

Executive Summary

Finances of the State Government

Fiscal situation of the State

Revenue Receipts (₹ 85,204 crore) of the Government constituting 20.48 *per cent* of the Gross State Domestic Product (GSDP) (₹ 4,15,982 crore), increased by 14.67 *per cent* over the previous year (₹ 74,299 crore). The corresponding increase in the Revenue Expenditure during the year 2017-18 (₹ 71,837 crore) was 10.45 *per cent* over 2016-17 (₹ 65,041 crore) and was 17.27 *per cent* of GSDP. Capital Expenditure (CE) (₹ 21,109 crore) during 2017-18, increased by ₹ 2,638 crore (14.28 *per cent*) over the previous year (₹18,471 crore). CE relative to GSDP was 5.07 *per cent* in 2017-18.

(Paragraph 1.4.2, 1.5.3 & 1.5.4)

The State registered a Revenue Surplus of ₹ 13,367 crore. The Fiscal Deficit was ₹ 9,360 crore. The Revenue Surplus, however, was overstated by ₹ 453.30 crore and the Fiscal Deficit was understated by the same amount on account of i) more contribution towards National Pension System (NPS), ii) non-contribution to Consolidated Sinking Fund and iii) non-credit of interest to Reserve Funds and Deposits Accounts bearing interest. Effectively, the Revenue Surplus was ₹ 12,914 crore and Fiscal Deficit was ₹ 9,813 crore.

Fiscal Deficit (₹ 9,360 crore) was 2.25 *per cent* of GSDP (₹ 4,15,982 crore). It was meeting the fiscal target set out in its FRBM (Amendment) Act 2016, which was to maintain the fiscal deficit within 3 *per cent* of the GSDP and was in compliance of the ceiling of 3 *per cent* fixed by 14th Finance Commission.

Though Primary Deficit (₹ 4,372 crore) in 2017-18 decreased by 18.17 *per cent* in comparison to preceding year (₹ 5,343 crore), the non-debt receipts (₹ 85,461 crore) were insufficient to meet Primary Expenditure (₹ 89,833 crore).

As per the FRBM (Amendment) Act 2016, **Debt to GSDP** ratio (in *per cent*) was to be maintained less than or equal to 25 *per cent* for the years 2015-16 to 2019-20. Outstanding debt to GSDP ratio was 12.55 *per cent* in 2017-18 and though increasing, was meeting the fiscal target set out in the State's FRBM (Amendment) Act, 2016 and was in compliance of the ceiling of 25 *per cent* fixed by 14th Finance Commission.

The total Outstanding Liabilities to GSDP ratio which was 15.08 *per cent* in 2013-14 increased to 23.36 *per cent* during 2017-18.

(Paragraph 1.3.1)

Mobilisation and application of Resources

Revenue Receipts (₹ 85,204 crore) in 2017-18 grew by ₹ 10,905 crore (14.68 *per cent*) over 2016-17. These were, however, lower than the budget estimates (₹ 88,932 crore) by ₹ 3,728 crore.

(Paragraph 1.4.2)

Own Tax Revenue (₹ 27,914 crore) increased by 22.15 *per cent* over the previous year and was also higher than the budget estimates (₹ 26,800 crore) by ₹ 1,114 crore. Non Tax Revenue (₹ 8,398 crore) increased by 4.41 *per cent* over the previous year, but was lower than the budget estimates (₹ 9,500 crore) by ₹ 1,102 crore.

(Paragraph 1.4.2.1 and 1.4.2.4)

Revenue Expenditure (₹ 71,837 crore) for the year 2017-18 increased by ₹ 6,796 crore (10.45 *per cent*) over 2016-17 (₹ 65,041 crore) and was within the budget provision (₹ 82,237 crore) made for the year 2017-18.

(Paragraph 1.5.3)

Capital Expenditure (₹ 21,109 crore) during 2017-18, constituted 22.26 *per cent* of total expenditure (₹ 94,821 crore) and increased by ₹ 2,638 crore (14.28 *per cent*) over the previous year (₹ 18,471 crore). CE relative to GSDP was, however, 5.07 *per cent* in 2017-18 and during the past five years, it has not exceeded 5.17 *per cent* of GSDP (2013-14: 2.62 *per cent*, 2014-15: 3.52 *per cent*, 2015-16: 5.17 *per cent* and 2016-17: 4.90 *per cent*).

(Paragraph 1.5.4)

Efficiency in Tax Collection

The cost of collection on Sales, Trade etc. and State Excise decreased during 2017-18 as compared to previous year indicating greater efficiency (measured as cost of collection of tax as a percentage of the tax collection). Taxes on Vehicles, which contributes relatively less revenue is costlier to collect than the highest contributor of revenue, namely, Taxes on Sales, Trade and GST etc.

(Paragraph 1.4.2.2)

Adequacy of public expenditure

Total Expenditure relative to GSDP in Odisha was better than the General Category States. Odisha also fared favourably in its focus on Development Expenditure (₹ 71,353 crore) and Capital Expenditure (₹ 21,109 crore) in comparison to other General Category States. The State, however, lagged behind in the areas of Social Services Expenditure and Education in comparison to General Category States.

(Paragraph 1.5.5.1)

Committed Expenditure

Committed Expenditure of Government consists of interest payments (₹ 4,988 crore), salaries and wages (₹ 17,697 crore), pensions (₹ 8,693 crore) and subsidies (₹ 2,830 crore). The committed expenditure in 2017-18 was ₹ 34,208 crore and constituted 47.62 per cent of Revenue Expenditure (₹ 71,837 crore).

(Paragraph 1.5.3.1)

National Pension System

State Government employees recruited on or after 01 January 2005 are covered under National Pension System (NPS), which is a defined contributory pension scheme. Though the State Government started collecting pension contribution from the employees from 2006-07, it transferred to the National Securities Depository Limited (NSDL) only in 2010-11 an amount of ₹ 0.01 crore leaving a balance of ₹ 39.62 crore to be transferred to NSDL as on 31 March 2011. Similarly, every year thereafter, there was a short transfer to NSDL. As on 31 March 2018, there was a total short transfer of ₹ 20.72 crore to the NSDL.

Recommendation: *The State Government should ensure that employees' contribution be properly deducted and transferred to NSDL along with a matching contribution in a timely manner. Steps should be taken to transfer the balance amount of ₹ 20.72 crore immediately to NSDL.*

(Paragraph 1.5.3.3)

Investment in Public Sector Undertakings

As of 31 March 2018, the State Government's investment in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative societies stood at ₹ 4,974 crore. The Return on Investment from Corporations/Companies was low at 1.33 per cent, while the average rate of interest on Government borrowing was 7.58 per cent.

(Paragraph 1.6.1.2)

Loans and Advances given by the State Government

As of 31 March 2018, Loans and Advances given by the Government to Public Sector Companies, Autonomous Bodies and Corporations were ₹ 6,326 crore.

Terms and Conditions of loans amounting to ₹ 1,600.66 crore were yet to be settled as on 31 March 2018. The loans related to periods extending from 1979 to 2018.

(Paragraph 1.6.1.3)

Cash Balance

The cash balance at the end of March 2018 was ` 30,848.11 crore. The closing cash balances in the years 2015-16 and 2016-17 were ` 12,047.68 crore and ` 14,601.11 crore respectively. The State Government was maintaining large cash balance on a regular basis, while being a fiscal deficit State. As against the mandated minimum Cash Balance of ` 1.28 crore, the State Government maintained ` 557.03 crore with Reserve Bank of India as on 31 March 2018.

Besides, the 13th Finance Commission had recommended that the States with large cash balances should make efforts to utilize their cash balances before resorting to fresh borrowings. Out of a General Cash Balance of ` 25,305 crore, there was an untied Cash Balance of ` 13,436.83 crore. The State, however, resorted to borrowings of ` 12,013 crore at interest rates ranging from 6.94 to 8.24 *per cent*, contrary to the Finance Commission recommendation.

(Paragraph 1.6.1.4)

Consolidated Sinking Fund

The State Government had not made mandatory annual minimum contribution of ₹ 358.12 crore to the Consolidated Sinking Fund in 2017-18. There has been continuous non-contribution from 2013-14 to 2017-18, total amounting to ₹ 1,349.65 crore.

(Paragraph 1.6.2.2)

Debt Management

Outstanding debt (₹ 52,190 crore) increased by 24.21 *per cent* in 2017-18 over the preceding year (₹ 42,018 crore), at a rate higher than the growth of GSDP. Interest payment relative to revenue receipts at 5.85 *per cent* was, however, well below the target of 15 *per cent* fixed by Odisha FRBM (Amendment) Act, 2016 and in compliance of ceiling laid down by 14th Finance Commission. The ratio of Debt repayment to Tax Revenue decreased from 13.57 *per cent* in 2013-14 to 9.64 *per cent* in 2017-18.

(Paragraph 1.7)

Financial Management and Budgetary Control

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. State Government did not get excess expenditure of ₹ 79.08 crore, over the allocation pertaining to the years 2013-14 to 2016-17 and ` 0.52 crore pertaining to 2017-18, regularised as of March 2019.

Recommendation: *All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, such un-voted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.*

(Paragraph 2.2.2.2)

Savings

In 2017-18, the total savings were ₹ 21,206 crore. Of this, ₹ 11,672 crore (55 per cent) pertained to 10 grants and one appropriation, in which savings were more than ₹ 100 crore and above 20 per cent of the total provision. There were persistent savings of more than ₹ 10 crore in 26 cases in 20 grants and one appropriation during the preceding five years.

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

(Paragraphs 2.2.2.3)

Re-appropriations

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). 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.

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

(Paragraph 2.2.4)

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. 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.

(Paragraph 2.2.5)

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.

(Paragraph 2.2.6)

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 through Cash Management System in 20 departments during 2017-18. As per this, 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. Out of 20 departments, only three departments had followed the guidelines for timely spending of budgetary grants as per the Cash Management System.

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. 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.

(Paragraph 2.3)

Financial Reporting

Personal Deposit (PD) Accounts

There were 836 PD Account holders with a closing unspent balance of ₹ 13,509.35 crore as of 31 March 2018. Of this, an amount of ₹ 11,568.18 crore (85.63 *per cent*) related to one PD account of Odisha Mineral Bearing Areas Development Corporation (OMBADC), which was opened on the directions of the Hon'ble Supreme Court. The amount related to the compensation recovered in respect of illegally mined ores and was meant to be utilised for the benefit of the tribals in the affected districts and for area development work.

Further, contrary to Odisha Treasury Code, Government of Odisha failed to close 16 PD accounts with a closing balance of ₹ 0.19 crore where there were no transactions for over three financial years.

Recommendation: *The Finance Department is required to review all PD accounts and ensure that all amounts unnecessarily lying in these PD accounts are immediately 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.

(Paragraph 3.1)

Delay in submission of Utilisation Certificates (UCs)

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 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 Principal Accountant General (A&E), Odisha.

(Paragraph 3.4)

Outstanding Detailed Contingent bills

Sixteen 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.

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.

(Paragraph 3.5)