

A reliable financial reporting mechanism aids exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

## 3.1 Personal Deposit (PD) Account

### 3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. As per Subsidiary Rule 423 of Odisha Treasury Code (OTC) Volume-I, Permission for opening of PD Accounts shall not be granted except after consultation with the Accountant General.

Note below Rule 141 read with sub-rule (3) of Odisha Budget Manual (OBM) provides that money should not be withdrawn from the Treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury under Revenue heads of accounts for placing it in Deposit head under Public Account of the State to avoid lapse of allotment.

There were 836 PD Account holders with a closing unspent balance of ₹ 13,509.35 crore as of 31 March 2018 as detailed in **Table 3.1**. There was 1.09 per cent increase in number of PD accounts and 1123.40 per cent increase in outstanding balances over the previous year.

### 3.1.2 Status of PD Accounts in Odisha

**Table-3.1: Personal Deposit Account**

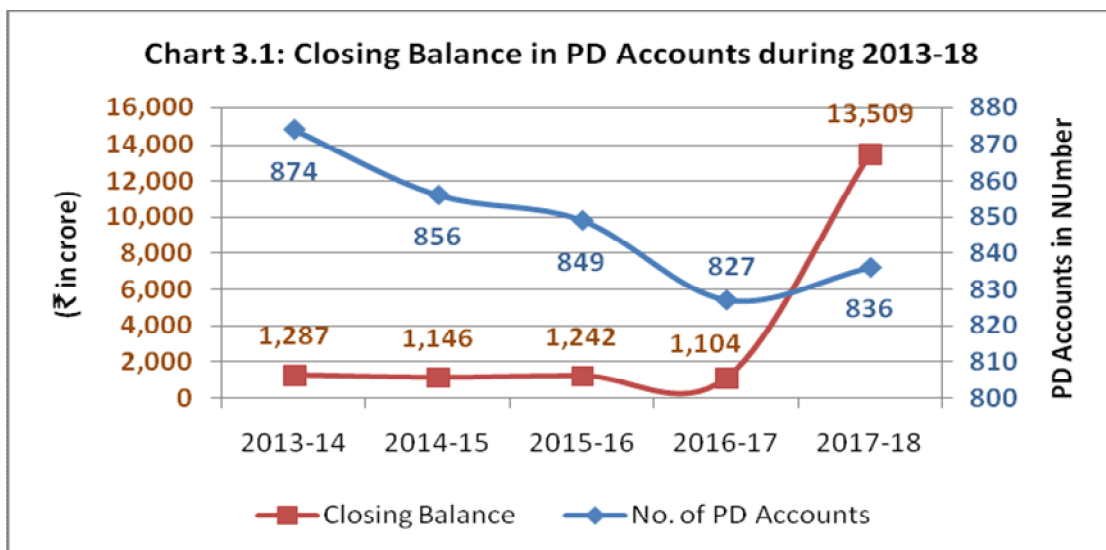
( ₹ in crore)

Opening Balance as on 01/04/2017		Addition during the year 2017-18		Number of PD Accounts closed	Expenditure during the year including closed PD Accounts	Outstanding Balance as on 31/ 03/2018	
Number	Amount	Number	Amount			Number	Amount
827	1,104.24	17	14,136.02	8	1,730.91	836	13,509.35

Source: Office of the Principal Accountant General (A&E), Odisha

It could be seen from the **Table 3.1** that while eight inoperative PD Accounts were closed during the year 2017-18, 17 new PD Accounts were opened with prior approval of Principal Accountant General (PAG) (A&E), Odisha. A sum of ₹ 14,136.02 crore was transferred to these Accounts. There was a net increase of

₹ 12,405.11 crore (1123.40 per cent) in the cumulative closing balance at the end



of the year 2017-18.

Source- Finance Accounts of respective years

- An analysis of closing balance revealed that out of ₹ 13,509.35 crore as on 31 March 2018, an amount of ₹ 11,568.18 crore (85.63 per cent) related to one PD account. The administrator of this account was the Chief Executive Officer (CEO), Odisha Mineral Bearing Areas Development Corporation (OMBADC). Scrutiny of records revealed that Hon'ble Supreme Court of India had directed (02 August 2017) the State Government to keep the compensation recoverable in respect of the illegally mined ore under Section 21(5) of the Mines and Minerals (Development & Regulation) (MMDR) Act with OMBADC, a Special Purpose Vehicle (SPV) for utilizing the fund for the benefit of the tribals in the affected districts and for area development work. In order to comply with the orders of the Hon'ble Supreme Court, an Account was opened (August 2017) and the receipts were kept under Major Head 8443-106-Personal Deposits for channelising the receipts and expenditure of the SPV. Government of Odisha in Finance Department had prescribed (29 August 2017) detailed accounting procedure for operation of the fund. The accounting procedure *inter alia* stipulated that 'keeping in view of the requirement of funds by executing agencies and administrative expenses of OMBADC, the administrator as mentioned above would work out the investible surplus amount and advise Finance Department for investment of surplus balance in 91/182/364 days Auction Treasury Bills as the case may be'. The OMBADC started receiving the compensation amount through the Public Account from December 2017.

It was further observed that the amount lying in OMBADC PD Account had not been utilised as of 31 March 2018. The Chief Executive Officer, OMBADC Odisha stated (January 2019) that the Hon'ble Supreme Court had appointed a retired judge as an oversight authority for effective functioning of OMBADC. A number of projects had been approved for execution and steps were being taken to release the funds to the concerned departments. The CEO, OMBADC further stated (April 2019) that the executing departments took time in submitting the DPRs as a result of which OMBADC could not release any fund till 28 February 2019. The fact remained that the funds had not been utilised for the purpose for which these were meant.

Balance ` 1,941.17 crore ( ` 13,509.35 crore – ` 11,568.18 crore) was as follows: (i) ` 743 crore in 113 PD Accounts of Urban Local Bodies, (ii) ` 283 crore in 314 PD Accounts of Rural Local Bodies, (iii) ` 80 crore in 297 PD Accounts of Educational Institutions and (iv) ` 835.17 crore in 111 PD Accounts of Other Agencies or Institutions like District Rural Development Agencies, Integrated Tribal Development Agencies, *etc.*

### 3.1.3 In-operative PD Accounts

As per Subsidiary Rule 423 of OTC Vol-I, if a PD Account remaining in-operative for a period of three full financial years after the year of last transaction, the account shall be closed automatically and the balance, if any, lying in the account shall lapse to Government. For this, the Treasury Officer shall submit to the Accountant General immediately after 31 March, a list of such PD Accounts indicating the balances lapsed.

During 2017-18, eight PD Accounts were closed. Sixteen in-operative PD Accounts, where no transaction had taken place for over three financial years after the year of last transaction were, however, yet to be closed. These 16 Accounts had unspent balances of ` 0.19 crore (*Appendix-3.1*). Out of the 16 in-operative PD Accounts, eight Accounts had zero balances. The remaining eight Accounts had balances ranging from ` 0.02 lakh to ` 9.40 lakh.

The Government in its reply stated (March 2019) that they were continuously working with the Office of the PAG (A&E) for closure of inoperative PD accounts to ensure due compliance in respect of operating PD accounts.

### 3.1.4 Non-reconciliation of PD Accounts

The balances in the PD accounts are required to be reconciled annually by the administrator with that of Treasury accounts. Out of 836 PD accounts, only 569 PD accounts (68.06 *per cent*) had been reconciled as of 31 March 2018.

**Recommendation 10: The Finance Department is required to review all PD accounts and ensure that all schemes funds unnecessarily lying in these accounts are immediately utilized or remitted to the Consolidated Fund. Further, the Finance Department is required to reiterate the instructions**

contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.

### 3.2 Opaqueness in accounts

Minor Head- 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged as it renders the accounts opaque. Transactions under this Minor Head during the years 2016-17 and 2017-18 are detailed in **Table 3.2**:

**Table 3.2: Receipts and Expenditure under Minor Head 800**

Year	Receipts <sup>1</sup> (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Receipts under Minor Head 800 (₹ in Crore (per cent))	Expenditure <sup>2</sup> (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Expenditure under Minor Head 800 - ₹ in Crore (per cent)
2016-17	74,299	53	13,311(18)	83,512	57	10,713(13)
2017-18	85,204	52	1,585 (2)	92,946	56	14,006 (15)

Source: Finance Accounts

Further, it was observed that the entire receipts (₹ 92 crore) under nine Major Heads were booked under Minor Head-800 (other receipts). Similarly, more than 50 per cent of the total expenditure under 15 Major Heads were booked under Minor Head – 800 (Other Expenditure).

Though the issue of classification of the receipts / expenditure under Minor Head 800 – Other Receipts / Expenditure had been continuously reported in the previous reports of the Comptroller and Auditor General of India, there has been little improvement. **The fact that such substantial proportion of the receipts / expenditure under the concerned Major Head are booked under Minor Head 800 is a cause for concern, since it severely impacts transparency.**

### 3.3 Non-Submission of Annual Accounts by Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG’s DPC Act are required to submit annual accounts to audit before 30 June every year. In respect of 11 ABs which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to more than six years (**Table 3.3**).

<sup>1</sup> Revenue Receipts

<sup>2</sup> Includes both Revenue and Capital

**Table 3.3: Age-wise details of delay in submission of Annual Accounts of ABs**

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	1
2	4	1
3	6 and above	9
<b>Total</b>		<b>11</b>

Source: Finance Department, Government of Odisha

Of these 11 bodies/ authorities, only two bodies/ authorities viz. Odisha State Legal Services Authority (OSLSA) and Odisha Building and Other Construction Workers Welfare Board submitted their accounts for financial audit up to 2016-17 and 2013-14 respectively.

Annual accounts for remaining nine bodies/ authorities<sup>3</sup> due up to 2017-18 were not received as of September 2018. The accounts of these bodies/ authorities were in arrears for more than six years.

In the absence of annual accounts, the accounting/ utilisation of the grants and loans disbursed to these bodies/ authorities could not be verified in audit.

### 3.4 Non-submission of Utilisation Certificates

The Government gives grants to various bodies for specific purposes. Odisha General Financial Rules (OGFR) 173 stipulate that Utilisation Certificates (UCs) in respect of Grants-in-Aid (GIA) provided for specific purposes, should be obtained by the departmental officers from the grantees and forwarded to PAG (A&E) by 30 June of the succeeding year of expenditure to ensure that the funds have been utilised for intended purposes. Non-submission /delay in submission of the UCs weaken the control on utilisation and provides scope for misutilisation / misappropriation / diversion of funds.

During the year 2017-18, Government released ` 21,780.30 crore as Grants-in-Aid, for which UCs were not received in respect of ` 16,391.16 crore (75.26 per cent). There was, therefore, no assurance that the expenditure of ` 16,391.16 crore had actually been incurred for the purposes for which it was authorized. UCs for an amount aggregating ` 38,427.91 crore remained outstanding against 35 departments of the State as of March 2018 in the books of the PAG (A&E), Odisha. Year-wise break-up of pending UCs against 28,529 vouchers is summarized in **Table 3.4**.

<sup>3</sup> (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 of H & UD Department.

**Table 3.4: Year-wise break up of pending UCs against GIA**  
( ₹ in crore)

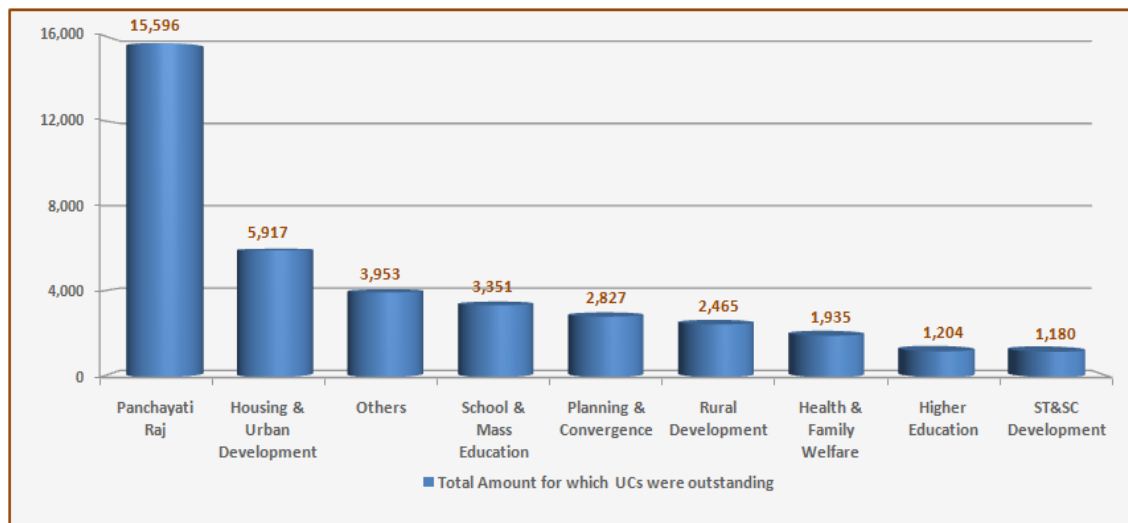
Years	Grants-in-Aid (G.I.A) against which UCs are awaited as of March 2018	
	Number of UCs	Amount
Up to 2012-13	15,183	3,163.40
2013-14	2,294	1,653.35
2014-15	2,314	3,171.24
2015-16	2,459	5,498.32
2016-17	3,361	8,550.44
2017-18	2,918	16,391.16
<b>TOTAL</b>	<b>28,529</b>	<b>38,427.91</b>

Source: Finance Accounts, Government of Odisha

Department-wise outstanding position of UCs of 35 departments is given in **Appendix 3.2**. The eight major defaulting departments accounted for 89.71 per cent of the total amount for which UCs were outstanding as of March 2018 (**Chart 3.2**). In comparison to 2016-17, the total amount for which the UCs were pending increased by ₹ 7,894 crore (25.85 per cent) in 2017-18.

**Chart 3.2: Department-wise amounts for which UCs were outstanding as on 31 March 2018**

( ₹ in crore)



Source: Office of the Principal Accountant General (A&E), Odisha.

### 3.4.1 UCs pending for more than ten years

UCs amounting to ₹ 1044.89 crore (5,510 vouchers) were pending for more than ten years in 22 departments as of March 2018 as detailed in **Appendix-3.3**. Panchayati Raj (₹ 421.84 crore), Revenue & Disaster Management (₹ 200.17 crore), Housing & Urban Development (₹ 180.57 crore) and Planning and Convergence (₹ 139.83 crore) Departments alone accounted for 90.19 per cent of the amount for which UCs were pending.

The Government in its reply stated (March 2019) that submission of Utilisation Certificates was a continuous process. Money from Centre and State go to the implementing agencies. The implementing agencies take some time for spending the money after observing the required formalities and then submit the UC, which enables them to get next tranche of release of funds. Hence, at any point of time, there would be some pendency in submission of Utilisation Certificate. Review of Department-wise pendency of Utilisation Certificates was, however, being made at the level of Finance Secretary regularly with the objective to improve the UC position.

Position with regard to submission of UCs had, however, not improved so far. High pendency of UCs is fraught with the risk of misappropriation/ diversion of funds and fraud.

### 3.5 Non-submission of Detailed Contingent Bills

The Odisha Treasury Code requires that advances drawn through Abstract Contingent (AC) bills are adjusted promptly through Detailed Contingent (DC) bills.

It was observed that 16 Departments had drawn 764 Abstract Contingent bills for an amount of ` 17.63 crore from Government accounts in the financial year 2017-18 and submitted only 490 Detailed Contingent (DC) Bills for an amount of ` 3.08 crore. Thus, 274 DC bills amounting to ` 14.55 crore were not submitted by 12 departments before the close of the financial year. There is, therefore, no assurance that the amount of ` 14.55 crore had actually been incurred during the year for the purpose for which it was sanctioned / authorised by the Legislature. This is a possible overstatement of expenditure in the year 2017-18. Further, 321 DC bills amounting to ` 6.04 crore for the years up to 2015-16 and 466 DC bills amounting to ` 16.62 crore pertaining to 2016-17 were yet to be submitted by the Departments (**Table 3.5**). Advances drawn and not accounted for increases the possibility of wastage / misappropriation / malfeasance etc.

**Table-3.5: Details of pending DC bills**

Year	No. of pending DC Bills	Amount ( ` in crore)
Up to 2015--16	321	6.04
2016-17	466	16.62
2017-18	274	14.55
<b>Total</b>	<b>1061</b>	<b>37.21</b>

**Source:** Compiled from the VLC database maintained by the Office of the PAG (A&E), Odisha.

#### 3.5.1 Money drawn on AC bills in the month of March

An analysis of VLC data indicated that during 2013-14 to 2017-18, out of AC bills of ` 356.18 crore, ` 116.03 crore (32.58 *per cent*) were drawn during last month of the respective financial years. The percentage drawal of AC bills in the month of March ranged from 12 *per cent* to 68 *per cent* of the total amount of AC bills drawn during 2013-14 to 2017-18 as detailed in **Table 3.6**.



**Table-3.6: Year-wise details of Money drawn on AC bills in the month of March**

( ₹ in crore)			
Financial Year	Total amount drawn on AC bill	Total AC bill amount drawn in March	Percentage of drawal in March
2013-14	130.78	64.08	50
2014-15	72.23	17.38	24
2015-16	62.39	7.58	12
2016-17	73.15	15.02	21
2017-18	17.63	11.97	68
<b>Total</b>	<b>356.18</b>	<b>116.03</b>	<b>33</b>

**Source:** Compiled from the VLC database maintained by the Office of the PAG (A&E), Odisha.

Further analysis of VLC data revealed that AC bills aggregating ₹ 10.53 crore (2.96 per cent) were drawn on the last day of the financial year. Thus, it was evident that substantial drawals in the month of March and last working day of the financial year were made to avoid lapse of appropriations.

The Government stated (November 2017) that the matter was reviewed by Principal Secretary, Finance Department. The Financial Advisors and Controlling Officers were sensitised about timely submission of DC bills. The Government in March 2019 reiterated the same reply. No significant improvement in this regard was, however, noticed during the year 2017-18.

**Non-submission of DC bills within the prescribed time is a breach of financial discipline and enhances risk of misappropriation of public money and is an unhealthy practice.**

### 3.6 Other Financial Reporting Issues

#### 1. Non submission of details of grants/loans paid

Regulation on Audit and Accounts 2007 provides that Government and Heads of Departments 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.

Twenty one out of 42 departments had furnished (as of September 2018), the details of grants-in-aid given to various bodies and authorities in the year 2017-18. In the absence of the information from remaining 21 departments<sup>4</sup>, reasonable

<sup>4</sup> Health & Family Welfare , Micro, Small & Medium Enterprises , Panchayati Raj & Drinking Water , Works , ST&SC Development Minorities & Backward Classes Welfare , Excise , Labour & ESI , Agriculture & Farmers Empowerment , Law , Housing & Urban Development , Higher Education , Fisheries & Animal resources , Electronics & IT Department, Water Resources , Sports & Youth service , General Administration, Odisha Legislative, Transport, Public Grievance and Pension Administration, Revenue & Disaster Management, Social Securities and Empowerment of persons with disabilities Department..



assurance could not be provided to the Legislature/Government about the manner in which the grants sanctioned / released by them had been utilised. This dilutes the legislative control over the Government expenditure system.

## **2. Departmentally Managed Commercial Undertakings**

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. As of March 2018, out of 16 departmental undertakings/schemes, only Chief Conservator of Forests (Kendu Leaves) had prepared accounts and up to 2011-12 only.

## **3. Discrepancy of ` 73.60 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 transactions entered in the books of accounts. DDOs are required to carry out reconciliation at the end of each month to set right the mismatches/discrepancies, if any.

It was observed that in 15 sampled DDOs, there was a difference of ` 73.60 crore between the balances in cash book and bank pass book as of March 2018. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouched for in audit.

## **4. Under-utilization of Building and Other Construction Workers (BOCW) Welfare Fund**

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through levy and collection of cess on the cost of construction. The Labour Cess collected from all construction workers was required to be deposited in the Odisha Building and Other Construction Workers' Welfare Fund. The fund was to be utilized in extending different welfare measures to the registered beneficiaries engaged in different buildings and other construction works.

Though the collection of Labour Cess increased by ` 71.23 crore from ` 168.90 crore in 2013-14 to ` 240.13 crore in 2017-18, the percentage of utilization of fund ranged from 1.33 *per cent* in 2013-14 to 27.77 *per cent* in 2017-18. Due to poor utilization of the funds, the objective of collection of Labour Cess was not being achieved.

As per Rule 5 of the Building and Other Construction Workers' Welfare Cess Rules, 1998, the proceeds of the Cess was to be transferred to the Board (in the Head of Account of the Board) as per the accounting procedures of the State.

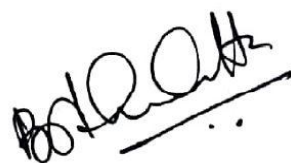
Further, in terms of Resolution (15 December, 2008) of Labour and Employment Department, Government of Odisha, the Cess was to be deposited under the Major Head of Account- 0230 into the Government Treasury (the Consolidated Fund of the State).

The Accounting Procedure formulated by the Odisha Building and Other Construction Workers Welfare Board (OB & OCWWB) had, however, stipulated that the Cess should be deposited in the bank account of the Board, to be operated by two joint signatories, viz., the Chairman and the Secretary of the Board. This was in contravention of the Building and Other Construction Workers' Welfare Cess Rules.

Scrutiny of records of OB & OCWWB showed that the Cess collected by various agencies was sent through cheques/ drafts to the Board and deposited in the savings bank account of the Board opened for the purpose, without being transferred from the Consolidated Fund of the State, in violation of Article 266(1) of the Constitution and the Building and Other Construction Workers' Welfare Cess Rules, 1998.

Bhubaneswar

The 23 NOV 2019



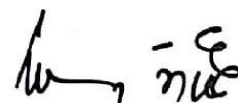
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The 25th November, 2019



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Comptroller and Auditor General of India