess expenditure in current year: It was observed that excess expenditure of ` 0.52 crore was incurred in Grant No.8 - Odisha Legislative Assembly (Revenue-Voted) for the year 2017-18. As against provision of ` 46.82 crore, the Department of Odisha Legislative Assembly incurred expenditure of ` 47.34 crore under Revenue Voted section. The amount was spent under 2071-Pension & Other Benefits Unit.

Excess expenditures in previous years: Cases of excess expenditure are reported almost every year through Audit Reports on State Finances. Excess expenditure amounting to ` 79.08 crore in respect of six cases under four grants and one appropriation was incurred over the provisions during 2013-14 to 2016-17 as detailed in **Table 2.3.**

Table 2.3: Grants in which excess expenditure was made in last four years

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Excess			
		2013-14	2015-16	2016-17	TOTAL
Revenue Voted					
1.	22-Forest and Environment	0.29	0.25	-	0.54
2.	26-Excise	0.27	0.01 ⁹	-	0.28

⁷ Grants are the provisions voted by the Legislature for incurring voted expenditure

⁸ Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature

⁹ ` 87,887 only

3.	31- Handlooms, Textile and Handicrafts	18.00	-	-	18.00
4.	13- Housing and Urban Development	-	-	3.63	3.63
5.	6003-Internal Debt	-	-	56.63	56.63
	TOTAL	18.56	0.26	60.26	79.08

Source: Appropriation Accounts for the respective years

Such repeated excess expenditures over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the House of People/ State Legislative Assembly and, therefore, need to be viewed seriously.

Recommendation 4: State Government may analyse the reasons for excess expenditure. The Finance Department should ensure that no Departmental controlling officers, including the Finance Department itself, resort to excess expenditure over the regular allocations approved by the State Legislature.

2.2.2.2 Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/appropriation regularised by the State Legislature. The excess expenditure was to be regularized after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

The State Government, however, failed to get the excess expenditure amounting to ` 79.08 crore over and above the allocation, pertaining to the years 2013-14 to 2016-17 and ` 0.52 crore pertaining to 2017-18, regularised as of March 2019.

The Government in its reply stated (March 2019) that steps would be taken for regularization of the excess expenditure.

Recommendation 5: All the existing cases of excess expenditure need to be got regularised at the earliest.

2.2.2.3 Savings

In the year 2017-18, the total savings were ` 21,206 crore. Of these, ` 11,672 crore (55.04 per cent) pertained to 10 grants and one appropriation with savings of more than ` 100 crore each and by more than 20 per cent of the total provision (**Appendix 2.1**).

In addition, during the years 2013-18, there were cases of persistent savings of more than ` 100 crore each as shown in **Table 2.4**:

Table 2.4: Grants/Appropriations with persistent savings during the years 2013-18

Sl. No.	Grant No.	Name of the Grant/Appropriation	Amount of savings ` in crore (<i>per cent</i>)				
			2013-14	2014-15	2015-16	2016-17	2017-18
Revenue (Voted)							
1	1	Home	175.54 (7)	178.91 (6)	255.57 (8)	289.00 (8)	384.58 (9)
2	3	Revenue and Disaster Management	2,633.53 (43)	1,247.47 (36)	2,038.41 (39)	1,889.79 (37)	182.04 (19)
3	5	Finance	2,754.72 (29)	2,052.78 (23)	3,233.94 (33)	4,431.05 (38)	4,177.53 (32)
4	10	School and Mass Education	509.22 (7)	1,414.78 (15)	1,942.82 (18)	1,637.59 (14)	2,081.16 (15)
5	11	Scheduled Tribes & Scheduled Castes Development, Minorities & Backward Classes Welfare	263.10 (16)	373.64 (20)	316.00 (14)	359.40 (15)	281.33 (11)
6	12	Health and Family Welfare	303.30 (14)	651.88 (19)	222.71 (7)	406.52 (9)	516.22 (11)
7	17	Panchayati Raj	436.05 (12)	2,064.92 (30)	1,439.68 (16)	664.93 (7)	1,971.73 (18)
8	20	Water Resources	117.70 (8)	333.91 (19)	152.85 (8)	129.86 (6)	241.00 (11)
9	36	Women and Child Development	249.75 (6)	1,107.72 (24)	351.31 (9)	798.74 (27)	922.38 (29)

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

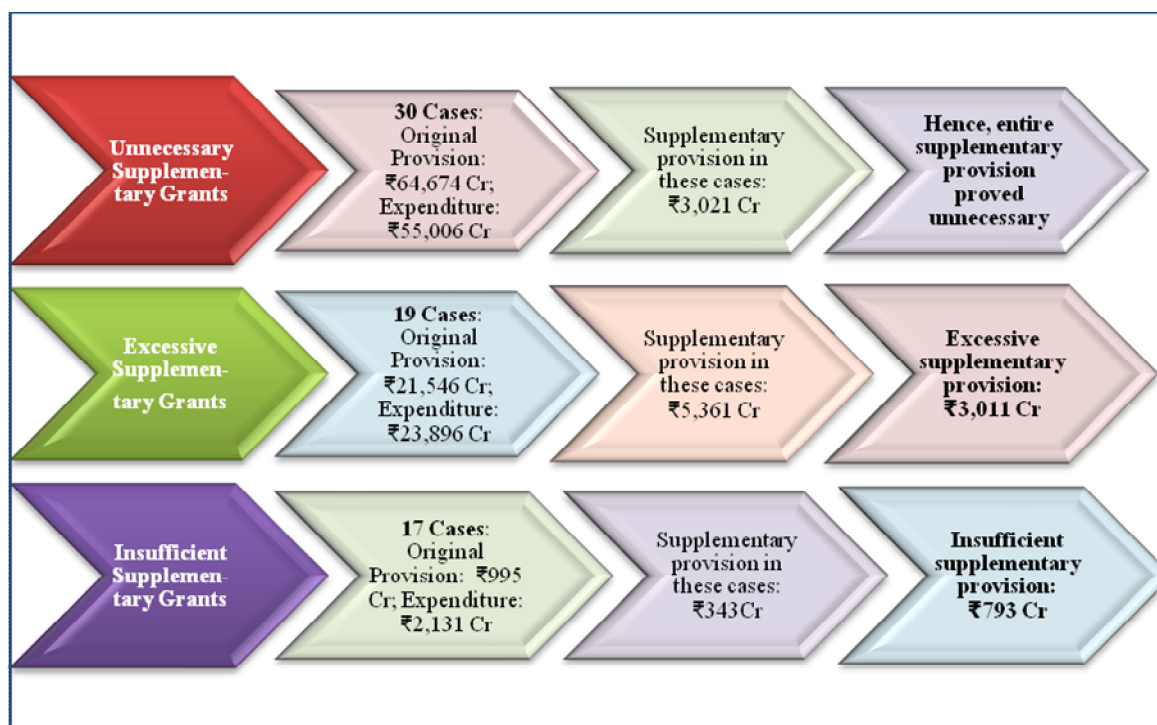
In the year 2017-18, there was a saving of ` 3,748.66 crore (65.29 *per cent*) against the budget provision of ` 5,741.36 crore under Disaster Management Department (Grant No.42).

Persistent Savings under School and Mass Education, Scheduled Tribes & Scheduled Castes Development, Minorities & Backward Classes Welfare, Health and Family Welfare, Panchayati Raj and Women and Child Development Department indicated that the schemes under these departments did not receive the required priority by the Government and there was inefficiency in implementation by the departments concerned / implementing agencies.

2.2.3 Supplementary Grants

Audit analysis showed that supplementary grant (` one crore and above) of ` 3,021.33 crore *i.e.*, 30.74 *per cent* of total supplementary grant was unnecessary in 30 cases relating to 23 grants (**Appendix 2.2**). Supplementary provision aggregating ` 5,361.05 crore proved excessive by ` 3,011.02 crore in 19 cases under 17 grants (**Appendix 2.3**). On the other hand, in 17 cases under seven grants (**Appendix 2.4**) the supplementary grant of ` 342.77 crore was not adequate to meet the requirement and fell short by 56.77 *per cent* (**Chart 2.3**).

Chart 2.3: Unnecessary, Excessive and Insufficient Supplementary Provisions



Source: Appropriation Accounts

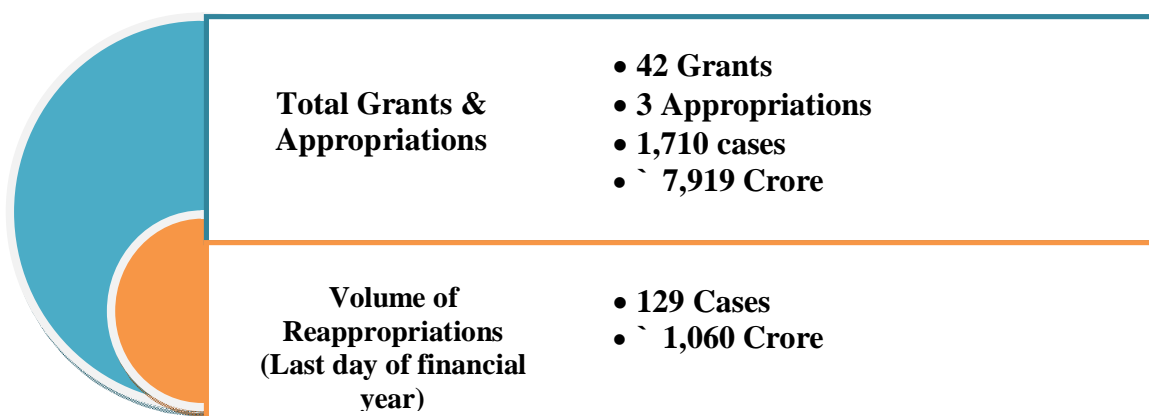
2.2.4 Re-appropriations

By definition, Re-appropriations are meant for transfer of savings from one scheme / unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans). It was observed that re-appropriation of funds proved unnecessary/excessive in 14 cases and insufficient in 10 cases and resulted in less expenditure of ` 62.93 crore and excess expenditure of ` 112.45 crore as detailed in **Appendix 2.5**.

During 2017-18, re-appropriation orders amounting to ` 7,918.94 crore (1,710 cases) were issued.

Audit analysis of Re-appropriations is depicted below:

Chart 2.4: Re-appropriation in the overall budget



Source: Appropriation Accounts

The Finance Department had informed (February 2018) that the deadline for the re-appropriations was 26.02.2018. Despite that, there were 26 cases of re-appropriation orders amounting to ₹ 1,043.38 crore (one crore and above in each case) issued on 31 March 2018, for which there was no scope for expenditure during 2017-18 (**Appendix-2.6**).

This indicates that the expenditure control mechanism was not adequate and that re-appropriation was not done on the basis of real-time data.

Recommendation 6: Leveraging advancements in Information Technology, State Government may issue re-appropriations on the basis of real-time data on committed expenses and actual receipts.

The State Government stated (March 2019) that in order to ensure that the augmented provision through re-appropriation is fully utilised, instructions were issued from time-to-time by the Finance Department to the grant controlling authorities. The fact, however, remains that requirement of funds was not properly assessed before the re-appropriation.

2.2.5 Substantial surrenders

Surrenders of 100 *per cent* of total provision of ₹ 2,686.12 crore were made under 45 sub heads (₹ 10 crore or more in each case) under 17 grants. These represented different schemes / programmes / projects and activities (**Appendix-2.7**). Similarly surrenders of ₹ 2,731.20 crore (21 grants) and ₹ 1,788.12 crore (15 grants) were made during the years 2015-16 and 2016-17 respectively. The surrenders were mainly attributed to late approval of projects and non-finalisation of tenders, non-release of Central share from Government of India, non-utilisation of funds etc.

The State Government stated (March 2019) that in some cases there was a need to make provision as natural calamity expenditure was unpredictable. It was further stated that out of the total surrendered amount, ₹ 300 crore which was provided for protection of interest of Depositors, was surrendered due to the reason that identification and verification of beneficiaries could not be completed, as it was a time consuming exercise. The fact remains that non-utilisation and ultimate surrender of funds resulted in denial of intended benefits to beneficiaries. No reason for surrender of funds in remaining 44 cases was given by the Government.

2.2.6 Surrender in excess of savings

In ten cases (nine grants), there were savings of ₹ 8,128.15 crore. The amount surrendered was ₹ 8,312.17 crore, resulting in excess surrender (₹ 1 crore or more in each case), amounting to ₹ 184.02 crore as detailed in **Table 2.5**.

Table 2.5: Surrender in excess of actual savings during 2017-18

(` in crore)

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Savings	Amount surrendered	Amount surrendered in excess
1	1-Home (Revenue Voted)	4,195.76	384.58	386.44	1.86
2	4-Law (Revenue Voted)	343.05	63.12	64.83	1.71
3	5-Finance (Revenue Voted)	13,182.86	4,177.53	4,179.45	1.92
4	9-Food Supplies and Consumer Welfare (Revenue Voted)	1,005.51	19.92	21.54	1.62
5	11-ST & SC Development, Minorities and Backward Classes Welfare (Capital Voted)	582.02	54.66	67.11	12.45
6	12-Health and Family Welfare (Revenue Voted)	4,609.05	516.22	535.58	19.36
7	13-Housing and Urban Development (Revenue Voted)	4,142.82	428.86	496.56	67.70
8	13-Housing and Urban Development (Capital Voted)	1,016.55	49.65	53.02	3.37
9	17-Panchayati Raj (Revenue Voted)	11,246.67	1,971.73	2,031.15	59.42
10	28-Rural Development (Revenue Voted)	2,917.23	461.88	476.49	14.61
	TOTAL	43,241.52	8,128.15	8,312.17	184.02

Source: Appropriation Accounts 2017-18.

The excess surrender indicated that these departments had failed to exercise necessary budgetary controls by watching flow of expenditure through monthly expenditure statements.

Recommendation 7: The Government should prevent injudicious surrenders.

2.2.7 Anticipated savings not surrendered

As per Rule 146 of Odisha Budget Manual, the spending departments are required to surrender the grants/ appropriations or portion thereof to the Finance Department as and when the savings are anticipated. Finance Department instructions (February 2018) also stipulated that the surrender of unutilised funds should be made on or before 28.02.2018. A review of savings of grants and appropriations and surrender thereof showed the following:

- Out of total savings of `7,957.36 crore in 11 cases, only `6,722.65 crore was surrendered (short surrender by ` one crore and above in each case), leaving balances not surrendered aggregating `1,234.71 crore (15.52 per cent of total savings). Details are given in *Appendix-2.8*. Similarly, `1,097.43 crore (24 cases) and `343.05 crore (17 cases) were not surrendered during the years 2015-16 and 2016-17 respectively.
- Besides, in 45 cases against 25 grants and one appropriation (surrender of funds in excess of `10 crore) `12,392.75 crore was surrendered on the last working day of the financial year (*Appendix 2.9*). Similarly, `6,774.44 crore (33 cases) and `8448.64 crore (28 cases) were surrendered on the last working day of financial years 2015-16 and 2016-17 respectively.

In response to Para no. 2.3.10 of the Audit Report on State Finances for the year ended March 2015, the Government had stated (November 2015) that surrender of anticipated savings would be ensured through stabilization of the expenditure

reconciliation module of Integrated Financial Management System (IFMS). These irregularities, however, still persisted even after three years.

The Government stated (March 2019) that a sizeable amount of Central Assistance was received towards the fag-end of the financial year. As the expenditure reconciliation module of IFMS was more or less stabilised, the Controlling Officers would ensure that the anticipated savings were surrendered before the closure of financial year.

The IFMS was introduced in Odisha in 2013 with the aim of monitoring expenditure with reference to approved budget provision for better financial management. The reply of the Government indicated that the IFMS module was not fully stabilized, even after the assurance given by the Government in November 2015, resulting in persistent irregularities even after three years.

Recommendation 8: All anticipated savings should be surrendered in time so that the funds can be utilised for other development purposes.

2.2.8 Release of funds at the fag end of the financial year

As per Finance Department instructions (16 December 2017), the process of issuance of sanction order for release of funds as well as surrender of provision would be completed by 31.01.2018 to avoid rush of expenditure in the last month of the financial year.

Timely release of funds to the implementing agencies has a direct bearing on successful implementation of the schemes and avoiding rush of expenditure. An examination of sanction orders revealed that the Government released ` 624.90 crore for implementation of different schemes in 10 departments in the last week of March 2018 (*Appendix 2.10*). Of this, ` 39.81 crore was released on 31 March 2018 as detailed in **Table 2.6**. As such, there was no possibility of proper utilisation of these funds during the financial year 2017-18.

Table-2.6: Department-wise amount released on 31.03.2018

(` in crore)

Sl. No	Name of Department	Purpose	Date	Amount
1	Health and Family Welfare	Continuance of National Health Mission	31/03/2018	9.79
		Continuance of National Health Mission	31/03/2018	6.22
		Continuance of National Health Mission	31/03/2018	11.70
2	Women and Child Development	Conducting Convergent Nutrition Action(CAN) Innovation Pilot under ISSNIP	31/03/2018	1.29
3	Home	Purchase of different clothing articles	31/03/2018	1.62
		Purchase of different equipment	31/03/2018	1.31
		Purchase of clothing articles	31/03/2018	5.92
		Purchase of Web equipment	31/03/2018	0.13
		Purchase of different types of Riot Control materials	31/03/2018	0.09
		Purchase of Body Protector Set	31/03/2018	0.09
		Purchase of different furniture	31/03/2018	0.06
		Purchase of Tubular Folding Steel Bed Cots	31/03/2018	0.12

Sl. No	Name of Department	Purpose	Date	Amount
		Purchase of Tubular Folding Steel Bed Cots	31/03/2018	0.47
		Purchase of Tubular Folding Steel Bed Cots	31/03/2018	0.24
		Purchase of Tubular Folding Steel Bed Cots	31/03/2018	0.38
		Purchase of different equipment	31/03/2018	0.08
			Total	39.81

Source: Sanction orders received from respective Departments

As evident from the table, Health & Family Welfare department accounted for 69.60 per cent (₹ 27.71 crore) of the total amount released. This indicated that the amount released was primarily to exhaust the budget provision.

2.3 Cash Management System and Rush of Expenditure

Pursuant to the provisions of sub-section (1-a) of Section 8 of the Odisha Fiscal Responsibility and Budget Management Act, 2016, Government of Odisha laid down guidelines for timely spending of Budgetary grants as per Cash Management System in 20 departments during 2017-18.

As per the regulation of expenditure 2017-18 in Cash Management System, the flow of expenditure should be evenly paced. In terms of Finance Department instructions dated 29 April 2017, the level of expenditure at the end of the 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 gross budget provision.

During 2017-18, cash management system was implemented in 20 departments. Out of these 20 departments, seven¹⁰ departments had spent minimum 60 per cent of the original budget provision by the end of third quarter. The Industry Department utilised only 23.87 per cent of the original provision by the end of third quarter. Similarly, 10¹¹ departments exceeded expenditure of 15 per cent of the original budget provision in the month of March 2018 (the excess ranged from 16.23 to 30.86 per cent) as indicated in **Table 2.7**.

Table 2.7: Analysis of cash management system

Sl. No.	Grant No/ Department	Original Budget Provision	April - December 2017		March 2018	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	4,972.43	2,861.33	57.54	892.68	17.95
2	9-Food Supplies and Consumer Welfare	1,006.72	628.14	62.39	146.18	14.52
3	10-School and Mass Education	13,897.23	7,586.11	54.59	2,716.49	19.55
4	11-ST & SC Development, Minorities and Backward Classes Welfare	2,950.37	1,528.7	51.81	910.42	30.86
5	12-Health and Family Welfare	5,712.33	3,225.17	56.46	854.98	14.97
6	13-Housing and Urban Development	4,492.31	2,438.55	54.28	1,085.44	24.16
7	17-Panchayati Raj	8,782.83	7,155.29	81.47	742.81	8.46
8	19-Industry	279.69	61.99	23.87	23.82	8.52

¹⁰ Sl.No.2,7,9,12,13,19 & 20 of Table 2.7

¹¹ Sl.No.1,3,4,6,9,10,12,13,17 & 19 of Table 2.7

Sl. No.	Grant No/ Department	Original Budget Provision	April - December 2017		March 2018	
			Expenditure during first three quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
9	20-Water Resources	9,224.88	5,717.76	62.02	1,496.04	16.23
10	22-Forest and Environment	747.16	367.79	49.23	122.59	16.41
11	23-Agriculture & Farmers' Empowerment	4,123.36	2,063.23	50.04	377.25	9.15
12	28-Rural Development	7,374.35	4,558.23	61.81	1,367.19	18.54
13	30-Energy	1,740.66	1,222.06	70.21	468.81	26.93
14	31-Handloom, Textile & Handicrafts	203.43	82.24	40.43	29.39	14.45
15	33-Fisheries and Animal Resources Development	782.24	400.15	51.15	95.59	12.22
16	36-Women & Child Development	2,883.08	1,539.62	53.40	387.27	13.43
17	38-Higher Education	2,094.72	1,089.62	52.02	405.89	19.38
18	39- Skill Development and Technical Education	804.84	398.22	49.48	71.40	8.87
19	40-Micro, Small and Medium Enterprises	149.52	92.25	61.70	37.55	25.11
20	41-Social Security and Empowerment of Persons with Disabilities	2,007.72	1,254.14	62.47	226.49	11.28

Source: Monthly Appropriation Reports for December 2017 and March 2018.

Thus, out of 20 departments, only three departments (Sl. No.2, 7 & 20) had followed the guidelines for timely spending of budgetary grants as per the Cash Management System.

2.3.1. In terms of Rule 147 of Odisha Budget Manual, rush of expenditure in the closing month of the financial year is a breach of financial regularity, which should be avoided. Contrary to this, there were 18 Schemes (sub-heads) in 11 departments, where 100 per cent of the total expenditure was incurred (₹ 1,169.43 crore) in March 2018 (*Appendix 2.11*).

High percentage of expenditure in March and especially on the last working day of the financial year indicates that uniform flow of expenditure during the year, a primary requirement of budgetary control, was not maintained. This indicated failure of Cash Management System in 17 departments.

Recommendation 9: The State Government should enforce rules to ensure that budget provisions are fully utilised and prevent rush of expenditure during fag end of the financial year.

2.4 Review of selected grants

A detailed scrutiny of two grants, viz., (i) Grant No. 23 - Agriculture and Farmers' Empowerment Department and (ii) Grant No. 12 - Health and Family Welfare Department, was conducted in Audit. At an aggregate level, there were savings under both grants.

Audit findings in this regard are discussed below:

2.4.1 Agriculture and Farmers' Empowerment Department (Grant No-23)

Budgetary control mechanism of the Agriculture and Farmers' Empowerment Department was scrutinized. Year-wise budget provisions (both Original and Supplementary) and total expenditure incurred under Revenue sections during 2015-16 to 2017-18 is given in **Table 2.8**. It was observed that during the years 2015-16 to

2017-18, the total expenditure under the Revenue section was less than the Original provision in all the three years. Thus, supplementary provision made during these years were unnecessary.

Table 2.8: Budget provision vis-à-vis Expenditure incurred during 2015-16 to 2017-18

(` in crore)

		2015-16	2016-17	2017-18
Revenue Expenditure	Original	3,009.08	3,403.21	3,871.76
	Supplementary	456.84	69.21	15.16
	Total provision	3,465.92	3,472.42	3,886.92
	Total Expenditure	3,005.57	2,980.34	2,940.84
	Savings	460.35	492.08	946.08
	Surrender	460.70	492.01	944.18
	Percentage of savings to Total provision	13.28	14.17	24.34
Capital Expenditure	Original	122.30	243.20	251.60
	Supplementary	34.20	0	0
	Total provision	156.50	243.20	251.60
	Total Expenditure	141.50	193.20	201.60
	Savings	15.00	50.00	50.00
	Surrender	15.00	50.00	50.00
	Percentage of savings to Total provision	9.58	20.56	19.87

Source: Appropriation Accounts 2015-16 to 2017-18, Government of Odisha.

Further, percentage of savings to total provision in Revenue section of the grant registered an increase of 11.06 *per cent* in 2017-18 from the savings of 13.28 *per cent* during 2015-16. In Capital section of the grant, an increase of 10.29 *per cent* from 9.58 *per cent* was registered during the said period.

Programme implementation

Test check of few Schemes revealed the following:

2.4.1.1 State Potato Mission

In order to make the State self-sufficient in potatoes by the year 2017-18, Government had launched State Potato Mission during 2015-16 for production, storage and distribution of potatoes in the State. The scheme was implemented through Directorate of Horticulture under Agriculture Department. Under the scheme, the department had to provide incentive to the farmers for undertaking large scale cultivation of potatoes in cluster, give incentive for production of seed potatoes in the farmer's field and to provide support for setting up of adequate number of cold storages in the State. The financial and physical target and achievement there against is detailed in **Table 2.9**.

Table 2.9: Budget provision, Expenditure on State potato mission for the year 2015-16 to 2017-18

Year	Budget provision	Allotment	Expenditure	Un-utilised balance	Percentage of utilisation against budget provision	Physical Target	Physical achievement	Shortfall
	(` in crore)					Establishment of cold storage (in numbers)		
2015-16	50.00	50.00	24.05	25.95	48.10	35	10	25

2016-17	60.00	15.00	2.60	12.40	4.33	10	7	3
2017-18	20.00	0.00	0.00	0.00	0.00	10	6	4
Grand Total	130.00	65.00	26.65	38.35		55	23	32

Source: Information furnished by Directorate of Horticulture, Odisha

- From the table, it can be seen that the percentage of utilisation of funds against budget provision ranged from zero to 4.33 *per cent* during 2016-17 and 2017-18.
- Against target of establishing 55 cold storages, the Department could establish only 23 cold storages resulting in a shortfall of 58.18 *per cent*, during the last three years.
- Due to inadequate utilisation of funds and non-achievement of physical target set under State Potato Mission, the intended benefits could not be achieved.

The Director of Horticulture stated (October 2018) that due to non-receipt of proposal for establishment of cold storages by private parties, non-availability of quality potato seed, high seed cost, late planting of potatoes etc., the target could not be achieved. The fact remained that the inadequate utilisation of funds, failure to provide the incentives and support to the farmers led to non-implementation of the Potato Mission.

Thus, the objective of achieving self sufficiency in production of potatoes by the year 2017-18 could not be achieved.

The Government accepted (March 2019) the audit observation.

2.4.1.2 Cashew Development

In order to ensure availability of adequate quantity of cashew quality seeds and other required material to the farmers in time and also to increase seed replacement rate of various agricultural crops, Government provided an interest free short term loan of ` 30 crore and ` 10 crore each to OAIC Ltd. and OSCDC Ltd.¹² respectively during 2016-17 and 2017-18. Test check of records revealed that there was no expenditure against the provision made during 2016-17 and 2017-18 as detailed in **Table 2.10**.

Table 2.10: Budget Provision, Expenditure for the year 2016-17 and 2017-18

(` in crore)				
Sl. No.	Head of Account/Scheme	Year	Total provision	Expenditure
1	6401-00-103-3055-Corpus fund for Odisha cashew development Corp Ltd. - 48390 interest free loan 3rd procurement	2016-17	10.00	0.00
		2017-18	10.00	0.00
2	2401-00-103-2981-Corpus fund for Odisha Agro industries Ltd-48390 interest free loan 3rd procurement	2016-17	30.00	0.00
		2017-18	30.00	0.00
Total			80.00	0.00

¹² Odisha State Agro Industries Corporation (OAIC) Ltd. and Odisha State Cashew Development Corporation (OSDCD) Ltd.

Further scrutiny revealed that both the Corporations had stopped seed business from 2016-17. Hence, there was no need to make budget provision for these schemes during 2017-18. Even after one year after the corporations had stopped the seeds business, the department of Agriculture had been making budget provisions. The Director of Agriculture stated (October 2018) that seed requirement of farmers was met from Chief Minister's (CM's) special package. This raises serious doubt on the budget mechanism being followed by the department without ensuring its proper utilization. As a result the entire fund of ` 80 crore remained unutilized and subsequently surrendered.

2.4.1.3 National Food Security Mission

The objective of the scheme was to increase production of food grain and commercial crops, restoring soil fertility and enhancing farm level economy. Against the provision of ` 145.52 crore during 2017-18, ` 91.66 crore (62.99 per cent) was only utilized.

The Director stated (October 2018) that due to non-receipt of Central share, the State share could not be utilized. The reply was, however, silent regarding the reasons for non-receipt of Central share.

2.4.2 Health and Family Welfare Department (Grant No-12)

Details of Budget provision and expenditure incurred during 2015-16 to 2017-18 in Health & Family Welfare Department are given in **Table-2.11**.

Table 2.11: Budget provision vis-à-vis Expenditure incurred during 2015-18

		(` in crore)		
		2015-16	2016-17	2017-18
Revenue Expenditure	Original	3,234.27	4,054.97	4,552.33
	Supplementary	122.84	384.94	57.48
	Total provision	3,357.11	4,439.91	4,609.81
	Total Expenditure	3,134.38 (93)	4,033.27 (91)	4,093.04 (89)
	Savings	222.73	406.64	516.77
	Surrender	225.44	463.67	536.13
	Percentage of savings to Total provision	6.63	9.16	11.21
Capital Expenditure	Original	643.61	739.00	1,160.00
	Supplementary	35.00	80.00	57.30
	Total provision	678.61	819.00	1,217.30
	Total Expenditure	589.75 (87)	783.83 (96)	835.38 (69)
	Savings	88.86	35.17	381.92
	Surrender	1.20	42.95	381.95
	Percentage of savings to Total provision	13.09	4.29	31.37

Source: Appropriation Accounts 2015-16 to 2017-18, Government of Odisha.

As seen from the table, under Revenue section total provision of the grant registered an increase of ` 1,252.70 crore (37.31 per cent) from ` 3,357.11 crore in 2015-16 to ` 4,609.81 crore in 2017-18. Similarly, under Capital section total provision of the grant registered an increase of ` 538.69 crore (79.38 per cent) from ` 678.61 crore in 2015-16 to ` 1,217.30 crore in 2017-18.

2.4.2.2 Surrender of entire provision

Health and Family Welfare Department made provisions of ₹ 68.39 crore, under different heads for different schemes/programmes/activities during 2017-18. The entire amount was surrendered due to non-utilisation of the funds (**Table 2.12**).

Table 2.12: Withdrawal of entire provision by way of surrender

(₹ in crore)

Sl. No	Head of Account	Total Provision	Amount Surrender	Objectives of the schemes/programmes/activities
12- Health and Family Welfare Department				
1	2210-06-101-0957-Material and Equipment for Malaria Eradication	30.00	30.00	Purchase of material and equipment for malaria eradication
2	Purchase of Contraceptives, equipment and medicine 2211-00-200-1131	15.00	15.00	Purchase of Contraceptives, equipment and medicine.
3	Tertiary Care Programme-2210-03-800-3269	23.39	23.39	To provide health care services.
TOTAL		68.39	68.39	

Source: Compiled from information received from the Department.

The surrender of entire provision indicated failure on the part of the department for its proper utilization. As a result, the objectives of the schemes/ programmes for which the funds were provided for, could not be achieved.

2.4.2.3 Excessive/ unnecessary re-appropriation of funds

There were savings of ₹ 7.02 crore in three sub-heads and excess of ₹ 24.75 crore in one sub-head under Grant No. 12- Health and Family Welfare Department as detailed in **Table 2.13**.

Table 2.13: Excess / unnecessary re-appropriation of funds during 2017-18

(₹ in crore)

Sl. No.	Grant No.	Description	Net Re-appropriation	Final Excess(+)/ Saving(-)
1	12	2210-03-103-1092- Primary Health Centre	-18.03	-3.27
2	12	2210-01-110-2099- Improvement/ Renovation/ Repair of W/S, Sewerage and Sanitation Works of Hospitals and Dispensaries	-2.52	-1.09
3	12	2210-05-105-2099- Improvement/ Renovation/ Repair of W/S, Sewerage and Sanitation Works of Hospitals and Dispensaries	2.52	-2.66
Total			-18.03	-7.02
4	12	2210-05-105-0893- Medical College, Cuttack	9.94	24.75
Total			9.94	24.75

Source: Monthly Appropriation Reports, March 2018 (Sup), Government of Odisha.

This indicated that the controlling officer of the Department failed to monitor monthly expenditure as provided in OBM. The re-appropriation of funds & subsequent savings there-against raised doubt about the efficacy of budgeting mechanism followed by the department.

2.4.2.4 Un-necessary Budget provision

Budget provision of ₹ 2.00 crore for TB Control Programme and ₹ 30.00 crore for Material and Equipment for Malaria Eradication Programme was made in each year for the years 2015-16, 2016-17 and 2017-18. There was no expenditure there-against for above purposes as detailed in **Table 2.14**.

Table 2.14: Budget provision and expenditure for the year 2017-18

(₹ in crore)

Sl. No.	Name of the Scheme (Head of Account)	Year	Budget Allotment	Expenditure	% of saving
1	TB Control Programme 2210-01-200-1447	2017-18	2.00	0	100
		2016-17	2.00	0	100
		2015-16	2.00	0	100
2	Material and Equipment for Malaria Eradication 2210-06-101-0957	2017-18	30.00	0	100
		2016-17	30.00	0	100
		2015-16	30.00	0	100
Total			96.00	0	100

Source: Health and Family Welfare Department, Government of Odisha.

It was also observed that the entire amount of ₹ 96.00 crore was surrendered due to non-receipt of Central share. Since expenditure under the two heads were contingent upon receipt of Central share, the continuous provision of fund under these heads and its surrender in each year raises serious doubt about the budget mechanism being followed by the department.