

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 an attribute of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Non-discharge of liability, in regard to interest towards interest bearing deposits/ Reserve Funds

The Government has liability to provide and pay interest on the amounts, in the Interest-bearing Deposits/ Reserve Funds.

Audit observed that ₹231.76 crore was required to be paid as interest, on the balance of ₹5,152.04 crore, lying under interest bearing deposits/ Reserve Funds, as on 1 April 2022, as shown in **Table 4.1**. Non-payment of interest liability resulted in overstatement of Revenue Deficit and understatement of Fiscal Deficit to that extent.

Table 4.1: Details of non-discharge of liability in regard to interest towards interest bearing deposits/Reserve Funds

(₹ in crore)

Funds/Deposits	Balance on 1 April, 2022	Basis for calculation of interest	Interest due	Interest paid	Interest short paid
State Disaster Response Fund and State Disaster Mitigation Fund	1,419.58	Interest calculated at the average rate of 7.49 per cent, paid on overdraft, as notified by RBI.	106.33	Nil	106.33
State Compensatory Afforestation Fund	3,714.05	Interest calculated at the interest rate of 3.35 per cent, as notified by Ministry of Environment and Forests.	124.42	Nil	124.42
Deposits of Government Companies, Corporations etc.	18.12	Interest calculated at the average rate of 5.49 per cent, paid on Ways and Means, as notified by RBI.	0.99	Nil	0.99

Miscellaneous Deposits	0.29	Interest calculated at the average rate of 5.49 per cent, on Ways and Means, as notified by RBI.	0.02	Nil	0.02
Total	5,152.04		231.76	Nil	231.76

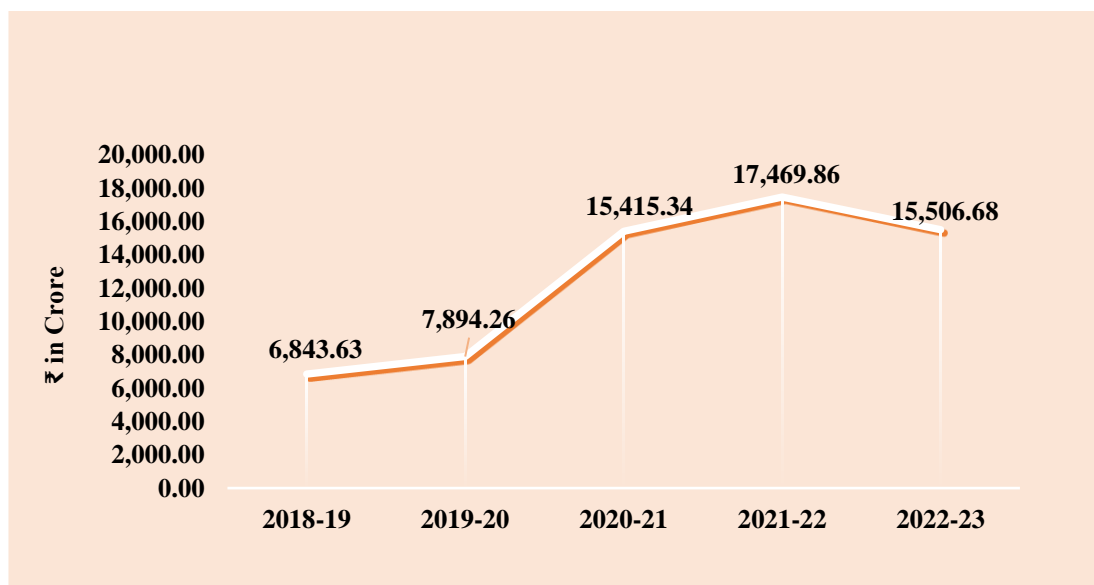
Source: Finance Accounts for FY 2022-23

4.2 Funds transferred directly to State Implementing Agencies

The Government of India (GoI) has been transferring sizeable funds directly to the State implementing agencies, for implementation of various schemes. GoI decided to route these funds through the State Budget, from FY 2014-15 onwards. However, during FY 2022-23, central share of ₹15,506.68 crore, under 38 Central Schemes, as detailed in *Appendix 4.1*, was transferred directly to the Implementing Agencies, bypassing the Consolidated Fund of the State. This constituted 10.31 per cent and 85.20 per cent of total Revenue Receipts (₹1,50,462.34 crore) and Grants-in-Aid (₹18,199.60 crore), respectively.

Trends of such transfers, directly to the implementing agencies, during the last five years, are given in **Chart 4.1**.

Chart 4.1: Transfer of funds directly to implementing agencies, during FYs 2018-19 to 2022-23



Source: Finance Accounts for FY 2022-23 – Appendix VI

As can be seen from **Chart 4.1**, the transfer of funds increased by 126.59 per cent, during the last five years, from ₹6,843.63 crore in FY 2018-19 to ₹15,506.68 crore in FY 2022-23. The major agencies, that received funds directly from the GoI, during FYs 2020-21 to 2022-23, for implementing various developmental schemes and the quantum of such funds, are given in **Table 4.2**.

Table 4.2: Major implementing agencies that received funds directly from GoI, during FYs 2020-21 to 2022-23

(₹ in crore)

Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount transferred		
		2020-21	2021-22	2022-23
Food Subsidy	Odisha State Civil Supplies Corporation Limited (OSCSCL), Bhubaneswar	8,985.73	7,892.69	7,600.05
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Odisha Rural Development and Marketing Society (ORMAS), Bhubaneswar	4,413.41	4,346.47	3,788.18
National Rural Drinking Water Programme	Engineer-In-Chief, Rural Water Supply and Sanitation, Bhubaneswar	0	1,661.70	1,768.73
Other Schemes	Tahasildars and Land Acquisition Officers	130.30	98.16	321.00

Source: Finance Accounts for FY 2022-23, Appendix VI

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

Issues related to Transparency

4.3 Delays in submission of Utilisation Certificates (UCs)

The Odisha General Financial Rules (OGFR) provide that every order sanctioning a grant should specify its objective clearly, as well as the time limit within which the grant is to be spent. Rule 173 of the OGFR states that the Departmental Officers drawing Grants-in-Aid are 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. Utilisation Certificates (UCs) are to be furnished to the concerned Administrative Departments by 1st June of the succeeding year of expenditure. Copies of the UCs should reach the Accountant General, Accounts and Entitlement (AG(A&E)) and the Heads of the Departments concerned, by 30th June of that year. The status of UCs, which have not been received by AG(A&E) and are pending reconciliation, as on 31 March 2023, is given in **Table 4.3 (A)**.

Table 4.3 (A): Status of UCs, not received by AG(A&E) and pending reconciliation

(₹ in crore)

Year	No. of UCs	Amount
Up to 2021-22	17,410	16,166.24
2022-23 (drawn up to 31 st March 2022)	1,831	4,530.15
Total	19,241	20,696.39

Source: Finance Accounts for FY 2022-23

*The year mentioned in **Table 4.3** relates to “Due year,” i.e. by 30 June of the year succeeding the actual drawal.

#Additions during the year 2022-23 were ₹19,084.29 crore. Out of this, ₹8,003.71 crore had been cleared by 31 March 2023.

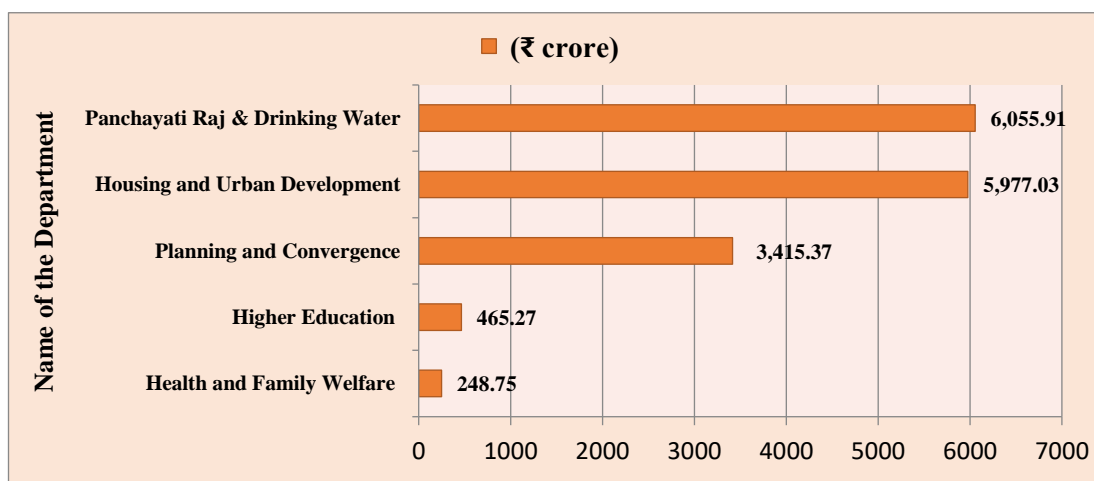
Age-wise analysis of UCs, not received by AG(A&E) and pending reconciliation is given in **Table 4.3 (B)**.

Table 4.3 (B): Age-wise analysis of Utilisation Certificates, not received by AG(A&E) and pending reconciliation

(Amount in ₹ crore)			
Sl. No.	Age	No. of pending UCs	Amount
1	Between 11 years to 19 years	6,433	1,036.30
2	Between 6 years to 10 years	5,574	3,982.58
3	Between 2 years to 5 years	5,403	11,147.36
4	Between 0 years to 1 years	1,831	4,530.15
Total		19,241	20,696.39

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

Chart 4.2: UCs, not received by AG(A&E) and pending reconciliation in regard to five major Departments, as on 31 March 2023



Source: Finance Accounts for FY 2022-23

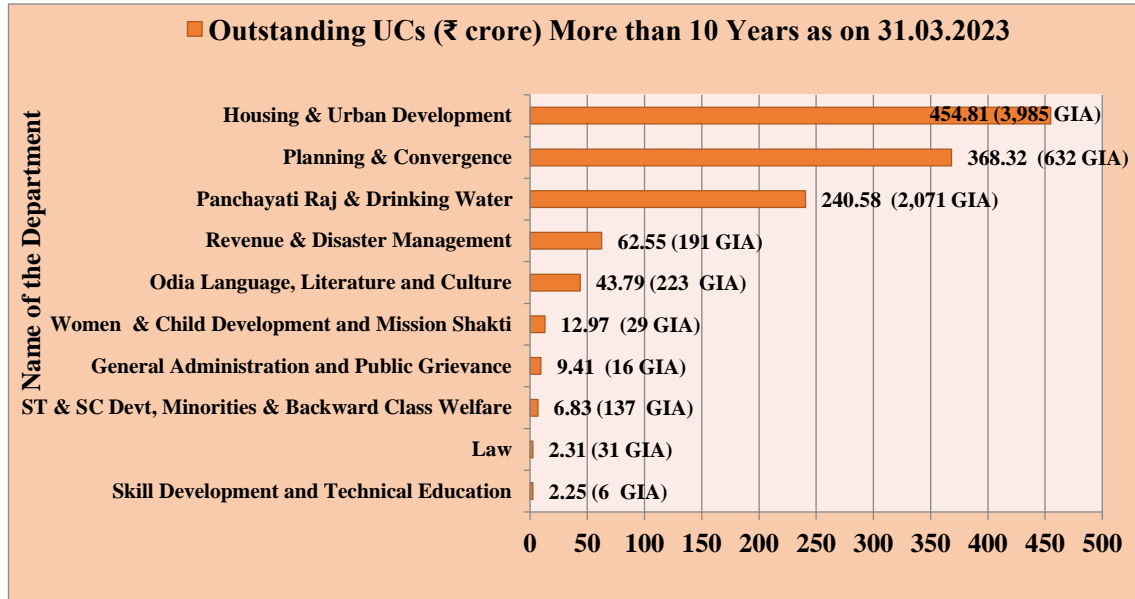
From **Chart 4.2**, it is evident that ₹16,162.33 crore *i.e.* 78.09 per cent of the total UCs, of ₹20,696.39 crore, which have not been received by AG(A&E) and are pending reconciliation, pertains to five Departments, *viz.* Panchayati Raj and Drinking Water (₹6,055.91 crore), Housing and Urban Development (₹5,977.03 crore), Planning and Convergence (₹3,415.37 crore), Higher Education (₹465.27 crore) and Health and Family Welfare (₹248.75 crore).

During the year 2022-23, Government had released ₹19,082.73 crore as Grants-in-Aid (48,855 vouchers). Out of this amount, UCs were not received by AG (A&E) for an amount of ₹11,079.02 crore (58.06 per cent) (3,721 vouchers) up to 30th June 2023. The five major defaulting Departments, that had not submitted UCs to AG(A&E), were the Panchayati Raj and Drinking Water (₹4,071.72 crore), Housing and Urban Development (₹2,451.34 crore), Health and Family Welfare (₹798.42 crore), Higher Education (₹623.57 crore) and Planning and Convergence (₹644.82 crore).

The department-wise position of UCs which had not been received by AG(A&E) and were pending reconciliation, for more than 10 years, is given in **Appendix 4.2**. There were 19 Departments, against which UCs were pending in the office of the AG (A&E) for more than 10 years. Of these, the 10 major Departments, where UCs were pending for more than ten years, as of March 2023, are detailed in **Chart 4.3**.

Chart 4.3: UCs, not received by AG(A&E) and pending reconciliation in regard to 10 major Departments, where UCs were pending for more than 10 years

(₹ in crore)



Source: Finance Accounts for FY 2022-23

Since non-submission of UCs is fraught with the risk of misutilisation, 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.

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

Rule 171 (4) of the OGFR-I, read with Note 2, 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, in the Integrated Financial Management System (IFMS), by April 2018.

Audit noticed that the UC module had not been made operational (as of September 2023) in the IFMS. The UC module was being tested on a pilot basis, in the Higher Education and Co-operation Departments.

In the absence of the UC Module, IFMS was 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

When money is required in advance or when it is not possible to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the concerned service heads. In terms of Rule 261 of the 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.

Details of AC bills, pending adjustment, as on 31 March 2023, are given in **Table 4.4**. The Department-wise pending DC Bills, are shown in **Appendix 4.3**.

Table 4.4: Age-wise pendency of AC Bills

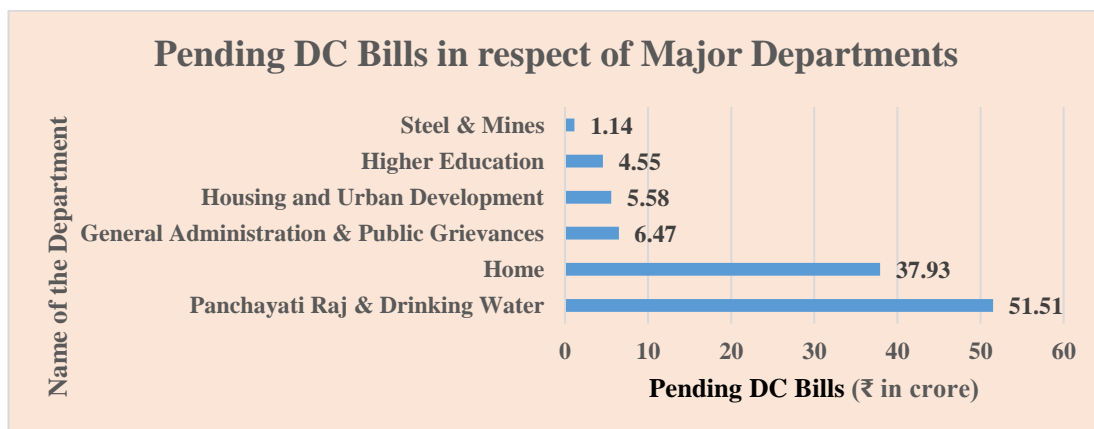
(Amount in ₹ crore)

Year	No. of AC Bills	Amount
Up to 2021-22	1,004	95.99
2022-23	378	11.58
Total	1,382	107.57

Source: Finance Accounts for FY 2022-23

It was observed that 667 AC bills, amounting to ₹22.19 crore, were drawn during FY 2022-23, out of which 109 AC bills, amounting to ₹7.34 crore (33.10 per cent) were drawn in March 2023. Out of these 667 AC Bills, amounting to ₹22.19 crore, 289 AC Bills, amounting to ₹ 10.61 crore, were cleared and 378 AC Bills, amounting to ₹11.58 crore, were pending during the year 2022-23, as shown in **Appendix 4.4**. Expenditure against AC bills at the end of the year, indicates poor public expenditure management and may point to drawals being done primarily to exhaust the budget provisions.

The status of major six Departments, which accounted for 99.64 per cent of the total outstanding DC bills, is given in **Chart 4.4**.

Chart 4.4: Major amount of DC Bills pending with six Departments, at the end of March, 2023

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

It is evident from **Chart 4.4** that ₹107.18 crore *i.e.* 99.64 *per cent* of the total outstanding AC Bills of ₹107.57 crore, pertains to six Departments, *viz.* Panchayati Raj and Drinking Water (₹51.51 crore), Home (₹37.93 crore), General Administration & Public Grievances (₹6.47 crore), Housing and Urban Development (₹5.58 crore), Higher Education (₹4.55 crore) and Steel & Mines (₹1.14 crore).

Age-wise details of the 1,382 outstanding DC bills, are shown in **Table 4.5**.

Table 4.5: Age-wise details of pending DC Bills

Sl. No.	Age	No. of pending DC Bills	(Amount in ₹ lakh)
			Amount
1	Between 11 years to 20 years	84	90.01
2	Between 6 years to 10 years	135	206.91
3	Between 2 years to 5 years	785	9,301.96
4	Between 0 years to 1 years	378	1,157.84
	Total	1,382	10,756.72

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

In comparison to 2021-22, the total amount of pending DC bills had decreased by 35.78 *per cent*, in FY 2022-23.

Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills.

4.4.1 Non-implementation of the DC Bill functionality under the “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 “Online Bill Preparation and Submission” module of the 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 September 2022, defeating the purpose of the module. The scheduled timeline for implementation of the 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 the status of pending AC Bills, by authorities at all levels, in the Administrative Departments, Treasuries and the Finance Department.

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 FY 2022-23, an amount of ₹3,265.14 crore was transferred to PD Accounts. This included ₹378.74 crore transferred in March 2023.

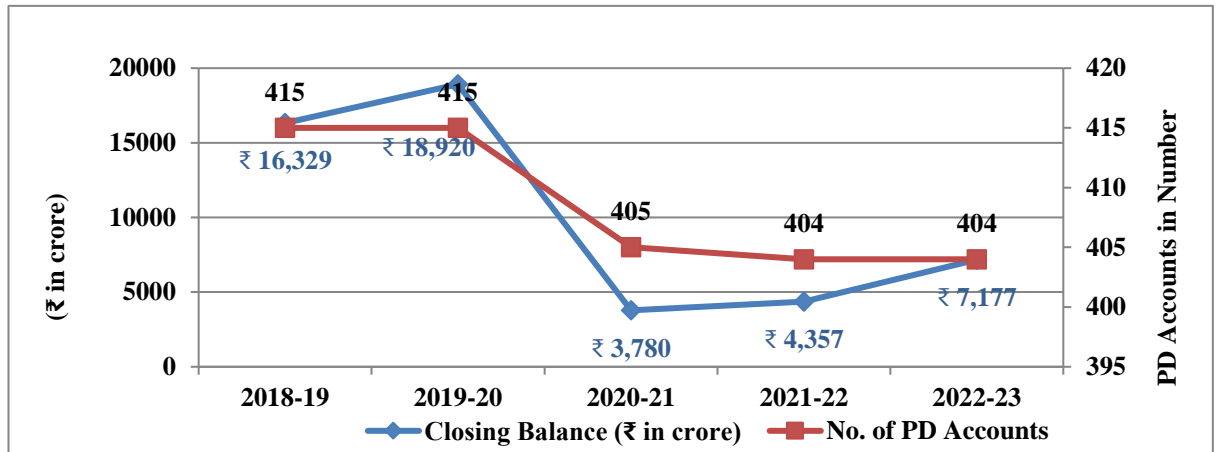
There were 404 PD Accounts, with an unspent balance of ₹7,176.85 crore, as of 31 March 2023, as detailed in **Table 4.6**.

Table 4.6: Personal Deposit Accounts

(Amount in ₹ crore)							
Opening Balance as on 01/04/2022		Addition during the year 2022-23		Closed/ Withdrawal during the year 2022-23		Outstanding Balance as on 31/ 03/2023	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
404	4,356.80	Nil	21,197.65	Nil	18,377.60	404	7,176.85

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

It can be seen from **Table 4.6** that, during the year 2022-23, no new PD Account was opened, but there was addition of ₹21,197.65 crore into the existing accounts. There was a net increase of ₹2,820 crore (64.73 *per cent*) in the cumulative closing balance at the end of the year FY 2022-23, as compared to FY 2021-22, as detailed in **Chart 4.5**.

Chart 4.5: Closing Balance in PD Accounts, during FYs 2018-19 to 2022-23

Source: Finance Accounts of respective years

The PD Administrators with huge closing balances included Principal Chief Conservator of Forests, Odisha Mineral Bearing Areas Development Corporation (OMBADC), Bhubaneswar (₹1,924.81 crore); Executive Officer, Zilla Parishad, Khurda (₹250.53 crore); and Chairman, Odisha Western Odisha Development Council, Bhubaneswar (₹212.07 crore). There was no inoperative PD Account, during the year 2022-23.

The balances in the PD accounts are required to be reconciled annually, by the administrator, with the balance in the Treasury accounts. Out of a total of 404 PD accounts, 302 PD accounts (74.75 per cent) had been reconciled, as of 31 March 2023.

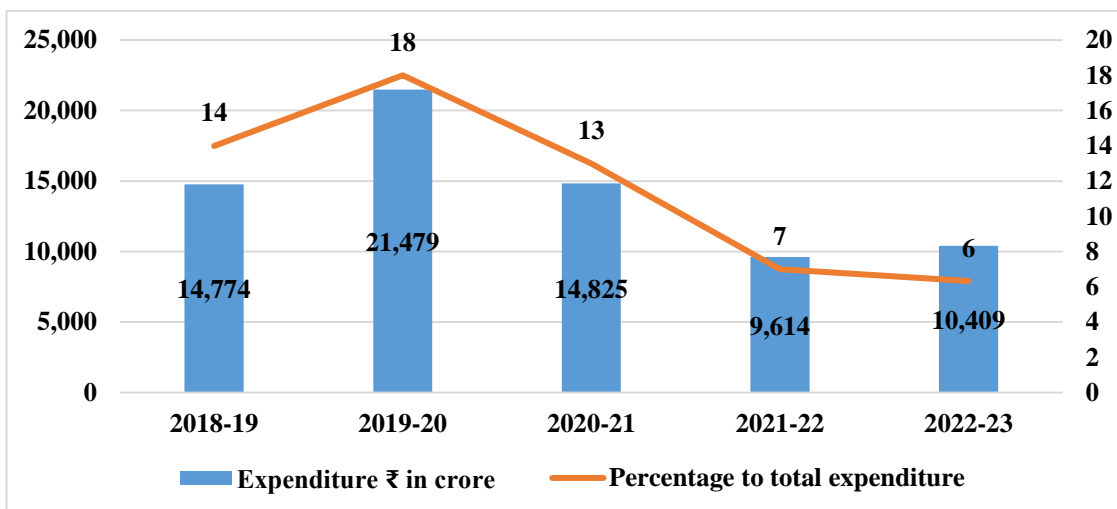
Non-reconciliation of balances in PD accounts and non-transfer of the unspent balances lying in the PD accounts, to the Consolidated Fund of State, is fraught with the risks of potential misuse of public funds, fraud and misappropriation.

4.6 Indiscriminate use of the 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 in the accounts. Routine operation of the Minor Head 800 is to be discouraged, since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It was observed that, during the year 2022-23, ₹10,408.79 crore, under 59 Major Heads of accounts, constituting 6.33 per cent of the total Revenue and Capital expenditure (₹1,64,355.54 crore), had been classified under the Minor Head '800-Other Expenditure', in the accounts. Details of substantial expenditure (50 per cent and above of the total expenditure under the concerned Major Heads), booked under Minor Head '800-Other Expenditure', are given in **Appendix 4.5**. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of the Total Expenditure, during FYs 2018-19 to 2022-23, is shown in **Chart 4.6**.

Chart 4.6: Operation of Minor Head 800 - Other Expenditure, during FYs 2018-19 to 2022-23



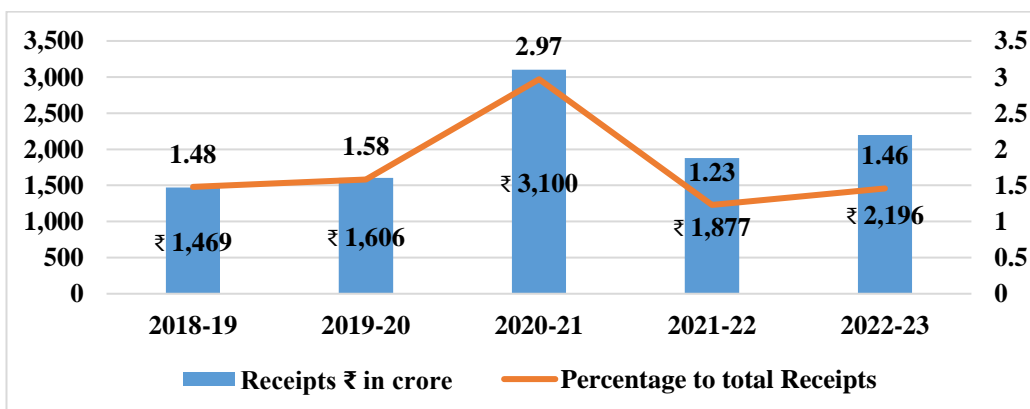
Source: Finance Accounts of respective years

As seen from **Chart 4.6**, there was 29.55 per cent decrease in the amount booked under the Minor Head 800, in FY 2022-23, as compared to the amount in FY 2018-19. The Major Head, under which the highest expenditure was booked, during FY 2022-23, was 4701- Capital Outlay on Medium Irrigation (₹2,026.21 crore), followed by Major Head 5075-Capital Outlay on Other Transport services (₹546.72 crore).

Similarly, ₹2,195.83 crore, under 64 Major Heads of Accounts, constituting 1.46 per cent of the total Revenue Receipts (₹1,50,462.34 crore), was classified under 800 – Other Receipts in the accounts. Details of substantial receipts (50 per cent and above of the total receipts under the concerned Major Heads), booked under the Minor Head 800 - Other Receipts, are given in **Appendix 4.6**.

Details of operation of the Minor Head 800 for Other Receipts, during the last five years, are shown in **Chart 4.7**.

Chart 4.7: Operation of the Minor Head 800 - Other Receipts, during FYs 2018-19 to 2022-23



Source: Finance Accounts of respective years

As seen from the above Chart, operation of Minor Head ‘800-Other Receipts’ has been lower, as compared to the use of this Head, on the expenditure side, and has ranged between 1.46 *per cent* of the total receipts (₹1,504.62 crore), in FY 2022-23, to 2.97 *per cent* of the total receipts, during FY 2020-21. The Major Heads under which the highest amounts of receipts were booked under the Minor Head 800, included 0075-Miscellaneous General Services (₹393.62 crore), 0701-Medium Irrigation Projects (₹217.19 crore) and Ports and Light houses (₹195.01 crore).

Audit noticed that some departments had booked expenditure under Minor Head 800, despite availability of relevant minor heads. Some instances in this regard, are given below:

- Expenditure of ₹60.61 crore had been incurred by the Labour and Employees State Insurance Department for the purpose of implementation of Building and Other Construction Workers Welfare Cess Act 1996 and booked the same under the Minor Head ‘800- Other expenditure under the Major Head 2230 Labour and Employment’ in spite of having appropriate Minor Head 111-Social Security for Labour.
- Expenditure of ₹175.10 crore had been incurred by the Home Department for conduct of Municipal Elections and the same had been booked under the Minor Head ‘800- Other expenditure under the Major Head 2015-Elections’, despite availability of appropriate Minor Head 109 - Conduct of Municipal Election.

Though the issue of classification of the receipts/ expenditure under Minor Head 800 – Other Receipts/ Expenditure has been regularly 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 Heads, are being booked under the Minor Head 800, is a cause for concern, since it adversely impacts transparency.

Issues related to measurement

4.7 Outstanding balances under major Suspense heads

Certain intermediary/ adjusting heads of accounts, known as ‘Suspense heads’, are opened in the Government accounts, to reflect transactions of receipt and payments, which cannot be immediately booked to a final head of account, due to lack of information, such as non-furnishing of Schedules 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 credits or debits within the same or in another circle of accounting.

The Finance Accounts reflect the net balances under the 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	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO Suspense	188.42	25.15	145.79	15.60	125.89	23.50
Net	Dr. 163.27		Dr. 130.19		Dr.102.39	
102- Suspense Account - Civil	29.07	2.59	19.12	79.51	6.08	151.21
Net	Cr. 26.48		Cr. 60.39		Cr.145.13	
110- Reserve Bank Suspense - CAO	3.11	..	236.12
Net	Dr. 3.11		Dr. 236.12		..	
Major Head 8782 - Cash Remittances and adjustment						
102-PW Remittances	13.46	1.62	137.23	147.13	250.56	256.14
Net	Dr. 11.84		Cr. 9.90		Cr.5.58	
103- Forest Remittances	62.72	..	64.21	..	43.99	..
Net	Dr. 62.72		Dr. 64.21		Dr.43.99	

Source: Finance Accounts of respective years

Increasing accumulation of balances, during FYs 2020-21 to 2022-23 under the suspense heads, indicated inadequate accounting controls of the Government. 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 2023) under this Minor Head was ₹125.89 crore and the credit balance was ₹23.50 crore. The major outstanding debit balances pertained to PAO, Central Pensions, New Delhi (₹114.99 crore) and PAO, Ministry of Surface Transport, Kolkata (₹8.33 crore). The major outstanding credit balances pertained to PAO, Central Pensions, New Delhi (₹0.32 crore); PAO, AG Odisha, Bhubaneswar (₹0.39 crore); and others (₹25.37 crore). The outstanding balances under the PAO Suspense head need to be adjusted.

4.8 Reconciliation of Cash Balances

The Cash Balance of the State Government as on 31 March 2023, as per Accounts of the Principal Accountant General (A&E), was ₹1.09 crore (Credit), while the same was reported as ₹0.99 crore (Debit) by the Reserve Bank of India. As such, there was an unreconciled difference of ₹0.10 crore (Credit).

The difference was mainly due to wrong reporting and non-reconciliation of figures by banks with the treasuries, which is under reconciliation.

4.9 Unspent amount lying with Divisional Officers

As per Codal provisions, funds received by Public Works Divisions, towards Deposit Works from Non-Government Agencies, are required to be credited under the Minor

Head ‘108 - Public Works Deposits’, below the Major Head ‘8443 - Civil Deposits’. The expenditure for related Deposit Works is also met from the same head of account. In the Monthly Divisional Accounts, the unremitted amounts of such deposits are classified under the Major Head ‘8671 - Departmental Balances, 101 – Civil’, by the PW Divisions, under the Public Account of the State, which forms part of the Government Accounts. However, the funds received towards Deposits Works are being kept in the bank accounts of the Divisional Officers, operated by the PW Divisions, instead of being remitted into the Government Accounts and, thus, do not form part of the Cash Balance of the State, with the Reserve Bank of India.

As per the Central Public Works Accounts Code, Public Works Divisions are required to deposit the funds in the accounts, to be opened at the Treasury, under the Major Head ‘8443 - Civil Deposits 108 - Public Works Deposits’. However, in contravention of the Code, the Drawing and Disbursing Officers were depositing the funds in their bank accounts. As on 31 March 2023, an amount of ₹2,302.07 crore was lying in the bank accounts of the Public Works Divisional Officers, as per their cashbooks. If the funds had been deposited in Treasury, the same would have positively impacted on the daily Cash Balance of the State Government. Department-wise details of amounts, lying in bank accounts, being operated by Divisional Officers, are given in **Appendix 4.7**.

Issues related to disclosure

4.10 Non-Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards, by the Government of Odisha, as well as deficiencies therein, during 2022-23, are detailed in **Table 4.8**.

Table 4.8: Non-Compliance with Indian Government Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1:	Guarantees Given by the Government – Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	-
2.	IGAS-2:	Accounting and Classification of Grants-in-aid	Not complied (Statement 10 of Finance Accounts)	1. Certain Grants-in-Aid were classified under Capital Section (Refer Paragraph 2.4.3) 2. No information was available in regard to the Grants-in-Aid, given in kind by the State Government.

3.	IGAS-3:	Loans and Advances made by Government	Complied (Statements 7 and 18 of Finance Accounts	-
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Source: *Finance Accounts & Appropriation Accounts for FY 2022-23*

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 the “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 of CAG, as per Section 19 or 20 of CAG’s DPC Act, are required to submit their annual accounts to Audit, before 30 June every year. In regard to 17 Autonomous Bodies, which were to render annual accounts to C&AG, there were delays in the submission of accounts, as shown in **Appendix 4.8**.

Of these 17 bodies/ authorities, eight bodies/authorities, viz. Odisha State Warehousing Corporation, Odisha Building and Other Construction Workers Welfare Board, Odisha State Financial Corporation, Orissa Small Industries Corporation Limited, Odisha State Road Transport Corporation, Odisha State Legal Services Authority, Compensatory Afforestation Fund Management and Planning Authority (CAMPA) and Odisha Electricity Regularity Commission, submitted their accounts for financial audit, for the period from FY 2014-15 to FY 2021-22.

Annual accounts for the remaining development authorities, due up to FY 2022-23, had not been received, as of September 2023. The accounts of these bodies/ authorities were in arrears for more than ten 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.

The State Government stated (December 2023) that the matter had already been taken up with all Administrative Departments, for prompt submission of their accounts, to the Principal Accountant General (Audit-I), Odisha, for financial audit and certification.

4.12 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 was 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.

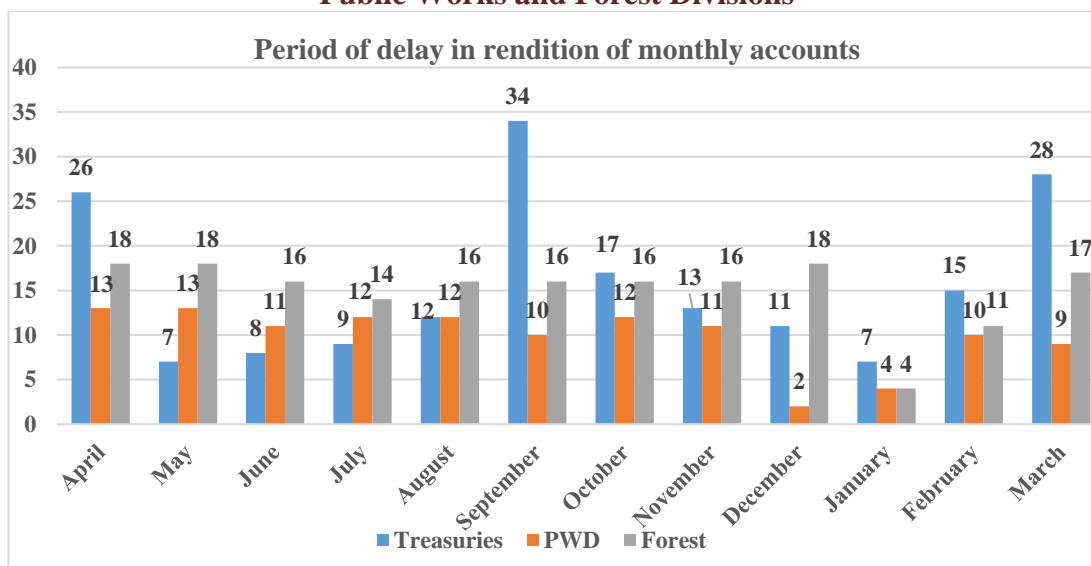
Only 27 out of 44 Departments had furnished the details of Grants-in-Aid given to various bodies and authorities, in the year 2022-23. In the absence of such information from the remaining 17 Departments¹, reasonable assurance could not be provided to the Legislature/ Government about the manner in which the grants sanctioned/ released by them had been utilised. This dilutes legislative control over the Government expenditure system.

Other Issues

4.13 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 and public works divisions (apart from the RBI advices). During the financial year 2022-23, there were delays in the rendition of monthly accounts, ranging from 7 to 34 days, by treasuries; 2 to 13 days, by Public Works Divisions; and 4 to 18 days, by Forest Divisions. Details of delays (in days), in the submission of monthly Civil Accounts, are given in **Chart 4.8**.

Chart 4.8: Delays (in days) in rendition of monthly accounts by Treasuries, Public Works and Forest Divisions



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

¹ Home; Law; Finance; Commerce; Odisha Legislative Assembly; Food Supplies and Consumer Welfare; Sports and Youth Services; Planning and Convergence; Panchayati Raj and Drinking Water; Public Grievance and Pension Administration; Transport; Science and Technology; Public Enterprises; Electronics and Information Technology; Social Security and Empowerment of persons with disabilities; Disaster Management and Odia Language, Literature and Culture.

4.14 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. Further, as per Rule 2.34 *ibid*, cases of defalcations and losses are required to be reported to the AG (A&E).

As on 31 March 2023, 711 cases of misappropriation, losses, theft *etc.*, involving ₹ 18.45 crore, were pending for settlement. The department-wise break-up of pending cases, is given in *Appendix 4.9*.

The age-wise profile of the pending cases and the number of cases pending in each category – theft and misappropriation/ loss of Government material, is summarised in **Table 4.9**.

Table 4.9: Age-wise profile of misappropriations, losses, defalcation etc.

(Amount in ₹ crore)

Age-wise profile of pending cases			Nature of pending cases		
Range in years	Number of cases	Amount involved	Types	Number of cases	Amount involved
Upto 5	38	3.88	Theft	389	4.00
5-10	7	0.21	Misappropriation	322	14.45
10-15	50	2.61	Total	711	18.45
15-20	159	3.33			
20-25	189	3.54			
More than 25	268	4.88			
Total	711	18.45			

Source: Information furnished by respective departments of Government of Odisha

Out of the total cases, 389 cases, amounting to ₹4 crore, were related to theft of Government money/ store. It was, further, noticed that, out of the total 711 cases of theft/misappropriation/loss of Government material, 673 cases (₹14.57 crore) were more than five years old.

The State Government stated (December 2023) that the concerned Administrative Departments would be directed to initiate disciplinary action and criminal proceedings against the officials held responsible.

4.15 Follow-up action on the State Finances Audit Report

In every State, the Public Accounts Committee (PAC)/ Finance Department require the line Departments to provide a *sou-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports, within one month of placement of the concerned Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNS) to the AG (for vetting and onward transmission to the PAC), within three months of tabling of the Reports.

During FY 2022-23, only one PAC meeting was held on 05 November 2022, to discuss the pending position of Audit paras and the Annual Action Plan for their disposal. As of March 2023, 361 paragraphs, relating to SFARs, pertaining to the period from FYs 2008-09 to 2020-22, were pending for discussion. The paragraphs of the SFARs, for the years 2016-17, 2018-19, 2019-20, 2020-21 and 2021-22, are yet to be taken up for discussion by Hon'ble PAC.

4.16 Conclusion

Utilisation Certificates (UCs), amounting to ₹20,696.39 crore (19,241 UCs), were outstanding, indicating lack of internal control of administrative departments and tendency on the part of the Government to disburse fresh grants without ascertaining the proper utilisation of earlier grants. Similarly, Detailed Contingent (DC) bills, amounting to ₹107.57 crore (1,382 DC bills) were also awaited. There was an unreconciled difference of ₹0.10 crore (Credit) in the Cash Balance of the State Government, for FY 2022-23. An amount of ₹2,307.07 crore was lying in the bank accounts of Divisions, pertaining to 40 Departments.

Seventeen autonomous bodies had not submitted their final accounts for considerable periods. As a result, their financial position could not be assessed and the results of investments of the Government remained outside the purview of the State Legislature.

Further, in 711 cases of theft, misappropriation, loss of Government material and defalcation (amounting to ₹18.45 crore), departmental action had remained pending for long periods.

4.17 Recommendations

- 1) Government should ensure timely submission of Utilisation Certificates by the departments, in regard to the grants released for specific purposes.
- 2) Government should ensure adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules.
- 3) The Finance Department should put in place a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings, in order to assess their financial position.
- 4) Government may consider preparing a time-bound framework for taking proper action in cases of misappropriation, loss, theft *etc.* and also strengthening its internal control system, to prevent recurrence of such cases.

