

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

**No. 22460(10)/F., Dt. 10.05.10
WM-14/2010**

From

**Shri J. K. Mohapatra, I.A.S.
Principal Secretary to Govt.**

To

**The Principal Secretary to Govt. /
Commissioner-Cum-Secretary to Govt. /
Secretary to Govt./ School & Mass/Rural Development/
H & UD/Health & Family Welfare/Panchayatiraj/
Water Resources/Agriculture/ W & CD/ Higher Education
& Works Departments.**

**Sub:- Introduction of Cash Management System in the State Government
through Monthly Expenditure Plan(MEP) and Quarterly
Expenditure Allocation(QEA) in the Financial Year 2010-11.**

Sir,

Infirmities
of existing
system and
need for a
paradigm
shift

I am directed to say that the State Government have taken various reform measures to restore fiscal balance and fiscal space is now available for making appropriate spending to accelerate growth and development. A large part of the expenditure is back-loaded, the pattern of expenditure is uneven, large unspent Budget provision at the year end and rush of expenditure in March. These are indicative of infirmities of the existing systems and processes. There is an urgent need for a paradigm shift in the existing public expenditure management system.

Objectives
of the Cash
Management
System

2. The State Government have, therefore, decided to introduce Cash Management System on the line of modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year which has been successfully implemented in the Ministries of Government of India. The 2nd Administrative Reforms Commission has taken note of the skewed expenditure pattern of the States and have observed that the introduction of Monthly Expenditure Plan (MEP) of Union Ministries should be adopted by the State Governments. The new system has the following objectives:-

- i. Even pacing of expenditure within the financial year.

- ii. Reduce rush of expenditure during the last quarter especially in the last month of the financial year.
- iii. Front loading of expenditure in the 1st three quarters of the financial year so that corrective measures can be taken in the mid year to achieve the fiscal objectives.
- iv. Curb the tendency of parking of funds outside Government Account.
- v. Effective monitoring of the expenditure pattern.
- vi. Improve the quality of expenditure.
- vii. Better Ways & Means Management.

Scope of the Cash Management System

3. The system shall be adopted in respect of the 10 Demand for Grants administrated by large spending Departments with effect from the financial year 2010-11. The list of the Departments and the Demand for Grants are furnished in Annexure-I.

4. **The broad features of the New System is indicated hereafter:-**

Format of MEP

In respect of each Demand for Grant, Monthly Expenditure Plan (MEP) for State Plan, Central Plan, Centrally Sponsored Plan and Non-Plan shall be worked out and furnished in the format specified in Annexure-II in both hard and soft copy to Ways & Means Branch of Finance Department. The Monthly Expenditure Plan and the Quarterly Expenditure Allocation worked out on that basis should also be posted in the website of the Department.

QEA

5. The MEP would form the basis of Quarterly Expenditure Allocation (QEA) which should not be exceeded by the Administrative Departments without prior approval of Finance Department in Ways & Means Branch.

Features of the Cash Management System

6. The Administrative Departments are to finalize the Monthly Expenditure Plan on the following lines:-

- i) MEP for the month of March shall not exceed 15% of the Budgeted Provision (Budget Estimate) except in case of Non Plan maintenance expenditure of Works, R.D., H & UD, Water Resources & Panchayatiraj Departments for which the maximum limit would be 25% of the Budget provision.
- ii) MEP for the month of January to March may be so fixed that the QEA for the last quarter shall not exceed 40% of the Budgeted

Provision, (Budget Estimate) except in case of Non Plan maintenance expenditure of Works, R.D., H & UD, Water Resources & Panchayatiraj Departments for which the maximum limit would be 50% of the Budget provision.

- iii) a) The Administrative Departments are authorized to sanction expenditure other than works under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan Schemes up to the limit of MEP/QEA including expenditure for grants and subsidies.
- b) In case of Central Plan and Centrally Sponsored Plan Schemes funds should ordinarily be released on receipt of Central Assistance. However, funds can be sanctioned/released in anticipation of receipt of central assistance in case of on-going schemes during the first three quarters.
- c) If there is firm commitment for sanction and release of funds by the concerned Line Ministry of Government of India funds for new schemes can also be sanctioned/released by the Administrative Departments for three quarters.
- d) In case of EAPs in the pipe line expenditure should be incurred only if agreement with the Donor Agency has been signed and the date of effect of the agreement has been notified.
- e) The Administrative Departments would obtain approval of Project Approval Committee/Empowered Committee for sanction of share capital/loan to PSUs and cooperatives respectively and then release the amount at their level.
- f) Release of funds in respect of schemes/provisions reserved for Post Budget Scrutiny would only require prior approval of Finance Department/P & C Department as the case may be.
- g) Sanction of funds for schemes where the norms of expenditure are yet to be approved and cases involving change in the norms of existing schemes having financial implication would require prior concurrence of Finance Department.
- iv) a) In case of Works Expenditure under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan Schemes regulated through Letter of Credit, the Administrative Department is to indicate the Controlling Officer-wise Gross Budgetary Provision for 2010-11 and Net L.C. entitlement (sector-wise i.e. Non-Plan, State Plan, Central Plan, Centrally Sponsored Plan) and furnish

L.C. requirement for each quarter to Finance Department within the overall limit of QEA.

b) Finance Department in Ways & Means Branch, after verification of the Net L.C. entitlement of each Controlling Officer and receipt of quarterly LC requirement would intimate the quarterly limit of L.C. of the Controlling Officers for the entire financial year which would remain valid for the respective quarter. The L.C. issued if any from 1.4.2010 onwards would be subsumed in the quarterly limit to be indicated by Finance Department.

c) The unspent balance of any quarter can not be carried over to the next quarter except without concurrence of Finance Department.

d) However, Finance Department will not allow unspent balance of any Letter of Credit pertaining to the third quarter to be carried over after December.

e) The Letter of Credit in respect of allotment received from Calamity Relief Fund, NH Credit and Deposits would continue to be authorized on the basis of copies of allotments /sanction orders and deposit particulars as well as specific requisition.

- v) Limit of expenditure indicated in the Vote-on-Account should not be exceeded in any case during the first quarter.
- vi) In the Annual Budget, there is a possibility of reduction or enhancement of the provisions taken in the Demand for Grants in the Vote on Account. Accordingly the MEP and QEA may be modified after the Annual Budget is passed.
- vii) If, any provision in B.E. is surrendered in one Demand and equivalent additional provision is taken in another Demand in the Supplementary Statement of Expenditure then the budgeted provision will be deemed to have been reduced to that extent and the MEP & QEA are to be modified accordingly.

7. The limits indicated in the MEP and QEA is to be calculated at the Demand for Grant level as a whole allowing inter-se variations between months within a quarter and across the sectors i.e., Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan. The Administrative Departments and the Controlling Officers should distribute allotment under each sector among the DDOs broadly in accordance with the MEP & QEA for the entire year.

8. Savings if any, under the QEA would not be allowed to be carried over to the next quarter. However, the Administrative Departments requiring modification of MEP, which affects QEA, should obtain concurrence of Finance Department in Ways & Means Branch but they would be free to adjust the spill over of MEP in the next month if it is not inconsistent with QEA.

9. In case Finance Department in Ways & means Branch do not consider the request for modification of MEP and QEA within 15 days it will be deemed to have been granted.

10. a) The Ways & Means Branch of Finance Department are to monitor Grant-wise & Controlling Officer-wise Expenditure for each month.

b) After receipt of Grant-wise & Controlling Officer-wise Expenditure for the month of December, Ways & Means Branch of Finance Department will calculate the progressive expenditure up to December under each Demand for Grant. If the progressive expenditure falls below 60% under the Non Plan except maintenance expenditure of Works, R.D., H & UD, Water Resources & Panchayatiraj Department, State Plan, CP or CSP the Administrative Department would be asked to surrender the differential between the progressive expenditure and 60% of the Budget provision. Similar exercise would be made for Non Plan maintenance expenditure of Works, R.D., H & UD, Water Resources & Panchayatiraj Department falling below 50% of the Budget provision.

c) The Administrative Department and the Controlling Officers need to reconcile the expenditure reported by the Accountant General (A&E) up to the month of December and surrender the provision equal to the differential between the progressive expenditure and 60% or 50% of the Budget provision as the case may be.

d) Surrender of the provision should be through the Orissa Treasury Management System (OTMS) and the surrender relating to works expenditure regulated through LC should also be reported to Finance Department in Ways & Means Branch.

11 The Monthly Expenditure Plan and Quarterly Expenditure Allocations may be made in gross terms.

12. The Orissa Treasury Management System (OTMS) would be so enabled that it will not admit expenditure in excess of 40% of Budget Provision and 50% of Non Plan maintenance expenditure of Works, R.D., H

& UD, Water Resources & Panchayatiraj Department during the last quarter by any Controlling Officer/DDO.

13. Funds should not be drawn from the Treasury/Bank without immediate requirement for payment. As such no drawal should be made to make advance payments except in terms of valid agreements in order to meet the monthly/quarterly expenditure targets.

14. Provisions under SR 242 of Orissa Treasury Code, Vol. I stipulate that money should not be drawn from the Treasury unless it is required for immediate disbursement. It is, however, observed that some of the DDOs/Controlling Officers are drawing funds from the Treasury and depositing in various Banks or keeping funds un-utilized in form of cash, Bank Draft, DCR etc. **If in future, such un-authorized parking of money is noticed, the concerned DDO shall be personally liable for recovery from his personal entitlements including his retirement benefits and he shall be liable for disciplinary action under Rule – 15 of the OCS (CC & A) Rules, 1962.**

15. This Office Memorandum shall be effective from the financial year 2010-11. This supersedes earlier instructions regarding sanction of funds out of Budgetary Provision and release of Letter of Credit.

16. The gross provision in the respective Demand for grant and 15% indicative limit of quarterly expenditure allocation for the first quarter 2010-11 is furnished at Annexure-III for guidance. The Administrative Departments are to draw up the MEP & QEA of the remaining quarters for their respective Departments in accordance with the instructions contained in the preceding paragraphs and furnish the same to Finance Department along-with quarterly LC requisition against annual LC entitlement in respect of works expenditure by 15th May, 2010.

I would, therefore, request you to issue necessary instructions to the Controlling Officers of your Department to implement the cash management plan and set a healthy trend of public expenditure in the current financial year which would go a long way in improving the quality of expenditure.

Yours faithfully,


10/5/10

Principal Secretary to Govt.


Memo No. 22461 /F., Dt. 10.5.10

Copy forwarded to the Private Secretary to Minister, Finance for kind information of Hon'ble Minister, Finance.

 10.5.10
Joint Secretary to Govt.


Memo No. 22462 (3) /F., Dt. 10.5.10

Copy forwarded to the Private Secretaries to Chief Secretary/D.C.-cum-Addl. Chief Secretary/Agriculture Production Commissioner for kind information of Chief Secretary/D.C.-cum-Addl. Chief Secretary/Agriculture Production Commissioner.

 10.5.10
Joint Secretary to Govt.

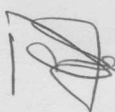
Memo No. 22463 (100) /F., Dt. 10.5.10

Copy forwarded to All Officers of Finance Department/All Branches of Finance Department for information and necessary action.

 10.5.10
Joint Secretary to Govt.

Memo No. 22464 /F., Dt. 10.5.10

Copy forwarded to Director of Treasuries and Inspection, Orissa, Bhubaneswar for information and necessary action.

 10.5.10
Joint Secretary to Govt.

ANNEXURE – I

Sl.No.	Demand No	Name of the Department
1	07	Works
2	10	School & Mass Education
3	12	Health & Family Welfare
4	13	Housing & Urban Development.
5	17	Panchayati Raj
6	20	Water Resources
7	23	Agriculture
8	28	Rural Development
9	36	Women & Child Development
10.	38	Higher Education

ANNEXURE – II

Monthly Expenditure Plan for the Financial Year - (Budget Estimate)

(In Trs.)

Month	Non-Plan	State Plan	Central Plan	Centrally Sponsored Plan
April				
May				
June				
July				
August				
September				
October				
November				
December				
January				
February				
March				

ANNEXURE – III**(Rs. in crore)**

Sl. No.	Demand No	Name of the Department	Budget Estimate, 2010-11 (VOA)				Quarterly Expenditure Allocation (QEA) for the 1 st Quarter i.e. from April to June, 2010			
			Non-Plan	State Plan	Central Plan	Centrally Sponsored Plan	Non-Plan	State Plan	Central Plan	Centrally Sponsored Plan
1	07	Works	768.21	967.34	16.42	20.00	115.23	145.10	2.46	3.00
2	10	School & Mass Education	3913.97	881.74	69.41	248.48	587.10	132.26	10.41	37.27
3	12	Health & Family Welfare	980.92	119.00	359.57	1.00	147.14	17.85	53.94	0.15
4	13	Housing & Urban Development.	633.02	419.82	0.01	0.00	94.95	62.97	0.00	0.00
5	17	Panchayati Raj	548.53	856.27	0.06	0.33	82.28	128.44	0.01	0.05
6	20	Water Resources	630.01	2232.96	0.00	173.43	94.50	334.94	0.00	26.01
7	23	Agriculture	332.00	342.68	13.06	75.41	49.80	51.40	1.96	11.31
8	28	Rural Development	547.90	430.42	0.00	0.00	82.19	64.56	0.00	0.00
9	36	Women & Child Development	258.43	813.55	0.00	854.65	38.76	122.03	0.00	128.20
10.	38	Higher Education	856.42	85.50	0.68	2.20	128.46	12.83	0.10	0.33