

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

**No. 38528(45) /F,
Bt.I-18/2008**

Dt. 16th August, 2008

From

**Shri R.N.Senapati, IAS,
Principal Secretary to Government.**

To

All Secretaries to Government.

Sub: Proposals for Supplementary Statement of Expenditure for the financial year 2008-09.

Sir/Madam,

I am directed to say that Supplementary Statement of Expenditure for the year 2008-09 is likely to be presented in Orissa Legislative Assembly sometime in the month of November 2008. The exact date would be decided in consultation with the Parliamentary Affairs Department. The Departments of Government are, therefore, requested to send proposals for inclusion in the 1st Supplementary Statement of Expenditure strictly in accordance with the guidelines indicated below in order to enable Finance Department to present the Demand for Supplementary grants in time.

2. As you are aware, Hon'ble Chief Minister has, in the meantime, announced several welfare measures and various other decisions which include Block Grant to private educational institutions, provision of rice @ Rs.2.00 per kg, recruitment of additional constables and other police personnel and the like. Similarly, funds may be required for State's own plan schemes like Gopabandhu Gramin Yojana, Biju KBK Yojana, Biju Gram Jyoti Yojana and Madhubabu Pension Yojana, construction of hostels for ST/SC girls under newly launched Babu Jagajivan Ram Yojana and provision of cycles to ST/SC girls. Besides, an annual plan outlay of Rs.7,500.00 Cr. has been approved by the Planning Commission for the year 2008-09.

3. As envisaged under Orissa Fiscal Responsibility and Budget Management Act, 2005, no additional expenditure shall be incurred without corresponding resources being firmed up or without reducing equivalent amount of expenditure somewhere else. Hence, there is little scope of substantive provision unless it is backed by firm commitment of additional non-debt resources. Moreover, in view of the rise in the interest rate, the borrowings are to be limited and there has to be greater reliance on our own resources.

4. Keeping all these things in view, the Supplementary Budget shall have to be framed meticulously. Sometimes, it should be seen that the estimate for the supplementary provision is being made without due care and caution, which

ultimately results in surrender of funds. Needless to mention here that these are serious financial lapses, which have been adversely commented upon by C & AG of India regularly in almost all audit reports. Hence, the estimate for the Supplementary Statement of Expenditure should receive the personal attention of the concerned Estimating and Controlling Officers so that the proposals would be based on actual necessity and in accordance with the existing policies of the Government. While formulating Supplementary proposals under any scheme, the Department should indicate the utilization of the Supplementary provision in the previous financial year.

5. Keeping in view the above stipulations, supplementary schedules under Non Plan and Plan may be furnished in the following cases.

i) **Recoupmnt of advance from OCF**

- a) Sanction of advance from Orissa Contingency Fund has been issued from time to time and it is seen that a substantial amount is outstanding for recoupmnt. It would not be possible to sanction further advance to meet any urgent requirements, unless the outstanding advance amounts are recouped. Hence, recoupmnt of OCF advance should be given the first priority. While submitting schedule for recoupmnt, the letter No. and date of the sanction of OCF advance and detail of head of account should be clearly indicated.
- b) The recoupmnt of OCF advance is to be allowed by the P & C Department in case of State Plan, Central Plan and Centrally Sponsored Plan and by Finance Department in case of Non Plan. However, the Administrative Department may approach P & C Department and Finance Department for additional financial ceiling, if savings cannot be located to meet the requirement.

ii) **Provision against firm commitment**

- a) Where Central Assistance has been received or where firm commitment from Central Government is available but provision has not been made in the Budget Estimate for 2008-09, Supplementary provision may be proposed for Central share and State share. Copies of the relevant letters should be placed in the file and such proposals be processed through the P & C Department.
- b) Probable savings under other schemes along with the State-matching share where the assistance from Centre is remote, should be indicated for diversion so as to avoid unnecessary surrender of funds at the close of the financial year. While processing additional provision for continuing schemes under CP and CSP, the Administrative Department should indicate the total allocation of Central share so far received, expenditure incurred and utilization certificates furnished to Government of India for the amount received up to 31.03.2008, failing which the proposal for additional provision shall not be considered.
- c) Items of expenditure of inevitable and inescapable nature to which Government stand firmly committed at the post budget stage requiring enhancement of non Plan / State Plan ceiling should be proposed with reference to the particular

policy decision or Government order and concurrence of Finance Department and P. & C. Department.

iii) **Additional Provision towards State Share under Centrally Sponsored Plan Scheme**

Additional requirements under State Share for Centrally Sponsored Plan Scheme should be fully provided subject to the stipulations that concerned Administrative Department must satisfy that they have fully utilized the Central Share along with the State Share provided so far and substantial progress has been made in submission of UC. Failure to submit the outstanding UC **by 31.08.08** would disqualify the Departments to claim additional provision towards State Share.

iv) **Additional Provision for the schemes under EAP, RIDF, KBK, AIBP etc.**

- a) Additional provision for the projects financed by External Agencies and projects financed by NABARD/LIC/GIC/AIBP and other resource tied up schemes shall be considered only when firm commitment for release of fund has been received and the existing provisions do not commensurate with the resource estimate approved by the Planning Commission for such schemes. However, additional provision would be considered basing on the progress of expenditure and the likely date of completion of the identified projects under the Zero Based Investment Review scheme. Full requirement for the projects under RIDF and other resource tied up schemes would be considered depending on the commitment of the Administrative Department to fully utilize the additional provision.
- b) Meanwhile, sanction of projects under RIDF-XIV has been communicated by NABARD and a lot more projects are expected to be sanctioned during the current financial year. There may not be any provision or there may be inadequate provision in the BE for 2008-09 for implementation of such projects. For certain projects, Finance Department have already allowed to go ahead subject to provision of adequate funds in the Supplementary. Hence, concerned Departments should ensure necessary provision of funds in the Supplementary Statement of Expenditure for execution of the sanctioned projects observing necessary procedural formalities.
- c) In case of ongoing and closed Externally Aided Projects where ACA has been received on “No Cash Payment” basis in respect of payment made by the Donor for consultancy and equipment etc., equivalent expenditure under functional Major Head of Account pertaining to such projects should be booked so that receipt of ACA/Project related expenditure can be brought to the accounts of State Government. Concerned Departments should prepare the list of such projects and furnish schedules for provision of funds to P & C Department. The EAP Branch of Finance Department may also send a list of projects indicating provision of funds required for this purpose to P & C Department. Additional plan ceiling may be provided by P & C Department if

the requirement cannot be met by way of surrender of savings under the available provision in other units. This will facilitate booking of plan expenditure held under suspense without any cash outgo.

- d) Under certain State Plan Schemes like SSA, Nation Rural Health Mission there is requirement of matching State Share which should be indicated to P & C Deptt. if the existing provision in the B.E. is found to be inadequate.

v) **Regularization of Advance Expenditure incurred by way of Authorization**

Engineering Departments have been authorized to go ahead with the works and to incur expenditure in absence of budget provision under para 3.7.1(b) of the OPWD Code. Regularization of such expenditure should be processed indicating savings / specific source of funding, if any, for Supplementary provision under Non Plan and Plan.

vi) **Diversion of Fund**

Diversion of fund to meet the additional requirement in needy sectors by locating savings or for accounting adjustment without any additional cash outgo may be proposed (for example: revenue account to capital account or from voted to charged or vice versa).

vii) **Provision for Decretal Dues, R&R Assistance & Land Acquisition Charges**

- a) It is observed that proposals for advance from OCF/Authorization of Expenditure/Re-appropriation of funds are submitted for payment of decretal dues. Hence, provision should be made in the Supplementary under the “Charged” section for payment of R & R Assistance, land acquisition charges and decretal dues which have reached finality and are to be discharged during the current financial year in pursuance of orders of Hon’ble Court.
- b) However, provision for R&R Assistance and normal land acquisition charges for projects/schemes should be proposed in the “voted” section under the detailed head meant for the project/scheme.
- c) It should be borne in mind that delay in payment of decretal dues may lead to legal complications resulting in payment of penal interest. Hence, such payments should be carefully assessed and necessary provisions be made in the Supplementary. Similarly, non-payment of R&R Assistance and land acquisition charges may result in delayed execution of projects and schemes for which requirement of funds should be assessed properly and necessary provision may be made in the Supplementary.

viii) **Provision of Funds for New Schemes/New Service for which Government decisions are already taken.**

- a) In case of **New Schemes** under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan, either administratively approved by Government of India or where firm commitment has been received from Govt. of India for release of funds during 2008-09, provision may be made, provided prior concurrence of P & C Department and Finance Department has already been taken. Similarly, additional provision may be made in respect of State's own plan schemes like Biju Gramjyoti Yojana/Mo Kudia Yojana/Madhubabu Pension Yojana, keeping in view the expenditure that can be reasonably incurred during the remaining period of financial year after observing the prescribed procedural formalities.
- b) **When re-appropriation is not feasible or a New Service is involved, proposal for Supplementary Provision shall be taken up, provided that Supplementary Provision for a "New Service" need not be proposed, if all the preliminaries for execution have not been completed and the amount proposed cannot be spent during the balance period of the financial year.**

ix) **Provision under Award of 12th Finance Commission**

In case of award of 12th Finance Commission, where provision has not been made or less provision has been made in the BE for 2008-09, either under Non Plan or Plan, additional provision may be taken depending on the recommended level and actual requirement as the case may be.

x) **Additional Provision for Pay**

- a) It is seen that re-appropriation proposals are being received in Finance Department for augmentation of funds under the unit 'Pay'. The Administrative Departments, are, therefore, required to clearly work out the shortfall, if any, under 'Pay' head and assess the additional requirement and submit proposal to Finance Department and P & C Department with sufficient justification.
- b) In certain cases, in lieu of abolition of posts, if fresh creation of posts at consolidated salary has been approved with the concurrence of Finance Department, the consolidated salary requirement on such contract appointees should be separately worked out indicating the details of the contractual posts sanctioned, the rate of consolidated salary and the requirement for current financial year. This should be shown separately as "consolidated pay for contractual appointees" (code No.01004).

xi) **Arrear Pay & Allowances**

Arrear pay and allowances for those who have already retired or likely to retire by 31.03.2009 but not paid their dues so far, should be met out of the existing provision at the first instance and any deficit to meet further requirement for the year

2008-09 may be clearly worked out. Finance Department/P & C Department may, however, consider this depending on the availability of the overall resources.

xii) **Additional Provision for Dearness Allowance**

- a) Additional requirement for D.A. at the existing level may be indicated and the proposal for additional provision may be submitted if it cannot be met out of the surrender of savings located elsewhere.
- b) Government of India is likely to declare DA in favour of the Central Government employees with effect from 01.07.2008 and 01.01.2009. Requirement of additional expenditure towards DA at par with the Central Government employees with effect from 01.07.2008 and 01.01.2009 may be clearly worked out and indicated. Wherever possible such additional requirement may be met from overall savings within own demand of the concerned Departments.

xiii) **Additional Requirement of Grant-in-Aid Salary**

The additional requirement of grant-in-aid salary for the current year both under Non Plan and State Plan in respect of those who are already in receipt of GIA may be worked out after taking into account the existing provision. Similarly, where all legal fora have been exhausted and payment is to be made as per the latest direction of Hon'ble Courts, some provision should be made to meet the current dues in order to honour the direction of Hon'ble Courts. Since, Cabinet has approved in principle regarding payment of arrear grant-in-aid, which is legally payable within a period of ten years, specific provision is to be made for arrears during 2008-09.

xiv) **Payment of Guaranteed Loans & One Time Settlement Scheme**

Due to default in payment of guaranteed loans by some Government Undertakings/Corporations/Cooperatives, State Government have discharged the liabilities through one-time settlement. Such amounts have been paid directly by Finance Department out of the budget provision made under Demand No.5. As per accounting procedure, the repayments are required to be treated as loan to the loanee organizations concerned. In order to regularize the matter, the Administrative Departments concerned need to submit necessary Supplementary proposals under State Plan. Since the amount would be provided as loan to the organizations concerned by contra-credit against the amount already paid, there shall not be any cash outgo and for the above purpose, substantive provision shall be made in the Supplementary with the concurrence of the P & C Department. The C & I Branch of Finance Department may provide the list of such cases pending for accounting adjustment to P & C Department for Supplementary provision without cash outgo.

xv) **Provision of LTC**

All Departments are required to assess actual requirements under LTC for the current financial year and make necessary additional provision in the Supplementary.

xvi) **Provision of outstanding Electricity dues, Water Charges & Municipal Dues**

- a) The Power Distribution Companies and the Chief Engineer PH (Urban) are raising the issue of non-payment of outstanding electricity dues and water charges of Government Offices. All Administrative Departments are, therefore, requested to verify the actual requirement for clearance of outstanding electricity dues and water charges which are free from dispute. Wherever possible, equivalent savings should be located to meet the additional requirement.
- b) It is seen that municipal taxes in respect of Government buildings are not being paid in time. As a result urban local bodies are facing difficulties in providing basic amenities to the citizens due to paucity of funds. All Administrative Departments and Heads of Departments are, therefore, requested that the outstanding municipal dues should be assessed properly and additional requirement may be provided in the Supplementary, if the requirement cannot be met out of savings located elsewhere.

xvii) **Communication of allotment and Supplementary Provision**

It has been noticed that after taking supplementary provision, funds have not been fully utilized for some reasons and have been surrendered. This is not a sound budgetary practice, which has been adversely commented upon by C&AG of India in almost all the audit reports. Hence, Administrative Departments and Controlling Officers are required to ensure that allotment of the budgetary provision is communicated in time and Supplementary provision is fully and properly utilized. The allotment of funds including supplementary provision, wherever allowed, shall have to be communicated latest by 15.02.2009. The allotment issued thereafter shall not be entertained by the concerned Treasury Officers.

xviii) **Improper Assessment of the requirement and accountability under the FRBM Act.**

As pointed out in the preceding paragraph, due to improper assessment of the requirement of funds at the Supplementary stage, huge amounts are being surrendered/diverted/ remain unutilized or in some other cases, excess expenditure is incurred. Therefore, all Administrative Departments should make realistic assessment of requirement for the Supplementary so that scarce resources can be utilized effectively, efficiently and in a prudent manner. Sound fiscal management is, therefore, of vital importance to Govt. Further, the FRBM Act envisages that budget provision should be made on realistic basis. Hence, it is made clear that any deviation in this regard would attract personal liability under the provision of the FRBM Act.

xix) **Time Schedule**

The Administrative Departments are requested to formulate the Supplementary proposals expeditiously in accordance with the guidelines indicated above and submit their proposals to Finance Department as per the time schedule given below.

- a) In case of non-plan, the draft schedules should reach Finance Department latest **by 15.9.2008** and the non-plan schedules duly admitted by Finance Department shall be returned to the Administrative Departments **by 30.09.2008**.
- b) The plan schedules should be processed and forwarded to Planning & Coordination Department **by 15.9.2008**.
- c) The draft schedules under plan schemes after concurrence of Planning & Coordination Department should reach Finance Department **by 30.09.2008**.
- d) The plan schedules with concurrence of Finance Department shall be returned to Administrative Departments **by 03.10.2008**.
- e) Five cyclostyled copies of non-plan and plan schedules duly concurred in must reach the Finance Department **by 04.10.2008**.

Unless the schedules duly admitted by P & C Department and Finance Department are submitted to Finance Department by the due dates as indicated above, it will not be possible to include the proposals of the Administrative Departments in the Supplementary Statement of Expenditure. The Concerned Administrative Department will be responsible for non-inclusion of any Supplementary Estimate submitted after the dateline indicated above.

All Heads of the Departments and Controlling Officers are being informed. This circular is being placed in the website of Finance Department at www.orissa.gov.in/finance.

Yours faithfully,

Principal Secretary to Government

Memo No. _____/, Dt

Copy forwarded to all Heads of Departments (Controlling Officers)/Financial Advisors/Assistant Financial Advisors/Accounts Officers of the Heads of Departments for information and necessary action.

Special Officer-cum-Joint Secretary

Memo No. _____/F, Dt.

Copy forwarded to all Officers/Section Officers of FD for information and necessary action.

Special Officer-cum-Joint Secretary

Memo No. _____/F, Dt.

Copy forwarded to all Treasury Officers of Dist. Treasuries and Special Treasuries, Sub-Treasury Officers/FA & CAO of all Irrigation Projects for information and necessary action.

Special Officer-cum-Joint Secretary

Memo No. _____/F, Dt.

Copy forwarded to PS to Pr. Secretary/Special Secretaries/Additional Secretaries, Finance Department for kind information of the Principal Secretary, Special Secretaries & Additional Secretaries.

Special Officer-cum-Joint Secretary

Memo NO. _____/F, Dt.

Copy forwarded to R.V.Singh, IFS, Special Secretary to Government, P&C Department for information and necessary action.

Special Officer-cum-Joint Secretary