

Chapter-IV
Quality of Accounts
&
Financial Reporting Practices

A sound internal financial reporting system, with relevant and reliable information, significantly contributes to efficient and effective governance. 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, assist 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 as 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:

4.1.1 Building and Other Construction Workers Welfare Cess

Labour Cess, collected by various agencies, was 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 ₹ 496.30 crore, collected during 2021-22, was kept outside the Government Account, in the shape of Fixed Deposits and Flexi-savings accounts at the State Bank of India, Government Treasury Branch, in violation of constitutional provisions and sub section (2) of Section 3 of the Building and Other Construction Workers (BOCW) Act, 1996.

The collection of cess fund of the OB & CWW Board and expenditure incurred thereon, during the years 2019-20 to 2021-22, is shown in **Table 4.1**.

Table 4.1: Amounts collected and utilised by the OB & OCWWB in Odisha

(₹ in crore)

Year	Opening Balance	Receipts during the year			Total	Expenditure	Closing Balance	Utilisation of funds (per cent)
		Cess	Regd. Fees and Annual Contribution	Interest				
2019-20	490.72	408.60	6.92	51.64	957.88	230.43	727.45	24.06
2020-21	727.45	361.95	9.7	34.84	1,133.94	473.52	660.42	41.76
2021-22	660.42	454.23	12.35	29.72	1,156.72	526.92	629.80	45.55
	Total	1,224.78	28.97	116.20		1,230.87		

Source: Finance Accounts of respective years

As may be seen from **Table 4.1**, the utilisation of funds had increased from 24 per cent in 2019-2020 to 46 per cent in 2021-2022. During same period, the number of construction workers had increased from 29.98 lakh to 36.74 lakh (22.55 per cent increase).

Further, Labour Cess, amounting to ₹ 1.61 crore, collected through treasuries, was not transferred to the Workers' Welfare Board by the Government, during the year 2021-22. This resulted in overstatement of the Revenue Surplus and understatement of the Fiscal Deficit, by the same amount.

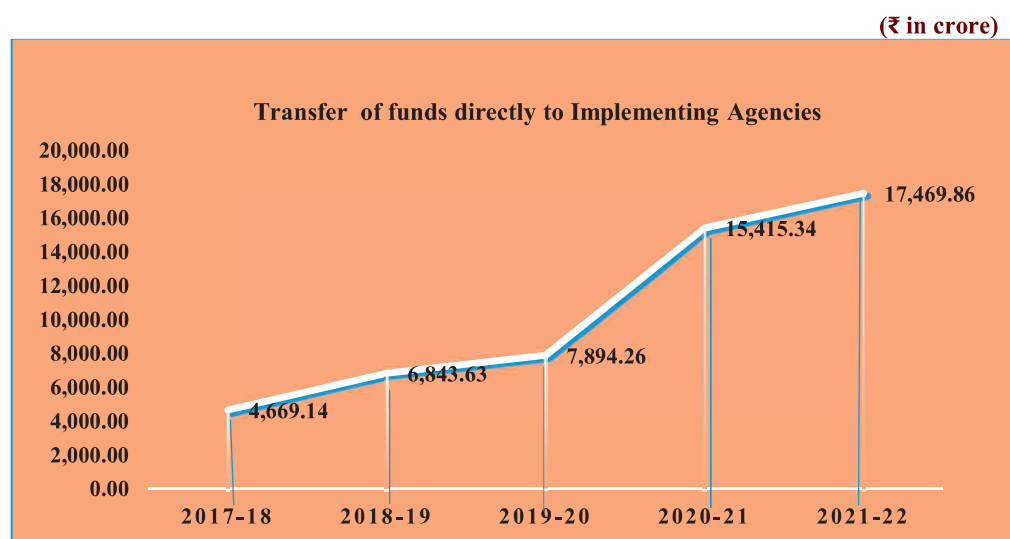
4.2 Funds transferred directly to State Implementing Agencies

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, they are also not reflected in the Accounts of the State Government. These transfers are exhibited in **Appendix VI** of Volume II of the Finance Accounts for the year 2021-22.

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, GoI released ₹17,469.86 crore directly to the implementing agencies, during 2021-22. Trends of such transfers directly to implementing agencies and under major schemes during the last five years, are given in **Chart 4.1**.

Chart 4.1: Transfer of funds directly to implementing agencies during 2017-22



Source: Finance Accounts 2021-22 – Appendix VI, Government of Odisha.

As can be seen from the Chart above, the transfer of funds increased by more than three times during the last five years from ₹4,669.14 crore in 2017-18 to ₹17,469.86 crore in 2021-22. The major agencies that received funds directly from the GoI during 2019-22, 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 2019-22
(₹ in crore)

Name of the Schemes of Government of India	Name of the Implementing Agencies	Amount transferred		
		2019-20	2020-21	2021-22
Food Subsidy	Odisha State Civil Supplies Corporation Limited, Bhubaneswar	4,148.50	8,985.73	7,892.69
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Odisha Rural Development and Marketing Society, Bhubaneswar	1,660.17	4,413.41	4,346.47
Pradhan Mantri Kisan Samman Nidhi	Director of Agriculture and Farmer's Empowerment, Odisha	1,634.11	1,483.85	2,759.54
National Rural Drinking Water Programme	Odisha State Water Supply and Sanitation Mission	0	0	1,661.70
Member of Parliaments' Local Area Development Scheme	District Collectors	137.50	55.00	64.00

Source: Finance Accounts, 2021-22, 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 mis-utilisation of funds.

4.3 Delay 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. The Utilisation Certificate (UC) should be furnished to the Administrative Department by 1st June of the succeeding year of expenditure. A copy of the UC should reach the Accountant General, Accounts and Entitlement and the Head of the Department concerned, by 30 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 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 monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the year 2021-22, Government released ₹25,930.97 crore as Grants-in-Aid (45,124 vouchers). Out of this amount, UCs were not received in respect of ₹18,104.15 crore (69.82 per cent) (2,974 vouchers) by 30.06.2022. There is, therefore, no assurance that the expenditure of ₹18,104.15 crore had actually been incurred for the purposes for which it was authorised. Five major defaulting Departments that had not submitted UCs were Panchayati Raj and Drinking Water (₹8,713 crore), Housing and Urban Development (₹2,684 crore), School and Mass Education (₹1,881 crore), Health and Family Welfare (₹1,560 crore) and Planning and Convergence (₹823 crore).

Further, UCs for an amount aggregating ₹45,527.18 crore remained outstanding against 36 Departments of the State, as of March 2022, in the books of the PAG (A&E), Odisha, from 2003-04 onwards (*Appendix 4.1*). The age-wise break-up of the pending UCs is summarised in **Table 4.3**.

Table 4.3: Age wise arrears in submission of UCs

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 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
2021-22	27,029	43,412.68	45,124	25,930.97	72,153	69,343.65	47,073	23,816.47	25,080 (34.76)	45,527.18

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

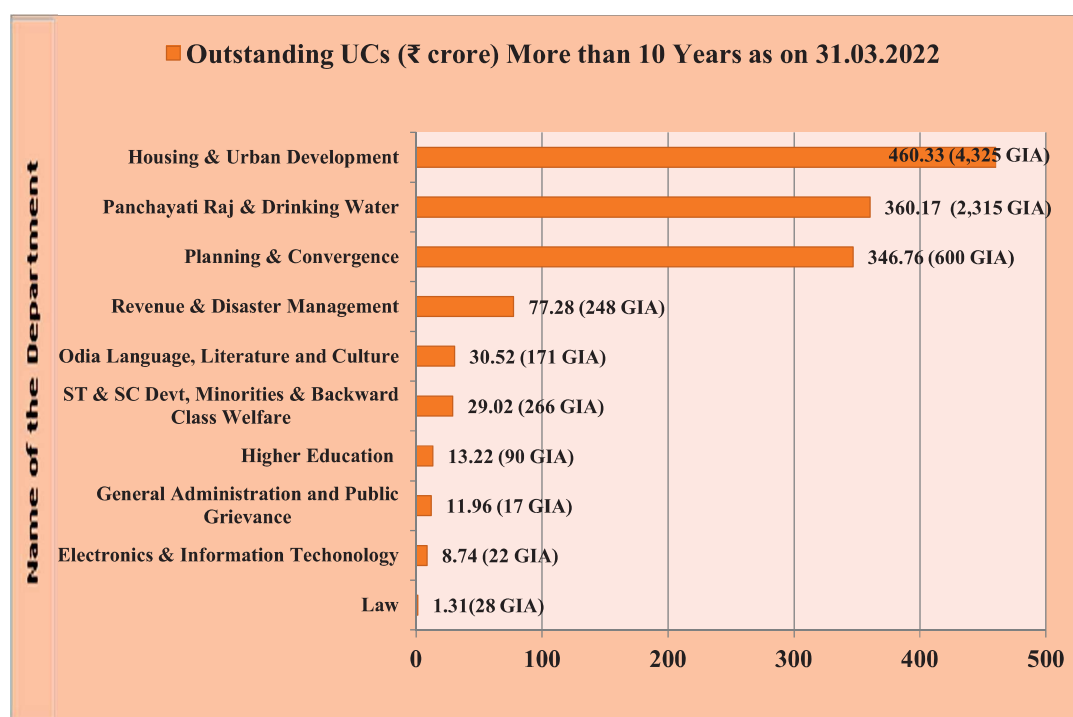
In comparison to 2020-21, the total amount for which the UCs were pending increased by ₹2,114.50 crore³³ (4.87 per cent) in 2021-22.

³³45,527.18 – 43,412.68

Five major defaulting Departments that had not submitted UCs were Panchayati Raj and Drinking Water (₹18,104.16 crore), Housing and Urban Development (₹10,323.72 crore), Planning and Convergence (₹3,855.92 crore), School and Mass Education (₹3,882 crore) and Health and Family Welfare (₹2,385.22 crore).

The department-wise position of UCs outstanding for more than 10 years is given in *Appendix 4.2*. There were 17 Departments against which UCs were outstanding for more than 10 years. Of these, the 10 major Departments where UCs were pending for more than ten years as of March 2022, are as detailed in **Chart 4.2**.

Chart 4.2: Outstanding UCs in regard to 10 major Departments for the grants paid up to 2021-22



Source: Finance Accounts, Government of Odisha

The State Government stated (January 2023) that submission of Utilization Certificates (UC) is a continuous process. Money from Centre and State go to the implementing agencies. The implementing agencies take some time for spending the money after observing the required formalities and then submit the UC, which enables them to get next tranche of release of fund. Hence, at any point of time, there would be some pendency in submission of Utilisation Certificates.

4.3.1 Delay in implementation of the 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, in the Integrated Financial Management System (IFMS), by April 2018.

However, Audit noticed that the UC module had not been made operational (as of September 2022) 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.

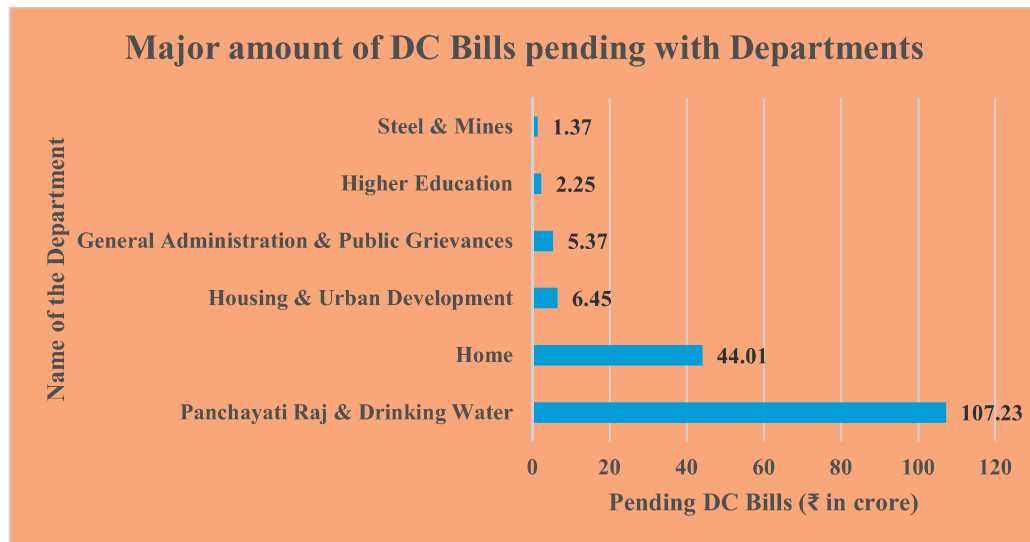
4.4 Abstract Contingent bills

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.

As of 31 March 2022, 13 Departments of Government of Odisha had not submitted DC bills for ₹167.51 crore drawn against 1,395 AC Bills (*Appendix 4.3*).

The status of major six Departments, which accounted for 99.50 *per cent* of the total outstanding DC bills, is given in **Chart 4.3**.

Chart 4.3: Major amount of DC Bills pending with six Departments



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

The year-wise details of pendency of DC bills up to 2021-22, is given in **Table 4.4**.

Table 4.4: Year-wise progress in submission of DC bills against AC bills, up to 2021-22
(₹ in crore)

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 ACs	Amount
Upto 2019-20	1,271	213.4	735	23.95	2,006	237.35	567	67.67	1,439 (71.73)	169.68
2020-21	1439	169.68	385	14.00	1824	183.68	732	101.91	1,092 (59.87)	81.77
2021-22	1,092	81.77	858	128.52	1,950	210.29	555	42.78	1,395 (71.54)	167.51

Source: Finance Accounts of respective years, Government of Odisha

In comparison to 2020-21, the total amount for which the DC bills were pending increased by ₹85.74 crore³⁴ (104.86 per cent) in 2021-22.

Further, it was observed that, during the year 2021-22, 10 Departments had drawn 858 AC bills for an amount of ₹ 128.52 crore, as advances. Of these, 287 AC bills, amounting to ₹35.61 crore (27.71 per cent), were drawn in March 2022. However, only an amount of ₹ 0.58 crore (0.45 per cent), pertaining to one Department, was adjusted against the above advances drawn. Thus, DC bills amounting to ₹ 127.94 crore, pertaining to nine Departments, were not submitted, as of 31 March 2022 (**Appendix 4.4**). Five major defaulting Departments that had not submitted DC bills were Panchayati Raj and Drinking Water (₹105.62 crore), Home (₹13.48 crore), Housing and Urban Development (₹6.45 crore), Steel and Mines (₹1.18 crore) and Higher Education (₹1.16 crore). There is, therefore, no assurance that the amount of ₹ 127.94 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, require 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 “On-line Bill Preparation and Submission” Module of IFMS and noticed that:

- Form and provision for ‘Abstract Contingent Bill type’ had been implemented in IFMS, as intended. However, the corresponding provision

³⁴167.51 – 81.77

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 status of pending AC Bills, by authorities at all levels, in the Administrative Departments, Treasuries and the Finance Department.

The State Government stated (January 2023) that the matter is being reviewed by Finance Secretary regularly. The FAs and Controlling Officers are also sensitised about timely submission of DC Bills. IFMS presently records the DC bill number at the time of submission of fresh AC bill. It is planned to generate the DC bill in IFMS for facilitating faster submission of DC bill and regulating the non-submission.

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 2021-22, an amount of ₹2,509.78 crore was transferred to PD Accounts. This included ₹125.93 crore transferred in March 2022, of which, ₹ 1.31 crore was transferred on the last working day of March 2022.

There were 404 PD Accounts, with an unspent balance of ₹4,356.80 crore, as of 31 March 2022, as detailed in **Table 4.5**.

Table 4.5: Personal Deposit Accounts

(₹ in crore)

Opening Balance as on 01/04/2021		Addition during the year 2021-22		Closed/Withdrawal during the year 2021-22		Outstanding Balance as on 31/ 03/2022	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
405	3,779.59 ³⁵	01	21,691.66	02	21,114.45	404	4,356.80

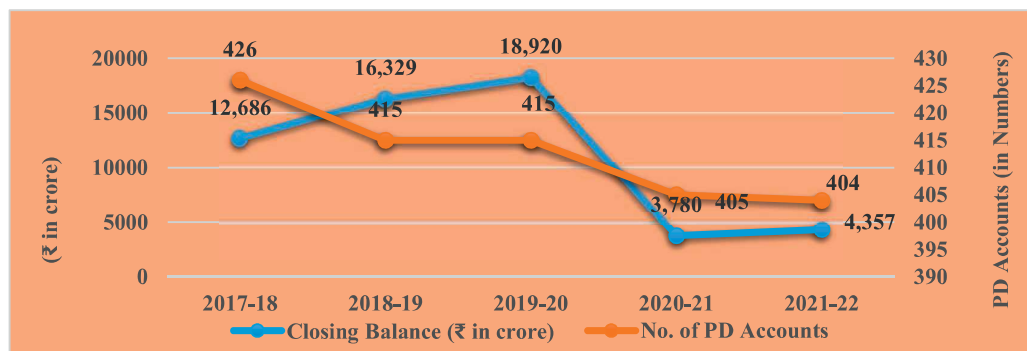
Source: Records of Office of the Principal Accountant General (A&E), Odisha

It can be seen from **Table 4.6** that, during the year 2021-22, one new PD Account was opened, with an amount of ₹21,691.66 crore. There was a net increase of ₹577.21 crore

³⁵ Excludes balances under 8443-00-123-Deposits of Educational Institutions: ₹94.38 crore, 8448-00-102-Municipal Fund: ₹2,652.28 crore and 8448-00-111-Medical and Charitable Fund: ₹14.16 crore

(15.27 per cent) in the cumulative closing balance at the end of the year 2021-22, as compared to 2020-21, as detailed in **Chart 4.4**.

Chart 4.4: Closing Balance in PD Accounts, during 2017-22



Source: Finance Accounts of respective years

The closing balance of ₹ 4,356.80 crore pertained to 404 PD Accounts (8443-106 & 109) of District Rural Development Agencies, Zilla Parishads, Integrated Tribal Development Agencies, Odisha Mineral Bearing Areas Development Corporation (OMBADC) and 314 Blocks. The main PD Administrators with huge closing balances were Chairman, Western Odisha Development Council, Bhubaneswar (₹179.28 crore), Executive Officer, Zilla Parishad, Khurda (₹141.99 crore), Principal Chief Conservator of Forests, Odisha Mineral Bearing Areas Development Corporation (OMBADC), Bhubaneswar (₹139.91 crore), Project Director, District Rural Development Agency, Bolangir (₹75.69 crore) and Secretary, State Council of Science and Technology, Secretariat (₹72.89 crore). 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 (January 2023) that they are continuously working with the Office of the Accountant General (A&E), to ensure due compliance in regard to 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 Inoperative PD Accounts and Non-reconciliation of PD Account balances

As per Subsidiary Rule 423 of OTC Vol-I, if a PD Account remains inoperative 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 the 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 2021-22, two PD Accounts, with an unspent balance of ₹0.36 crore, were closed, as detailed in **Table 4.6**.

Table 4.6: Closure of PD Accounts, as on 31 March 2022

(₹ in lakh)		
Sl. No	Name of the Administrator of PD Accounts, closed during 2021-22	Balance
1	Treasurer, Charitable Endowment, Bhubaneswar, Pin-751001	35.65
2	Administrator, Central Provident Fund, H&UD Department, Bhubaneswar, Pin -751001	0.00
Total		35.65

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

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, 395 PD accounts (97.77 per cent) had been reconciled, as of 31 March 2022.

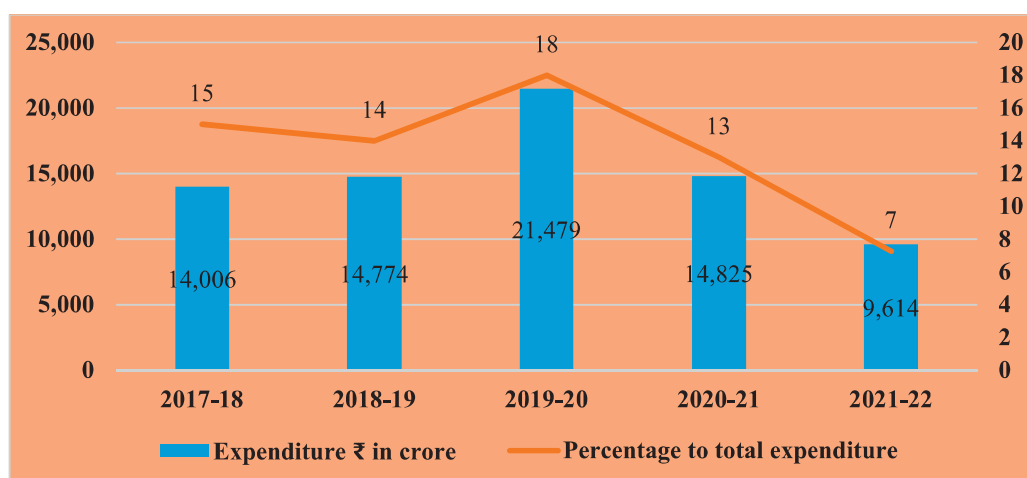
Non-reconciliation of balances in PD accounts and not transferring the unspent balances lying in PD accounts to the Consolidated Fund of State, is fraught with risks of potential misuse of public funds, fraud and misappropriation.

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 2021-22, the State Government booked expenditure of ₹9,614.13 crore, under the Minor Head 800, under 115 revenue and capital Major Heads of Accounts, constituting 7.27 per cent of the total revenue and capital expenditure, totalling ₹1,32,313.02 crore. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of the Total Expenditure during 2017-22, is given in **Chart 4.5**.

Chart 4.5: Operation of Minor Head 800- Other Expenditure, during 2017-22

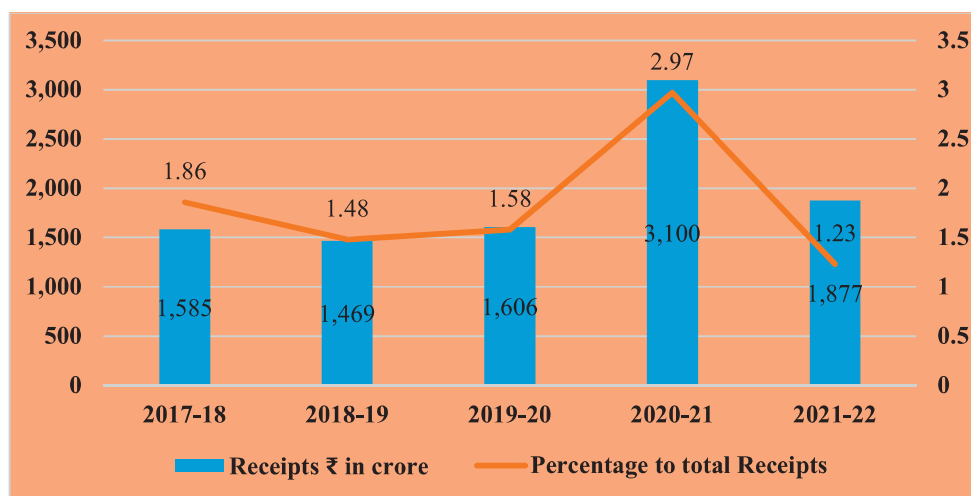


Source: Finance Accounts of respective years, Government of Odisha.

As seen from **Chart 4.5** above, there has been large scale operation of the Minor Head-800 for Other Expenditure, with its share in the total expenditure ranging from 7 per cent to 18 per cent, during the period 2017-22. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, being classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Appendix 4.5**. The Major Head under which highest expenditure was booked under Minor Head 800, was 4701- Capital outlay on Medium Irrigation, followed by Major Head 5075- Capital services outlay on Other Transport.

Details of operation of the Minor Head 800 for other Receipts, during the last five years, are shown in **Chart 4.6**.

Chart 4.6: Operation of the Minor Head 800- Other Receipts, during 2017-22



Source: Finance Accounts of respective years, Government of Odisha

As seen from the above Chart, the 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 1.23 per cent of the total receipts in 2021-22 to 2.97 per cent of the total receipts during 2020-21. During 2021-22, the State Government classified receipts of ₹1,877.47 crore, pertaining to 66 Major Heads, under the Minor Head ‘800 - Other Receipts’. Cases where 100 per cent of receipts were classified under the Minor Head 800 – ‘Other Receipts’, are given in **Appendix 4.6**. The Major Head under which highest receipts were booked under Minor Head 800, was 1051- Port and Light houses (95.58 per cent).

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

The State Government stated (January 2023) 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, 2022-23, Budget provision under '800-Other Expenditure' and '800-Other Receipts' have been duly verified and were then modified thereby reducing the amount to a great extent.

4.7 Outstanding balances 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 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

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO Suspense	210.63	42.91	188.42	25.15	145.79	15.60
Net	Dr.167.72		Dr. 163.27		Dr. 130.19	
102- Suspense Account- Civil	13.07	44.12	29.07	2.59	19.12	79.51
Net	Cr.31.05		Cr. 26.48		Cr. 60.39	
110- Reserve Bank Suspense- CAO	1.88	..	3.11	..	236.12	..
Net	Dr.1.88		Dr. 3.11		Dr. 236.12	
Major Head 8782- Cash Remittances and adjustment						
102-P.W. Remittances	14.80	2.33	13.46	1.62	137.23	147.13
Net	Dr. 12.47		Dr. 11.84		Cr. 9.90	
103- Forest Remittances	83.32	-	62.72	..	64.21	..
Net	Dr. 83.32		Dr. 62.72		Dr. 64.21	

Source: Finance Accounts of respective years, Government of Odisha

Increasing accumulation of balances during 2019-22 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 2022) under this Minor Head was ₹145.79 crore and the credit balance was ₹15.60 crore. The major outstanding debit balances

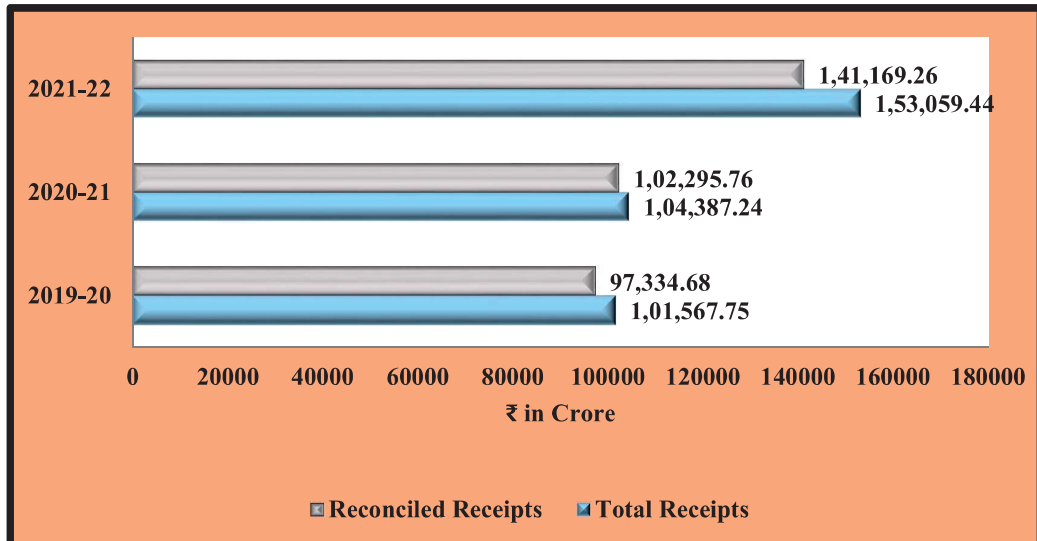
pertained to PAO, Central Pensions, New Delhi (₹136.54 crore) and PAO, Ministry of Surface Transport, Kolkata (₹ 9.19 crore). The major outstanding credit balances pertained to Ministry of Shipping and Transport, New Delhi (₹1.03 crore), and others (₹17.18 crore). The outstanding balances under the PAO 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 budgeted grants and to ensure accuracy of their accounts, the OGFR (319) stipulates that the 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).

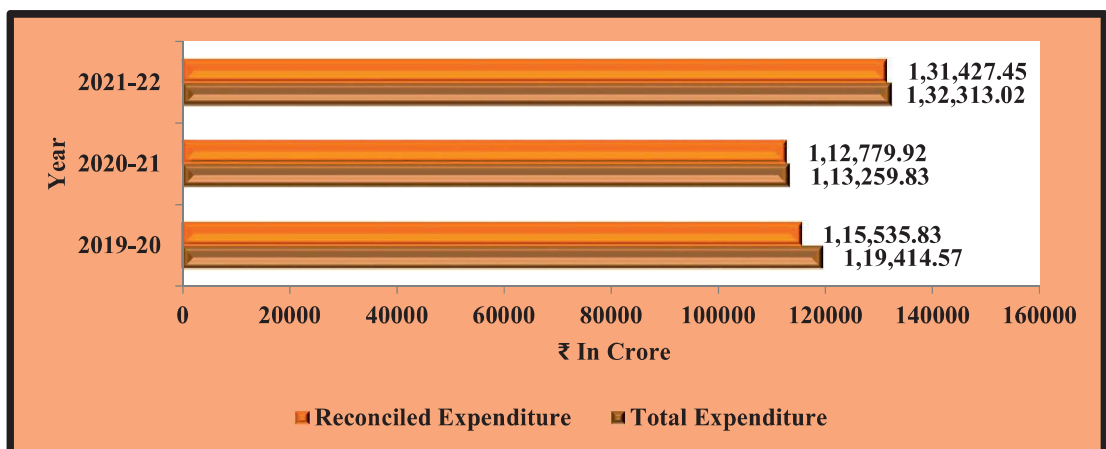
The status of reconciliation of receipts and expenditure by the Cos, during the last three years (2019-21), is shown in **Chart 4.7** and **Chart 4.8**, respectively.

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



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

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



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

4.9 Reconciliation of Cash Balances

As on 31 March 2022, there was a difference of ₹0.83 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. The difference of ₹0.83 crore (Debit) was mainly due to incorrect reporting by treasuries and banks. However, ₹0.03 crore (Credit) remained outstanding at the end of June 2022. The difference was under reconciliation.

4.9.1 Discrepancy of ₹175.82 crore due to non-reconciliation between bank balance and cash book balance

Reconciliation of bank account figures with the 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 46 sampled DDOs, it was observed that there was a difference of ₹175.82 crore (*Appendix 4.7*) between the balances in cash books and bank pass books, as of March 2022. In the absence of reconciliation of the cash balances, the authenticity of accounts maintained by these DDOs, could not be vouched for, in audit.

4.10 Non-Compliance with Accounting Standards

The 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. Cases of non-compliance with the IGAS, by the Government of Odisha, in its financial statements for the year 2021-22, is given in **Table 4.8**.

Table 4.8: Non-Compliance with Indian Government Accounting Standards

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

Source: Finance Accounts & Appropriation Accounts 2021-22, 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 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 18 Autonomous Bodies, which were to render annual accounts to

C&AG, there were delays in submission of accounts, ranging from one to thirty nine years, as shown in *Appendix 4.8*.

Of these 18 bodies/ authorities, nine bodies/authorities, viz. Odisha Electricity Regulatory Commission, Odisha State Legal Services Authority, Compensatory Afforestation Fund Management and Planning Authority (CAMPA), Odisha State Road Transport Corporation, Odisha Small Industries Corporation Limited (OSIC), Odisha State Financial Corporation (OSFC), Lokayukta, Odisha Building and Other Construction Workers Welfare Board and Odisha State Warehousing Corporation have submitted their accounts for financial audit, for the periods ranging from 2009-10 and 2021-22.

Annual accounts for the remaining development authorities, due up to 2021-22, had not been received, as of September 2022. The accounts of these bodies/ authorities were in arrears for 10 to 39 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 (January 2023) that the matter of non-submission of accounts by nine Autonomous Bodies would be taken up with the concerned Administrative Departments, with the request to submit their accounts to CAG of India, for financial audit.

4.12 Departmental Commercial Undertakings

Government Departments which perform activities of a quasi-commercial nature, are required to prepare proforma accounts, in the prescribed format, annually, showing the working results of their financial operations, so that Government can assess their performance. As per Statement 5 of the Finance Accounts of 2021-22, 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 can not 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 was granted and
- total expenditure of the institutions.

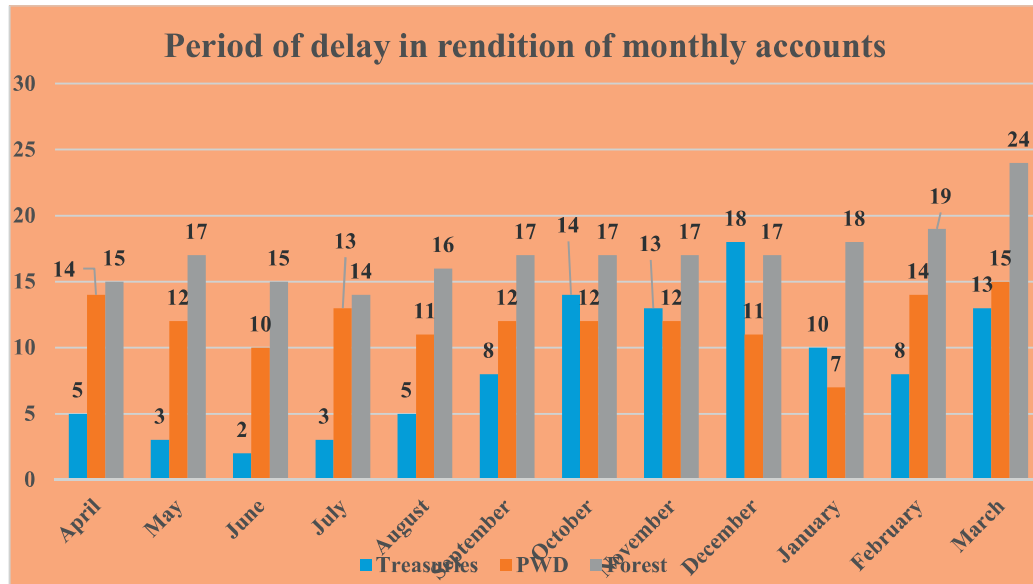
Further, Governments and HODs, who sanction grants and/ or loans to bodies or authorities, are required to furnish to Audit, by the end of July every year, a statement of such bodies and authorities, to which grants and/ or loans, aggregating ₹10 lakh or more, were paid during the preceding year, indicating (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 30 out of 43 Departments had furnished the details of Grants-in-Aid given to various bodies and authorities in the year 2021-22. In the absence of the information from remaining 13 Departments³⁶, 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.

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 and public works divisions (apart from the RBI advices). During the financial year 2021-22, there were delays in rendition of monthly accounts, ranging from 02 to 18 days, by treasuries; 07 to 15 days, by Public Works Divisions; and 15 to 24 days, by Forest Divisions. Details of delays (in days), in submission of monthly Civil Accounts, are given in **Chart 4.9**.

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



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

³⁶ Finance; Odisha Legislative Assembly; School and Mass Education; Health and Family Welfare; Panchayati Raj and Drinking Water; Public Grievance and Pension Administration; Rural Development; Public Enterprises; Women and Child Development and Mission Shakti; Electronics and Information Technology; Social Security and Empowerment of persons with disabilities; Disaster Management; and Odia Language, Literature and Culture.

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 711 cases of loss, misappropriation and defalcation *etc.*, as detailed in *Appendix 4.9*.

The State Government stated (January 2023) that the concerned Administrative Departments would be requested to initiate disciplinary actions and criminal proceedings against the officials, held responsible.

4.16 Status of Implementation of Single Nodal Agency

As per a newly introduced procedure of the GoI (March 2021), release of funds under Centrally Sponsored Schemes (CSS) is being operated through a Single Nodal Agency (SNA) with effect from 1 July 2021.

SNA Model in respect of Centrally Sponsored Schemes was being implemented in Odisha from 2021-22, through PFMS - State Treasury Integration. SNA has been designated for all the State Linked Schemes (SLS). As of January 2023, data sharing with respect to 116 SLSs corresponding to their concerned CSS was being done and separate budget heads were created for Central Share and State Share. However, vouchers and payment details of spending by Implementing Agencies, were not shared with Audit.

4.17 Follow-up action on the State Finances Audit Report

A separate Report on State Finances is being prepared since the year 2008-09 onwards and it is being presented to the State Legislature. During 2021-22, no meetings were held to discuss the pending position of paras relating to the State Finances Audit Report (SFARs). As of March 2022, 334 paragraphs relating to SFARs, pertaining to the period 2008-09 to 2020-21, were pending.

4.18 Recommendations:

1. Government may bring all the funds lying outside the Consolidated Fund/ Public Accounts, in breach of constitutional provisions, within the fold of the Consolidated Fund/ Public Accounts.
(Paragraph 4.1)
2. Government may ensure carrying out adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules.
(Paragraph 4.4)

3. Government may, 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 4.6)

4. 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 its internal control system, to prevent recurrence of such cases.

(Paragraph 4.15)