

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assists the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

#### **4.1 Funds outside Consolidated Fund or Public Account of the State**

Article 266 (1) subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be titled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

Audit noticed that funds meant to be credited to the Consolidated Fund or the Public Account were instead credited to Bank Accounts, as discussed below.

Labour Cess collected by various agencies were sent through cheques/ drafts to the Odisha Building and Other Construction Workers Welfare Board (OB&OCWWB) or deposited in the Savings Bank Account of the Board opened for this purpose, through District Labour Offices. The Cess amounting to ₹ 406.49 crore collected during 2020-21 was kept outside the Government Account in the shape of Fixed Deposits and Flexi savings account at SBI, Govt. Treasury Branch, in violation of constitutional provisions and Sub Section (2) of the Section 3 of the Building and Other Construction Workers (BOCW) Act, 1996.

Further, Labour Cess amounting to ₹ 4.49 crore collected through treasuries was not transferred to the Workers’ Welfare Board by the Government during the year 2020-21. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by the same amount.

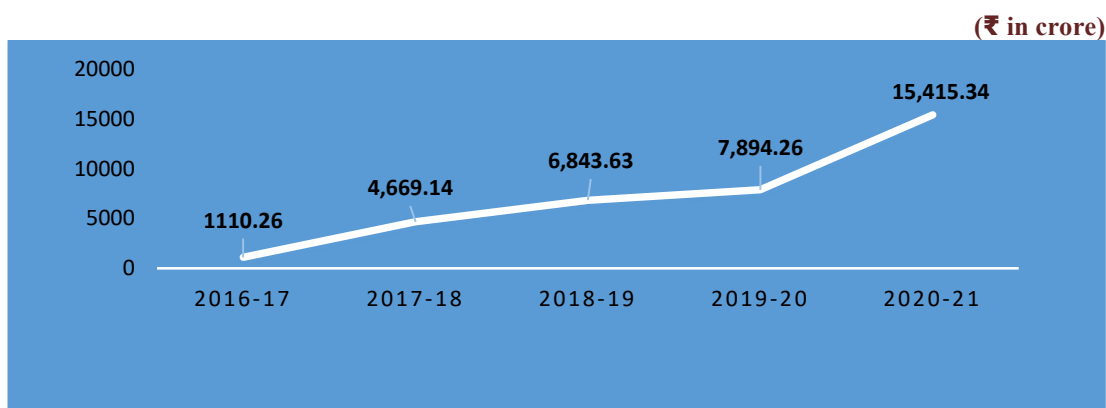
#### **4.2 Funds transferred directly to State Implementing Agencies**

The Union Government transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations for implementation of various schemes and programmes. Since these funds are not routed through the State Budget, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts 2020-21.

#### 4.2.1 Trends in direct transfers to implementing agencies

With effect from 01 April 2014, GoI decided to release all assistance relating to the Centrally Sponsored Schemes/Additional Central Assistance to the State Government and not directly to implementing agencies. Despite this, during 2020-21, the GoI, released ₹15,415.34 crore directly to the implementing agencies instead of the State Government. Trends of such transfers directly to implementing agencies and under major schemes during the last five years are given in **Chart 4.1**.

**Chart4.1: Transfer of funds directly to implementing agencies during 2016-21**



Source: Finance Accounts 2020-21 – Appendix VI, Government of Odisha.

As can be seen from the Chart above, the transfer of funds increased by more than 13 times during the last five years from ₹1,110.26 crore in 2016-17 to ₹15,415.34 crore in 2020-21. The major agencies that have received funds directly from the GoI during 2018-21 for implementing various developmental schemes and the quantum of such funds are given in **Table 4.1**.

**Table 4.1: Major implementing agencies that received funds directly from GoI during 2018-21**  
(₹ in crore)

Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount transferred		
		2018-19	2019-20	2020-21
Food Subsidy	Odisha State Civil Supplies Corporation Limited, Bhubaneswar	4,651.01	4,148.50	8,985.73
National Rural Employment Guarantee Scheme (MGNREGA)	Odisha Rural Development and Marketing Society Bhubaneswar	1,624.85	1,660.17	4,413.41
Pradhan Mantri Kisan Samman Nidhi	Director of Agriculture & Farmer's Empowerment, Odisha	170.33	1,634.11	1,483.85
Member of Parliaments Local Area Development Scheme	District Collectors	135.00	137.50	55.00

Source: Finance Accounts, 2020-21 – Appendix VI, Government of Odisha.

Direct transfer of funds to implementing agencies is fraught with the risks of inadequate monitoring by the State Government and potential risk of misutilisation of funds.

#### 4.3 Delay in submission of Utilisation Certificates (UCs)

Odisha General Financial Rules (OGFR) provide that every order sanctioning a grant would specify its objective clearly and time limit within which the grant is to be

spent. Rule 173 of OGFR states that the Departmental Officers drawing Grants-in-Aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfilment of the conditions attached to the grant, unless there is any special rule or order to the contrary. The Utilisation Certificate (UC) should be furnished to the Administrative Department by 1<sup>st</sup> June of the succeeding year of expenditure. A copy of the UC should reach the Accountant General, Accounts and Entitlement (AG(A&E)) and the Head of the Department concerned, by 30<sup>th</sup> June of that year.

Non submission of the UCs implies that there is a level of administrative failure and that the authorities have not clearly explained as to how these funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the year 2020-21, Government released ₹27,269.36 crore as Grants-in-Aid (42,888 vouchers). Out of this amount, UCs were not received in respect of ₹20,607.85 crore (75.57 per cent) (5,095 vouchers) by 30.06.2021. There is, therefore, no assurance that the expenditure of ₹ 20,607.85 crore had actually been incurred for the purposes for which it was authorised. Further, UCs for an amount aggregating ₹43,412.67 crore remained outstanding against 36 Departments of the State as of March 2021 in the books of the AG (A&E), Odisha from 2003-04 onwards (*Appendix 4.1*). Age wise break-up of pending UCs is summarised in **Table 4.2:**

**Table 4.2: Age wise arrears in submission of UCs**

(₹ in crore)

Year	Opening Balance		Addition		Total		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No. & percentage of outstanding UCs against Total UCs	Amount
Upto 2018-19 <sup>24</sup>	28,529	38,427.91	34,317	25,957.25	62,846	64,385.16	33,708	19,044.27	29,138 (46.36)	45,340.89
2019-20	29,138	45,340.89	38,987	28,465.46	68,125	73,806.35	40,276	37,612.46	27,849 (40.88)	36,193.89
2020-21	27,849	36,193.89	42,888	27,269.36	70,737	63,463.25	43,708	20,050.58	27,029 (38.21)	43,412.68

*Source: Finance Accounts 2020-21, Government of Odisha*

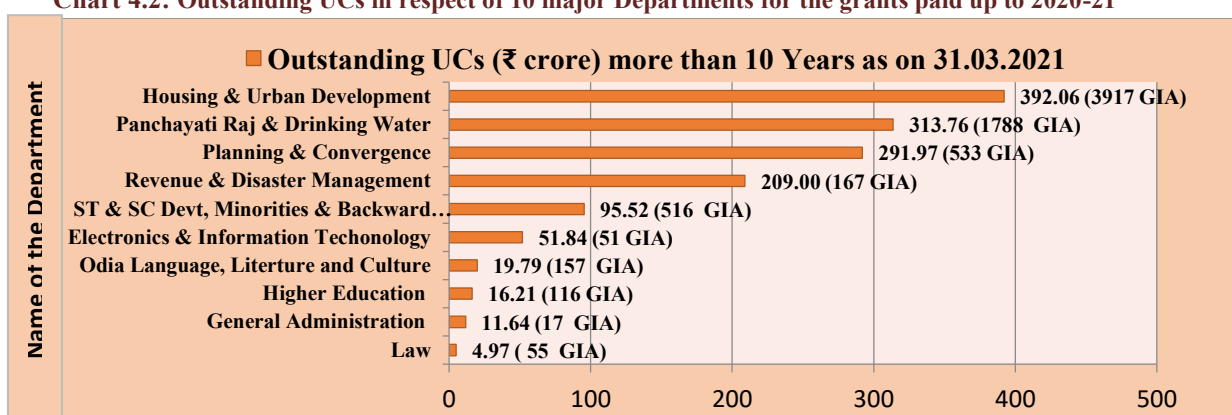
<sup>24</sup>2003-04: ₹274.57 crore (1388 nos.), 2004-05: ₹229.30 crore (909 nos.), 2005-06: ₹117.01 crore (756 nos.), 2006-07: ₹126.92 crore (865 nos.), 2007-08: ₹297.09 crore (1592 nos.), 2008-09: ₹343.70 crore (1884 nos.), 2009-10: ₹398.77 crore (1264 nos.), 2010-11: ₹419.65 crore (2614 nos.), 2011-12: ₹449.29 crore (2257 nos.), 2012-13: ₹507.10 crore (1654 nos.), 2013-14: ₹1653.35 crore (2294 nos.), 2014-15: ₹3171.24 crore (2314 nos.), 2015-16: ₹5498.32 crore (2459 nos.), 2016-17: ₹8550.44 crore (3361 nos.) and 2017-18: ₹16391.16 crore (2918 nos.).

In comparison to 2019-20, the total amount for which the UCs were pending increased by ₹7,218.78 crore<sup>25</sup> (19.97 per cent) in 2020-21.

Five major defaulting Departments that had not submitted UCs were Panchayati Raj and Drinking Water (₹17,546.69 crore), Housing and Urban Development (₹8,561.90 crore), Planning and Convergence (₹3,333.99 crore), School and Mass Education (₹3,073.60 crore) and Health and Family Welfare (₹2,686.90 crore).

Department-wise position of UCs outstanding for more than 10 years is given in **Appendix 4.2**. Overall there are 17 Departments against which UCs are outstanding for more than 10 years. Of these, the 10 major Departments accounting for 99.46 per cent of the total amount (₹ 1,406.76 crore) of UCs pending for more than ten years as of March 2021 were as detailed in **Chart 4.2**:

**Chart 4.2: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2020-21**



Source: Finance Accounts 2020-21, Government of Odisha

Further, it was observed that a major part of the GIA i.e., ₹11,260.34 crore was released in the last quarter of 2020-21, out of which ₹6,405.03 crore was released in the month of March 2021, as detailed in the **Table 4.3** below:

**Table 4.3: Release of GIA during last quarter of the financial year 2020-21**

Name of Month	Amount of GIA released (₹ in crore)	%age to total GIA released
January 2021	1,833.42	6.72
February 2021	3,021.88	11.08
March 2021	6,405.04	23.49
<b>Total</b>	<b>11,260.34</b>	<b>41.29</b>

Source: Finance Accounts 2020-21, Government of Odisha

Thus for the GIAs issued during the month of March, there are hardly two months with the concerned departments to utilise the grants and submit UCs. It is, therefore, unreasonable to expect UCs up to June 2021 for the grants released in March or in the last quarter of the financial year (in terms of Rule 173 of OGFR).

<sup>25</sup>43,412.67 – 36,193.89

The State Government stated (December 2021) that Submission of Utilization Certificate is a continuous process. Money from Centre and State go to the implementing agencies. The implementing agencies take some time in spending the money whilst observing the required formalities and then submitting the UC, which enables them to get the next tranche of release of fund. Hence, at any point of time, there would be some pendency in submission of Utilization Certificate.

However, review of Department-wise pendency of Utilization Certificate is being made centrally at the level of Finance Secretary regularly with an objective to improve the UC position. GIA sanction orders are now being generated in IFMS containing the grantee-wise details. The UC submission module of IFMS has also been developed using which the Drawing officers can submit the UCs collected from various grantees. Response of the Government was not tenable, due to the fact that 27,029 UCs at an amount of ₹43,412.67 crore have been pending since 2003.

#### **4.3.1 Delay in implementation of Integrated Financial Management System (IFMS) - UC module**

Rule 171 (4) read with Note 2 below OGFR provides that a target date should be prescribed for submission of UCs by the grantee institutions to the Accountant General.

In order to have control on submission of UCs, the Finance Department had executed an agreement with Tata Consultancy Services (TCS) (erstwhile M/s CMC Ltd.) on 04 December 2013 to develop and implement the UC module by April 2018.

However, Audit noticed that the UC module was not made operational (December 2021) in the Integrated Financial Management System (IFMS). The UC module was being tested on pilot basis in the Higher Education and Co-operation Departments. After completion of the pilot test, steps would be taken to roll out the module across all the Departments.

In the absence of the UC Module, IFMS is unable to assist in monitoring of pending UCs from grantee entities, by authorities at all levels in the Administrative Departments and the Finance Department of the State.

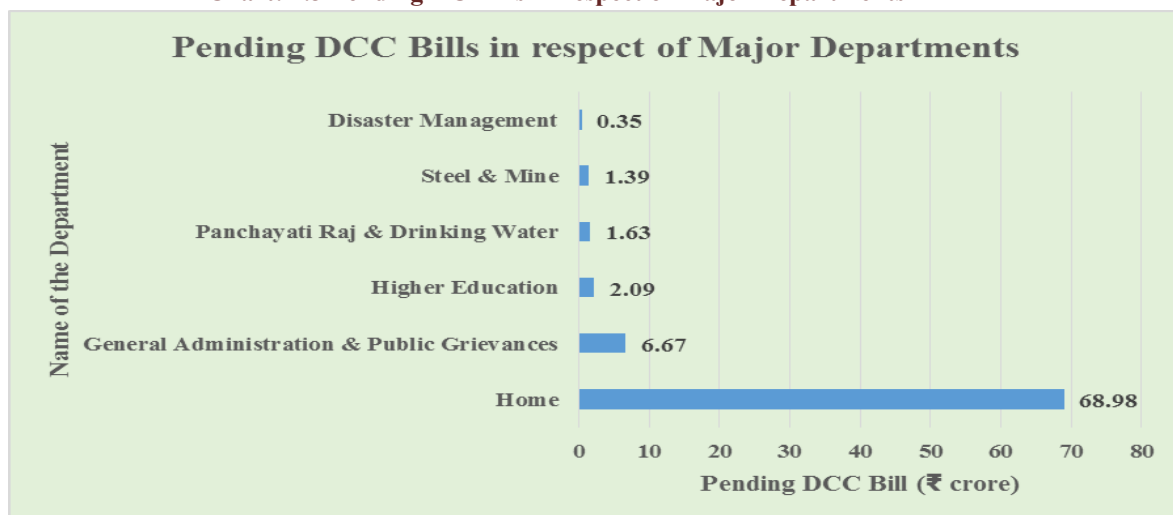
#### **4.4 Abstract Contingent bills**

In terms of Rule 261 of Odisha Treasury Code, advances drawn through Abstract Contingent (AC) bills are required to be adjusted through detailed contingent (DC) bills within three months in case of works expenditure and for expenditure incurred on natural calamities, and within one month for other contingent charges.

As of 31 March 2021, 14 Departments of Government of Odisha had not submitted DC bills for ₹ 81.77 crore drawn against 1,092 AC Bills (**Appendix 4.3**).

The status of major six Departments which accounted for 99.12 per cent of the total outstanding DC bills is given in **Chart 4.3**.

Chart: 4.3 Pending DC Bills in respect of Major Departments



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

Year-wise details of pendency of DC bills up to 2020-21 are given in Table 4.4.

Table 4.4: Year wise progress in submission of DC bills against the AC bills upto 2020-21

Year	Opening Balance of AC Bills		Addition		Total		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No. & percentage against total no. of UCs	Amount
Upto 2018-19	1,061	37.21	939	210.19	2,000	247.4	729	34.00	1,271	213.4
2019-20	1,271	213.4	735	23.95	2,006	237.35	567	67.67	1,439	169.68
2020-21	1439	169.68	385	14.00	1824	183.68	732	101.91	1,092	81.77

Source: Finance Accounts 2020-21, Government of Odisha

It was observed that during the year 2020-21, 14 Departments had drawn 385 AC bills for an amount of ₹ 14.00 crore as advances. Of this, 160 AC bills amounting to ₹4.61 crore (32.97 per cent) were drawn in March 2021. However, only an amount of ₹ 3.35 crore (23.93 per cent) pertaining to six Departments was adjusted against the above advances drawn. Thus, DC bills amounting to ₹ 10.65 crore pertaining to eight Departments were not submitted, as of 31 March 2021 (*Appendix 4.4*). There is, therefore, no assurance that the amount of ₹ 10.65 crore had actually been utilised for the purpose for which it was sanctioned. Advances drawn but not adjusted indicated the possibility of diversion of end use of funds/ misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills.

#### 4.4.1 Non-implementation of DC Bill functionality under “Online Bill Preparation and Submission” module in IFMS

As per the agreement signed (04 December 2013) between the Finance Department and the vendor (Tata Consultancy Services (TCS) (erstwhile M/s CMC Ltd.), a module was required to be developed in IFMS for tracking and monitoring of AC/DC bills. Audit reviewed the functioning of the “On-line Bill Preparation and Submission” Module of IFMS and noticed that:

- i. Form and provision for ‘Abstract Contingent Bill type’ had been implemented in IFMS as intended. However, the corresponding provision for ‘Detailed Contingent Bill type’ had not yet been implemented, as of December 2020, defeating the purpose of the module. The scheduled timeline for implementation of DC Bill type was April 2018, *i.e.*, the completion date of IFMS.
- ii. In the absence of ‘DC Bill type’, IFMS is unable to assist in monitoring of pending AC Bills’ status by authorities at all levels in the Administrative Departments, Treasuries and the Finance Department.

The State Government stated (December 2021) that the matter is being reviewed by Finance Secretary regularly. The Financial Advisors and Controlling Officers are also sensitized about timely submission of DC Bills. IFMS presently records the DC bill number at the time of submission of fresh AC bill.

Response of the Government was not tenable, due to the fact that 1,092 DC bills for an amount of ₹81.77 crore were pending since 2003.

#### 4.5 Personal Deposit (PD) Accounts

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Deposit Accounts. As per Subsidiary Rule 423 of OTC Volume-I, permission for opening of PD Accounts shall not be granted except after consultation with the Accountant General. It is authorised to open PD accounts to deposit funds required for specific purposes by transfer of funds from the Consolidated Fund. Transfer of funds to PD accounts is booked as final expenditure from the Consolidated Fund under the concerned service Major Heads without any actual cash flow.

##### 4.5.1 Personal Deposit Account framework

During 2020-21, an amount of ₹12,304.93 crore was transferred to the PD Accounts. This included ₹ 2,040.21 crore transferred in March 2021 from the Consolidated Fund of the State. This is 16.58 *per cent* of the total credit to PD account during the year, of which, ₹122.22 crore was transferred on the last working day of March 2021.

There were 811 PD Account holders with an unspent balance of ₹ 7,047.28 crore as of 31 March 2021 as detailed in **Table 4.5**. There was decrease of 66.28 *per cent* in unspent balances of PD accounts over previous year mainly due to opening of separate investment account of OMBADC under head of account 8443-106-3521-

91357- Government Debt and 8443-106-3521-91358- Treasury Bill and investing ₹16,758 crore and leaving ₹414.85 crore in PD Accounts of OMBADC.

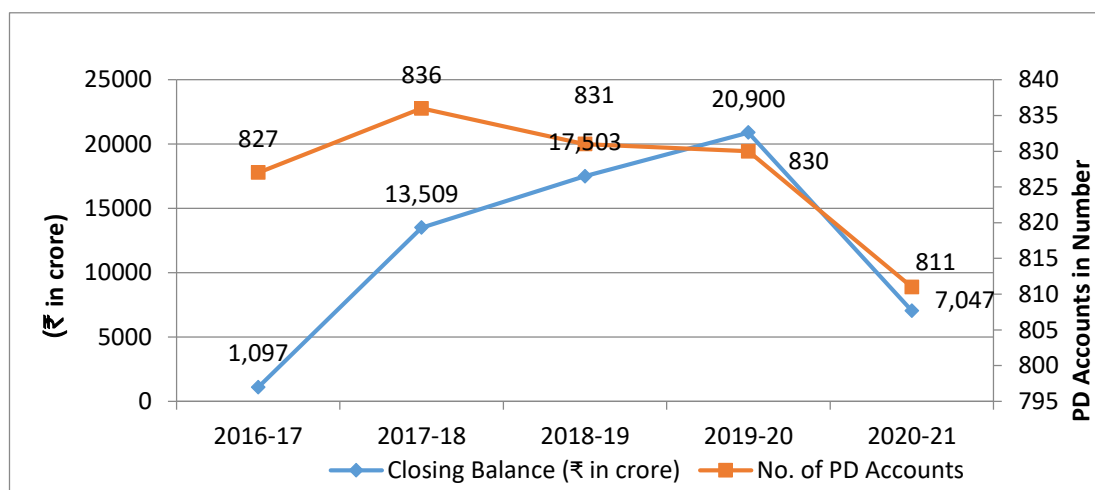
**Table 4.5: Personal Deposit Account**

Opening Balance as on 01/04/2020		Addition during the year 2020-21		Number of PD accounts closed	Expenditure during the year including closed PD Accounts	Outstanding Balance as on 31/ 03/2021	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
830	20,899.85	Nil	12,304.93	19	26,157.50	811	7,047.28

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

It can be seen from **Table 4.5** that during the year 2020-21, no new PD Account was opened but a sum of ₹12,304.93 crore was transferred to the already existing PD Accounts. There was a net reduction of ₹13,853 crore (66.28 per cent) in the cumulative closing balance at the end of the year 2020-21 as detailed in **Chart 4.5**:

**Chart 4.4: Closing Balance in PD Accounts during 2016-21**



Source: Finance Accounts of respective years

The closing balance of ₹ 7,047.28 crore pertained to (i) ₹ 89.22 crore in 290 PD Accounts of Educational Institutions, (ii) ₹ 3,166.19 crore in 112 PD Accounts of Municipal Funds, (iii) ₹1,026.94 crore in 314 PD Accounts of Panchayat Bodies Fund, (iv) ₹ 12.27 crore in four PD Accounts of Medical and Charitable Funds and (v) ₹ 2,752.65 crore in 91 PD Accounts of Other Agencies or Institutions like District Rural Development Agencies, Integrated Tribal Development Agencies, etc. Non-transfer of unspent balances lying in PD Accounts to Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

The State Government stated (December 2021) that they are continuously working with the O/o the Accountant General (A&E) to ensure due compliance in respect of PD accounts. The State has added a number of new features to the PD accounts for improved operability and reporting. Reconciliation of PD accounts is being taken up



on regular basis to avoid any irregularity in their management. IFMS has been customized to provide a window to the office of Accountant General (A&E), Odisha to withdraw the cheque drawing facility of the PD Administrators who fail to do a timely reconciliation.

#### 4.5.2 In-operative PD Accounts and Non-reconciliation of PD Account balances

As per Subsidiary Rule 423 of OTC Vol-I, if a PD Account remains 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 2020-21, 19 PD Accounts with an unspent balance of ₹6.10 crore (**Appendix-4.5**) were closed. However, four in-operative PD Accounts, where no transaction had taken place for over three financial years after the year of last transaction, are yet to be closed. These four Accounts had a total unspent balance of ₹0.38 crore which are detailed in table below.

**Table 4.6: In operative PD Accounts as on 31 March 2021**

(₹in lakh)

Sl. No	Name of the Administrator of PD Accounts	Balance
1	Headmaster, AN High School, Narasinghpur, Cuttack, Pin-751001	1.52
2	Treasurer, Charitable Endowment, Bhubaneswar, Pin-751001	35.65
3	Administrator, Central Provident Fund, H&UD Department, Bhubaneswar, Pin-751001	0.00
4	Headmistress, Government Girls High School, Kuchinda, Sambalpur, Pin-768222	1.07
	<b>Total</b>	<b>38.24</b>

The balances in the PD accounts are required to be reconciled annually by the administrator with that of Treasury accounts. Out of a total of 811 PD accounts, 737 PD accounts (90.88 per cent) had been reconciled as of 31 March 2021.

Non-reconciliation of balances in PD accounts and not transferring the unspent balances lying in PD accounts to Consolidated Fund of State is fraught with risks of potential misuse of public funds, fraud and misappropriation.

Finance Department is required to close inoperative PD accounts and ensure that amounts lying in these accounts are transferred back to the Consolidated Fund of the State.

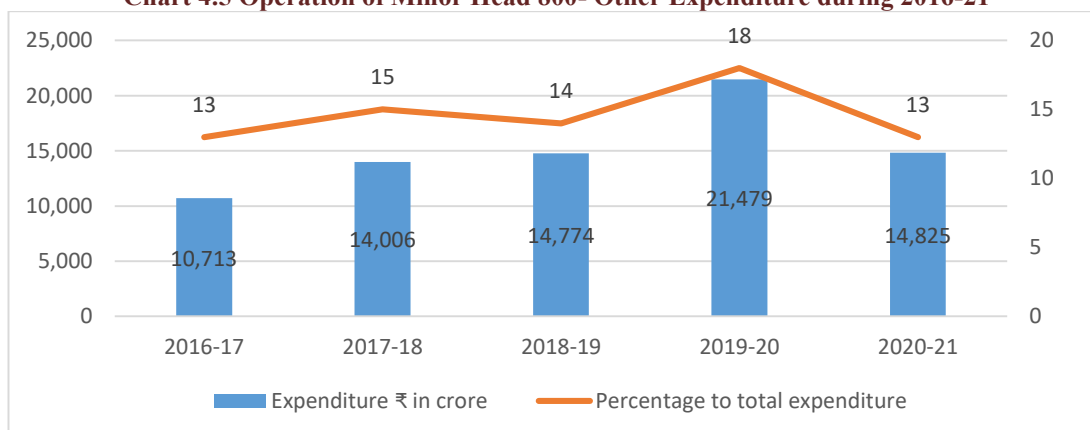
#### 4.6 Indiscriminate use of Minor head 800

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 under a Major

Head in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

During 2020-21, the State Government booked an expenditure of ₹14,825.22 crore under the Minor Head 800 under 115 revenue and capital Major Heads of Accounts, constituting 13.09 per cent of the total revenue and capital expenditure totalling ₹1,13,259.83 crore. The extent of operation of Minor Head-800 for Other Expenditure, as a percentage of Total Expenditure during 2016-21 is given in **Chart 4.5**.

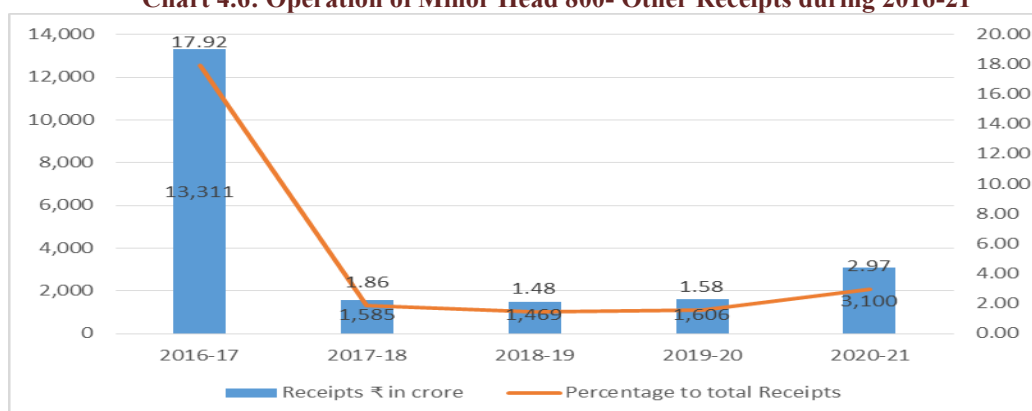
**Chart 4.5 Operation of Minor Head 800- Other Expenditure during 2016-21**



Source: Finance Accounts 2020-21, Government of Odisha.

As seen from **Chart 4.5** above, there has been large scale operation of Minor Head-800 for Other Expenditure, with its share in total expenditure ranging from 13 per cent to 18 per cent during the period 2016-21. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Appendix 4.6**. The main defaulting Departments were Parliamentary Affairs, Water Resources, Transport, Agriculture and Farmer’s Welfare and Housing and Urban Development. The details of operation of Minor Head 800 for other Receipts during the last five years are shown in **Chart 4.6** below:

**Chart 4.6: Operation of Minor Head 800- Other Receipts during 2016-21**



Source: Finance Accounts 2020-21, Government of Odisha

As seen from the above Chart, the operation of Minor Head 800-Other Receipts has been lower as compared the use of this Head in expenditure side and ranged between

17.92 per cent of total receipts in 2016-17 to 2.97 per cent of total receipts during 2020-21. During 2020-21, the State Government classified receipts of ₹3,100.34 crore, pertaining to 64 Major Heads, under the Minor Head '800 - Other Receipts'. Cases where 100 per cent of receipts were classified under Minor Head 800 – 'Other Receipts', are given in **Appendix 4.7**. The main defaulting Departments are Revenue and Disaster Management, Housing and Urban Development, Panchayati Raj and Industry.

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 proportions of the receipts/ expenditure under the concerned Major Head are booked under Minor Head 800 is a cause for concern, since it adversely impacts transparency.

The State Government stated (December 2021) that Expenditure and receipts are booked under the minor head '800-Other Expenditure' and '800-Other Receipts', only if the nature of expenditure or receipt do not fit to the minor heads enlisted under a Major Head in the list of Major and Minor heads prescribed by the Controller General of Accounts (CGA). However, the purpose of expenditure in most of such cases is specified below minor heads. While formulating Annual Budget, 2021-22, Budget provision under '800-Other Expenditure' have been duly verified and modified thereby reducing the amount to a great extent.

#### **4.7 Outstanding balance under major Suspense heads**

Certain intermediary/ adjusting heads of accounts known as 'Suspense heads' are opened in Government accounts to reflect transactions of receipt and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/ PAOs, Non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.7**.

Table 4.7: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 - Suspense</b>						
101 - PAO suspense	172.40	55.65	210.63	42.91	188.42	25.15
Net	Dr. 116.75		Dr. 167.72		Dr. 163.27	
102- Suspense Account- Civil	16.50	45.94	13.07	44.12	29.07	2.59
Net	Cr. 29.44		Cr. 31.05		Cr. 26.48	
110- Reserve Bank Suspense- CAO	9.30	..	1.88	..	3.11	..
Net	Dr. 9.30		Dr. 1.88		Dr. 3.11	
<b>Major Head 8782- Cash Remittances and adjustment</b>						
102-P.W. Remittances	17.65	2.35	14.80	2.33	13.46	1.62
Net	Dr. 15.30		Dr. 12.47		Dr. 11.84	
103- Forest Remittances	59.27	0.17	83.32	-	62.72	..
Net	Dr. 59.10		Dr. 83.32		Dr. 62.72	

Source: Finance Accounts of respective years, Government of Odisha

Increasing accumulation of balances during 2018-21 under the suspense heads indicated inadequate accounting controls of the Government. The details of the balances under 101-PAO suspense head are discussed below.

#### 4.7.1 Pay and Accounts Office (PAO) Suspense (Minor Head 101)

The outstanding debit balance (31 March 2021) under this Minor Head was ₹188.42 and the credit balance was ₹25.15 crore. Major outstanding debit balances were in respect of PAO, Central Pensions, New Delhi (₹170.92 crore) and PAO, Ministry of Surface Transport, Kolkata (₹17.50 crore). Major outstanding credit balances were in respect of Ministry of Shipping and Transport, New Delhi (₹1.03 crore), and others (₹26.83 crore). The outstanding balances under PAO Suspense head need to be adjusted.

#### 4.8 Non-reconciliation of Departmental figures

To enable Controlling Officers (COs) of the Departments to exercise effective control over spending, to keep it within the budget grants and to ensure accuracy of their accounts, the OGFR (319) stipulates those receipts and expenditure during the financial year recorded in the books of Controlling Officers need to be reconciled by them every month with the records in the books of the AG (A&E).

The status of reconciliation of receipts and expenditure by the COs during the last three years (2018-21) is shown in **Chart 4.7** and **Chart 4.8** respectively.

Chart 4.7: Status of reconciliation of receipts during last three years

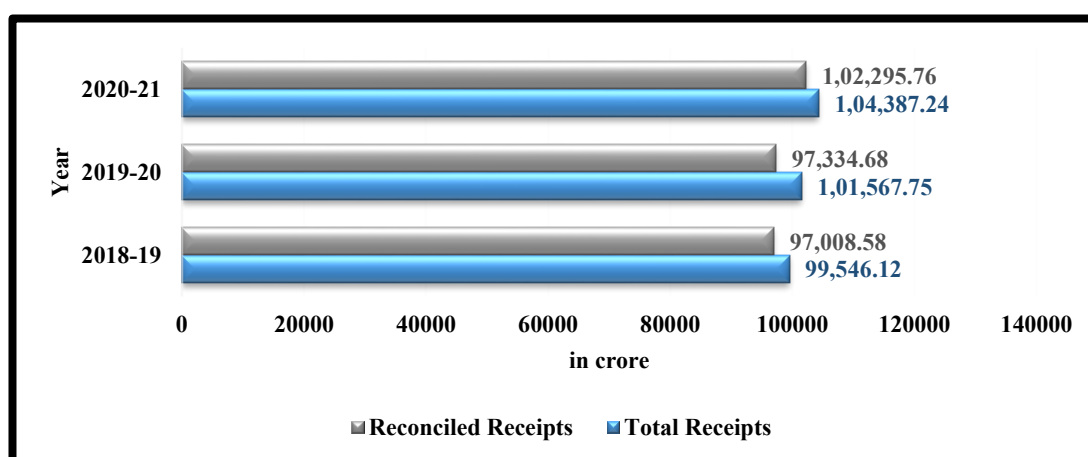
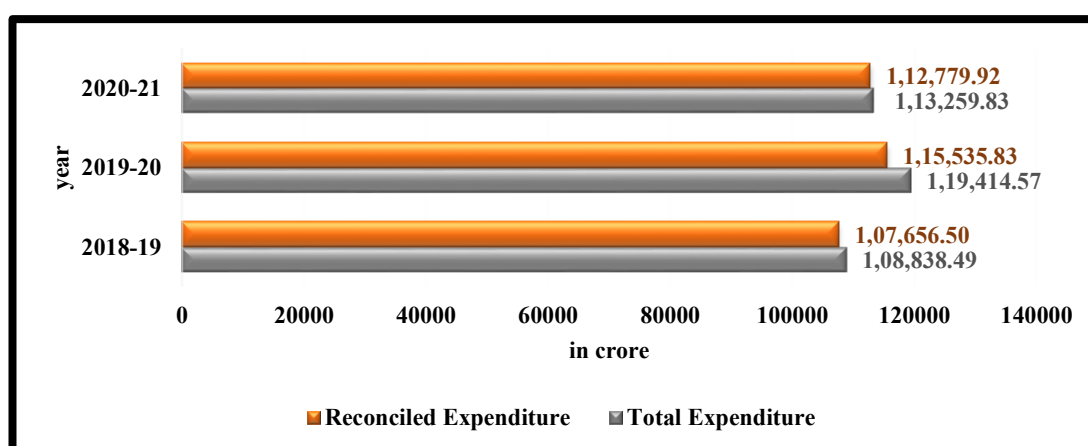


Chart 4.8: Status of reconciliation of expenditure during the last three years



The trend of reconciliation of last three years is shown in the table below:

Table 4.8: Status of Reconciliation of Receipts and Expenditure figures

							(₹ in crore)
Year	Total No. of Control ling Officers	Fully Reconciled	Partially Reconciled	Not Recon ciled at all	Total Receipts/ Expenditure	Reconciled Receipts/ Expenditure	Percentage of Reconciliation
<b>Receipt</b>							
2018-19	74	42	-	32	99,546.12	97,008.58	97.45
2019-20	74	52	-	22	1,01,567.75	97,334.68	95.83
2020-21	75	60	-	15	1,04,387.24	1,02,295.76	98.00
<b>Expenditure</b>							
2018-19	170	166	-	7	1,08,838.49	1,07,656.5	98.91
2019-20	173	168	-	5	1,19,414.57	1,15,535.83	96.75
2020-21	172	170	-	2	1,13,259.83	1,12,779.92	99.58

Source: Finance Accounts of respective years, Government of Odisha.

Percentage of reconciliation of the receipts and disbursements ranged between 96 per cent to 99 per cent during the last three years.

#### 4.9 Reconciliation of Cash Balances

As on 31 March 2021, there was a difference of ₹8.13 crore (Net debit), between the Cash Balance of the State Government, as per the books of Accounts of the AG (A&E), and the Cash Balance as reported by the Reserve Bank of India. There was a net difference of ₹8.13 crore (Debit), mainly due to incorrect reporting by Agency Banks to the Reserve Bank of India. Out of this un-reconciled cash balance, 7.84 crore (96 per cent) has been settled by the end of June 2021.

##### 4.9.1 Discrepancy of ₹150.31 crore due to non-reconciliation between bank balance and cash book balance

Reconciliation of bank account figures with those of cash book figures 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, if any. In 21 sampled DDOs, it was observed that there was a difference of ₹150.31 crore (*Appendix 4.8*) between the balances in cash book and bank pass book as of March 2021. In absence of reconciliation of cash balances, the authenticity of accounts maintained by these DDOs could not be vouched for in audit.

The State Government stated (December 2021) that in order to address the issue, a Scheme Bank Accounts Management System (SBMS) module has now been developed in IFMS and is now operational. This would be effective in tracking the Government funds parked in different bank account on real time basis and helpful in reconciliation and analysis of closing cash by DDOs/Implementing Agencies.

#### 4.10 Non-Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting to enhance accountability mechanisms. Till date, three Indian Government Accounting Standards (IGAS) have been notified. The extent of non-compliance with the Standard by the Government of Odisha in its financial statements for the year 2020-21 are given below:

**Table 4.9: Non-Compliance with Indian Government Accounting Standards**

Sl. No.	Accounting Standards	Compliance by State Government	Impact of deficiency
1.	<b>IGAS-2: Accounting and Classification of Grants- in- Aid</b>	Not complied	I. Certain Grants-in-Aid were classified under Capital Section (Refer Paragraph 2.4.3) II. No information was available in respect of Grants-in-Aid given in kind by the State Government.

*Source: Finance Accounts & Appropriation Accounts 2020-21, Government of Odisha.*

#### 4.11 Non-Submission of Annual Accounts/ Separate Audit Reports of 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 the annual accounts to Audit before 30 June every year. In respect of 16 Autonomous Bodies, which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to more than nine years as shown in **Appendix 4.9**.

Of these 16 bodies/ authorities, seven bodies / authorities *viz.* Odisha Electricity Regulatory Commission, Odisha State Legal Services Authority, Odisha State Road Transport Corporation, Odisha Industrial Infrastructure Development Corporation, Orissa Small Industries Corporation Limited, Lokayukta, Odisha, and Odisha Building and Other Construction Workers Welfare Board have submitted their accounts for financial audit for periods ranging from 2013-14 and 2019-20.

Annual accounts for remaining nine bodies/ authorities due up to 2020-21, had not been received as of September 2021. The accounts of these bodies/ authorities were in arrears for more than nine 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.

#### **4.12 Departmental 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 per Statement 5 of Finance Accounts of 2020-21, out of 15 departmental undertakings/ Schemes, no Department had prepared proforma accounts.

In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay also opens the system to the risk of fraud and leakage of public money.

#### **4.13 Non submission of details of grants / loans given to bodies and authorities**

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
- total expenditure of the institutions.

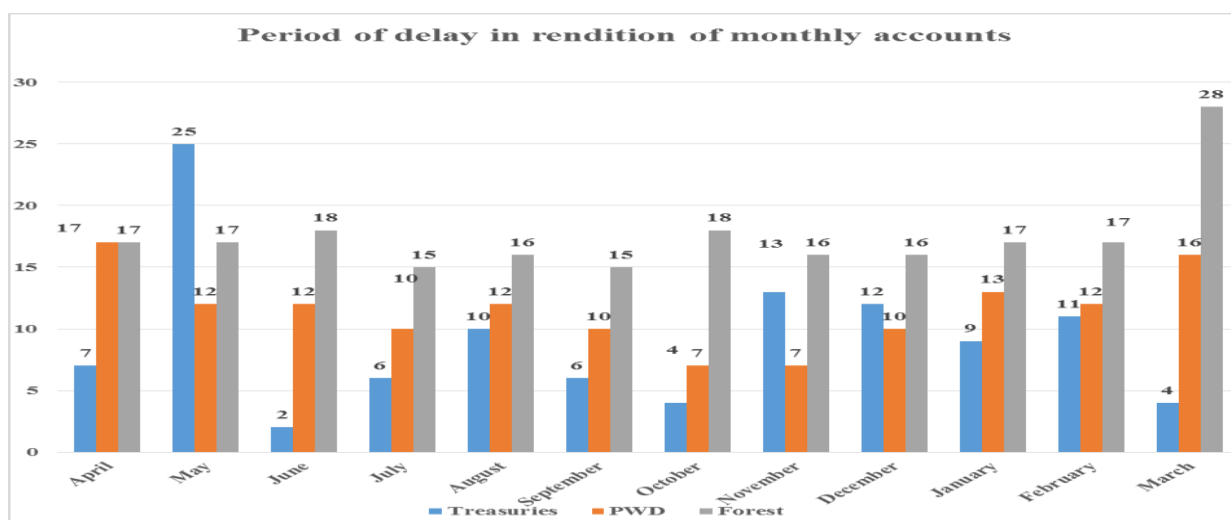
Further, Governments and HODs, who sanction grants and/ or loans to bodies or authorities are required to furnish to Audit by the end of July every year, a statement of such bodies and authorities to which grants and/ or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

Only 19 out of 43 Departments had furnished the details of Grants-in-Aid given to various bodies and authorities in the year 2020-21. In the absence of the information from remaining 24 Departments<sup>26</sup>, reasonable 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.

#### 4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, cyber treasury, public works divisions, apart from the RBI advices. During the financial year 2020-21, there were delays in rendition of monthly accounts ranging from 02 to 25 days by treasuries, 07 to 17 days by Public Works Divisions and 15 to 28 days by Forest Divisions. Details of delay (in days) in submission of monthly Civil Accounts are given in **Chart 4.9**.

**Chart 4.9: Delay (in days) in rendition of monthly accounts by Treasuries, Public Works and Forest Divisions**



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

<sup>26</sup> General Administration and Public Grievance, Law, Finance, Works, Food Supplies and Consumer Welfare, School and Mass Education, Health and Family Welfare, Housing and Urban Development, Labour & Employees State Insurance, Sports & Youth services, Planning and Convergence, Panchayati Raj and Drinking Water, Public Grievance and Pension Administration, Water Resources, Forest and Environment, Agriculture and Farmers’ Empowerment, Rural Development, Parliamentary Affairs, Public Enterprises, Skill Development and Technical Education, Micro, Small and Medium Enterprises, Social Securities and Empowerment of persons with disabilities Department, Disaster Management and Odia Language, Literature and Culture.



Due to the failure of the account rendering units in furnishing timely accounts, 11 accounts<sup>27</sup> are excluded from the monthly Civil Accounts by the Accountant General (A&E) during 2020-21.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, functioning of departments, *etc.* during the year.

#### **4.15 Misappropriations, losses, thefts, 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 the Accountant General, Odisha where the amount is ₹500 or more. Various Departments of the State Government reported that there were 719 cases of loss, misappropriation and defalcation, *etc.*, as detailed in *Appendix 4.10*.

The Government stated (December 2021) the concerned Departments would be requested to initiate appropriate actions and dispose-off pending cases in timely manner.

#### **4.16 Opening of New Sub Heads/Detailed Heads of Accounts without advice**

During 2020-21, the Government of Odisha opened 74 new Sub Heads (61 under the Revenue Section and 13 under Capital section) in the budget, without seeking the advice of the Accountant General as required under the provisions of Article 150 of the Constitution of India. The State Government provided budget provisions under these heads and incurred expenditure of ₹8,657.66 crore under the Revenue Section and ₹685.26 crore under the Capital Section in these heads during 2020-21.

#### **4.17 Follow up action on State Finances Audit Report**

Separate Report on State Finances is being prepared since the year 2008-09 onwards and presented to the State Legislature. During 2020-21, four<sup>28</sup> meetings were held to discuss pending position of paras relating to State Finances Audit Report (SFARs). As of March 2021, total 304 paragraphs related to SFARs, were pending pertaining to the period 2008-09 to 2019-20.

#### **4.18 Recommendations:**

1. The Government should bring all the funds lying outside the Consolidated Fund/ Public Accounts in breach of constitutional provisions, within the fold of Consolidated Fund/ Public Accounts. (*Paragraph 4.1*)
2. The State Government may consider to give reasonable time for utilisation of funds and submission of UCs by amending the time limit fixed in the OGFR. (*Paragraph 4.3*)

<sup>27</sup> 01 Treasury Accounts, 02 P.W Accounts, 08 Forest Accounts

<sup>28</sup>(First meeting was no date and Second Meeting-November 2020, Third Meeting-January 2021 and Fourth Meeting-February 2021)

3. The Government should consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules. **(Paragraph 4.5)**
4. The Government should close inoperative PD accounts and review all other PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. **(Paragraph 4.6)**
5. The Government should, in consultation with the Accountant General (A&E) Odisha, conduct a comprehensive review of all items presently appearing under Minor Head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate heads of accounts. **(Paragraph 4.7)**
6. The Government may consider preparing a time bound framework for taking prompt action including lodging of FIRs in cases of misappropriation, loss, theft, *etc.*, and strengthening the internal control system to prevent recurrence of such cases. **(Paragraph 4.12)**