



**GOVERNMENT OF ORISSA**

HAND BOOK  
OF  
INSTRUCTION  
FOR  
SPEEDY SETTLEMENT OF  
AUDIT OBJECTIONS,  
SCRUTINY OF CAG REPORTS  
AND  
INITIATION OF ACTION THEREON,  
PUBLIC ACCOUNTS COMMITTEE -  
PROCEDURE AND WORK PROGRAMME  
(REVISED EDITION, 2006)

**FINANCE DEPARTMENT**

## **P R E F A C E**

Fiscal Transparency and Fiscal Accountability are important components of Fiscal Reform initiated by Government of Orissa. Accordingly one of the important monitorable indicators agreed to under the "Orissa Socio-Economic Development Programme Loan/Credit-II i.e. OSEDL-II" is that the rate of response to draft Paras/ Inspection Report and final observations of the Audit Reports of Comptroller and Auditor General of India should increase from year to year. This requires close monitoring at all levels. Keeping these in view instructions have been issued by the Finance Department for settlement of audit objections, timely action on Draft Audit Paras, initiation of action on the Reports of the Comptroller and Auditor General of India, submission of approved notes and comments thereon to the Public Accounts Committee, follow up action on the recommendations of the Public Accounts Committee and on other related matters. These instructions are now compiled and consolidated in the form of a Handbook for ready reference. It is hoped that this will be useful to all concerned to ensure fiscal accountability.

Sd/-

**( R. N. Senapati )**

**Principal Secretary to Government,  
Finance Department**

**20.12.2006**

## TABLE OF CONTENTS

Sl.No.	Contents	Para	Page No.
1	Introduction	1	1
2	Constitutional Provision	2	1
3	CAG(DPC) Act, 1971	3-6	2-3
4	Inspection Reports	7-11	3-6
5	Triangular Committee	12-15	6-7
6	Draft Audit Paras	16-23	7-9
7	Reports of the CAG of India	24	9
8	Examination of the CAG Reports by PAC	25	10
9	Follow up action on the CAG Reports	26-32	10-11
10	Role of Finance Department	33	12
11	Visits to A.G.'s Office by Departmental officers	34	13
12	Monitoring System	35	13
13	Monitoring Committee	35.1	13
14	Review Committee	35.2	14
15	Apex Committee	35.3	14-15
16	Special Instructions for disposal of Audit Observations	36	15
17	Responsibility of Officers	37	15
18	Action by Administrative Departments of Government	38	15-16
19	Action by Finance Department	39	16
20	Excess expenditure and its regularization	40	17-18
21	Verification & Reconciliation of Departmental Expenditure with Audit figures	41	18
22	Conclusion	42	19
	<b>Annexures</b>	Letter No. & Date	
23	Annexure-I	Outstanding Audit Objections & Inspection Reports	22690/F dt.12.07.60 20
24	Annexure-II	Reconstitution of Triangular Committee Meeting	20871/F dt.07.07.93 21
25	Annexure-III	Convening meetings of Triangular Committee for Settlement of Audit Issues	66395/F dt.23.12.78 22-23
26	Annexure-IV	Holding of meeting of Triangular Committee	44641/F dt.10.12.85 24-25
27	Annexure-V	Convening Triangular Committee Meeting at State Headquarters	11818/F dt.20.03.87 26-27
28	Annexure-VI	Scrutiny of Audit Reports & initiation of action thereon	18066/F dt.22.05.68 28-30

**- II -**

Sl.No.	Contents		Letter No. & Date	Page No.
29	Annexure-VII	Committee on Public Accounts -Procedure and work programme	7964/LA dt.14.05.82	31-32
30	Annexure-VIII	Scrutiny of C&AG Reports & initiation of action thereon	30783/F dt.01.09.94	33-34
31	Annexure-IX	Action to be taken on Draft Paras & Audit Reports- Appearance of officers as witness Before P.A.C.	19494/F dt.20.05.67	35-40
32	Annexure-X	Public Accounts Committee procedure & work programme (Instructions to F.As./A.F.As)	41251/F dt.23.09.92	41-42
33	Annexure-XI	Public Accounts Committee Procedure & work programme (Instructions to Secretaries)	26186/F dt.22.07.94	43-44
34	Annexure-XII	Action Taken on the recommendation of Public Accounts Committee	Extract from PAC Report	45
35	Annexure-XIII	Submission of notes to the P.A.C.	-do-	46
36	Annexure-XIV	Submission of approved notes and compliance on C&AG Report & P.A.C. recommendation	52924/F dt.14.12.92	47-78
37	Annexure-XV	Formation of Apex Committee	48358/F dt.01.12.00	49-50
38	Annexure-XVI	Instruction of Chief Secretary to All Secretaries to Govt. on Audit matters	2099/F dt.13.01.03	51-52
39	Annexure-XVII	Submission of Compliance Report to C&AG observation & recommendation of PAC	56066/F dt.9.12.02	53-54
40	Annexure-XVIII	Instruction of Principal Secretary, Finance Department on compliance to C&AG Reports, ATN & Excess Expenditure	39276/F dt.18.07.01	55-56
41	Annexure-XIX	Review the progress of compliance on Audit Reports, ATN & regularization of Excess Expenditure	1821/F dt.11.01.01	57-59

**-III-**

Sl.No.	Contents		Letter No. & Date	Page No.
42	Annexure-XX	Instruction of Chief Secretary to All Secretaries on observation of PAC	2 (42)/CS dt.03.01.01	60
43	Annexure-XXI	Instruction of Principal Secretary, Finance Department to review the progress of Audit on every month	3824/F dt.30.01.01	61
44	Annexure-XXII	D.O. letter of Principal Secretary, Finance Department to All Secretaries on Audit Compliance	30331/F dt.08.05.01	62
45	Annexure-XXIII	Instruction of Finance Department to all Secretaries on matters of Audit compliance and role of FAs/AFAs	17809/F dt.19.04.00	63-34
46	Annexure-XXIV	Submission of compliance notes on Reports of C&AG and monitoring the follow up action on Audit Paras – Instruction of Secretary to Government, Finance Department	22121/F dt.18.05.00	65-67
47	Annexure-XXV	Financial Discipline in different Departments– Role of FAs/AFAs	25700/F dt.03.06.96	68-70
48	Annexure-XXVI	Instruction of Chief Secretary on compliance to Draft Paras	30561/F dt.01.07.76	71-73
49	Annexure-XXVII	Instruction of Chief Secretary to All Secretaries on PAC observations	45049/CS dt.14.10.04	74-76
50	Annexure-XXVIII	Important Audit observations brought to the notice of Hon'ble C.M. by C&AG of India	45931/F dt.20.10.04	77-78
51	Annexure-XXIX-	Compliance to important observations of P.A.C.- Meeting held on 18.5.06	21699/F dt.19.05.06	79-82
52	Annexure-XXX	Time bound compliance to the Draft Paras as per the decisions taken in the Meeting held on 22.5.2006	22324/F dt.23.05.06	83-85

**-IV-**

Sl.No.	Contents		Letter No. & Date	Page No.
53	Annexure-XXXI	Instructions issued by ACS, Finance ( Dr. U.Sarat Chandran) on Departmental Monitoring Committee	49201/F dt.17.11.04	86
54	Annexure-XXXII	Meeting of Departmental Monitoring Committee & compliance on Report of C&AG	50215/F dt.02.11.05	87-88
55	Annexure-XXXIII	Revised Procedure to be followed to minimize delay in regularization of excess expenditure	39561/F dt.13.11.69	89-91
56	Annexure-XXXIV	Compliance to Excess Expenditure reported in the Report of the C&AG(1996-97 to 2004-05) displeasure expressed by PAC	36211/F dt.28.08.06	92-94
57	Annexure-XXXV	Admissibility of expenditure relating to the provisions made in the supplementary statement of expenditure 2006-07 and action to utilize the funds in time.	49101/F dt.30.11.06	95-100
	Appendices		Letter No. & Date	
58	Appendix-I	Timely compliance to Draft Paras & statutory responsibility under FRBM Act 2005	19237/F dt.05.05.2006	101-102
59	Appendix-II	Time bound compliance to the Draft Paras as per decision taken in the meeting held on 22.5.2006	22324/F dt.23.05.06	103-105
60	Appendix-III	Special Report on Budget System contained in the 36 <sup>th</sup> Report of the PAC(1996-97)- General Guidelines	27463/F dt.07.06.05	106-110
61	Appendix-IV	Letter of C & A G to Hon'ble Chief Minister, Orissa	No.43-CAG/RS/06 dt.31.5.06	111-114
62	Appendix-V	Letter of Hon'ble C.M. to C&AG of India on follow up action on Important Audit observations	D.O. No. UM 103/06-257-CM dt.05.07.06	115-117
63	Appendix-VI	Letter on follow up action on Important Audit observation of C&AG of India for the year 2004-05	29481/F dt.07.07.2006	118-119
64	Appendix-VII	Orissa Fiscal Responsibility & Budget Management Act, 2005, and Rules	Gazette Notification No.7032/L dt.16.5.05	120-144

## 1. INTRODUCTION

The Comptroller and Auditor General (C&AG) of India is the highest statutory audit authority in respect of the accounts of the Union and that of the States and Union Territories. He is the one dignitary who sees on behalf of the legislature that the expenses voted by them are not exceeded and that the money expended was legally available for application to the purpose for which it has been applied. In due discharge of his duties nothing can fetter his discretion or judgement in any manner as to the matter which he may bring to the notice of the Legislature, for control over the executive. The C.A.G. Audit has therefore a very wide perspective. It is not only concerned with aspects like correctness of accounts, conformity of expenditure to the provision of funds and regularity of transaction but extends to questions of propriety, efficiency, performance and adequacy of systems.

## 2. CONSTITUTIONAL PROVISION

Article 148 of the Constitution of India provides that the Comptroller and Auditor General of India shall be appointed by the President and shall only be removed from office in like manner and on the like grounds as a judge of the Supreme Court. Article 149 of the Constitution provides that the Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament. Under Article 151(1) of the Constitution of India, the reports of the Comptroller and Auditor General of India, relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each house of the Parliament. Article 151(2) of the Constitution provides that the Reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State who shall cause them to be laid before the Legislature of the State.

### 3. C.A.G.(D.P.C.) ACT, 1971

The duties and powers of the Comptroller and Auditor General of India in relation to accounts and audit are contained in the Comptroller and Auditor General (Duties, Powers and Conditions of Services) Act, 1971 passed by Parliament under Article 149 of the Constitution of India. The following are the main duties and responsibilities of the Comptroller and Auditor-General of India under the Provisions of C.A.G's.(DPC) Act, 1971:

- (i) To Audit all money paid into and expended from the consolidated fund of the Union and that of the State/Union Territories.
- (ii) To audit all transactions of the Union and of the States relating to contingency fund and public accounts.
- (iii) To audit all trading, profit and loss accounts and balance sheets and other subsidiary accounts kept in any Department of the Union or of a State.
- (iv) To audit the accounts of Bodies or Authorities substantially financed by government.
- (v) To audit the accounts of Government companies, statutory Corporation which have provisions for audit by him and other bodies and authorities, even though not substantially financed by Government, at the request of the President/ Governor or at his own initiative after obtaining President/Governors' approval.
- (vi) To ensure that the Appropriation Accounts and Finance Accounts of the Union / States are prepared correctly.
- (vii) To prepare accounts of the States and Union Territories.
- (viii) To audit and report on the accounts of the Stores and Stock kept in any office or Department of the Union / States or Union Territories.

4. Under Section 18 of CAG (D.P.C) Act, 1971, Comptroller and Auditor General of India has, in connection with the performance of his duties under the Act, the authority-

- (a) To inspect any office of accounts under the control of the Union or of a State including Treasury and such office responsible for keeping initial or subsidiary accounts
- (b) To require that any accounts, books, papers and other documents which deal with or form the basis or are otherwise

relevant to the transactions to which his duties in respect of audit of expenditure relate shall be sent to him at such place as he may appoint for his inspection.

- (c) To put such question or make such observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any accounts or report which it is his duty to prepare.

5. The person in charge of an Office or Department, the accounts of which have to be inspected and audited by the Comptroller and Auditor General shall afford all facilities for inspection by audit and comply with requests for information in as complete a form as possible and with all reasonable expedition. It is a statutory requirement that the relevant accounts, information and other documents as required for audit are furnished complete in all respect and with reasonable expedition. The concerned Departmental authorities are also required to afford necessary facilities for inspection of their accounts and smooth conduct of audit.

6. In order to enable the Comptroller and Auditor General of India, to discharge his duties and functions, as entrusted to him under the Constitution, the Heads of the Offices and the Departmental Authorities should extend full co-operation to Audit. They should not make request for postponement of audit unless absolutely necessary. Similarly, the Departments should ensure that records, documents and information are supplied to audit in time. Files required by audit should not be withheld by Departments of Government on the apprehension notes by subordinate officials and higher authorities. Further, if the contents of a file or any part of it are "secret" or "top secret", such files may be sent personally to the Accountant General specifying the fact, who shall then deal with it in accordance with the procedure for handling and custody of such documents.

## 7. INSPECTION REPORTS

The accounts of the State Government, maintained at various levels are normally audited annually. During the course of audit, the audit staff

will be issuing “Memos” calling upon the Disbursing Officer/ Head of Offices and Controlling Authorities for information on various points. All such objections “Memos” received from the audit should be attended to promptly and replies must be sent within the time limit. A register of Audit observations in the following format should be maintained by each Drawing and Disbursing Officer/Head of Office in order to have control and watch over the pendency and compliance of audit objections, notes and reviews.

Sl.No.	Reference to the Para No. in the Audit Report	Audit Comments	Notes of the Department	Remarks
1	2	3	4	5

The register should be reviewed at periodical interval by Head of Office to ensure that prompt action is taken to clear the objections within stipulated time.

The following instructions should be followed by Departmental Officers in the maintenance of the Register.

- (i) As soon as the audit observation is received from the Accountant General, it should be entered in the Register.
- (ii) Audit observations received in a calendar year should be serially numbered. If there are two or more items in a single memo or letter received from Accountant General, separate serial numbers should be given for each of them.
- (iii) An item should be treated as closed only after an intimation of acceptance is received from A.G. Otherwise, if the item is not reflected outstanding in the next half yearly list of outstanding objections officially received from A.G.(O) then it may be treated as closed.
- (iv) Items which are settled should be rounded off in red ink under attestation of Head of Offices or Department.
- (v) There should be only one Register for whole office and one Officer/S.O./Head Clerk/Sr. Assistant should be made responsible for maintenance of the Register.

It must be borne in mind that the responsibilities for the compliance of the audit objections and settlement of other points raised by audit

devolves primarily upon the Disbursing Officers / Heads of Offices and the Controlling Authorities. Therefore, it should be ensured that particulars given in reply to audit objection memos, should be correct with reference to records maintained in the office so that at a later stage the accuracy of the figures and the facts contained in the Inspection Reports of the Accountant General (Audit) are not disputed. To ensure this, replies to audit memos should be given only after approval by the appropriate/competent authority.

8. At the end of the audit, the Audit Officer generally discusses with the Head of the Office before finalizing his Inspection Reports. The Head of the Office should, therefore, seize this opportunity to check up whether all relevant materials have been made available to audit in order to enable them to bring out the full facts of each case in the Inspection Report. The Head of the Office should also simultaneously, without waiting for the receipt of the Inspection Report, initiate action to rectify the irregularities, defects and omissions etc. which come to light in the course of the audit.

9. As soon as the Inspection Report is received from the audit office, the Head of the office should ensure that the reply is given to each point with factual information within one month of receipt of the Inspection Report. If the final reply to certain points, raised in the Inspection Report, could not be furnished within the time limit of one month, the first reply should not be delayed on that account. In respect of points which require a longer time to reply, an interim reply may be given indicating the action taken on such issues. While giving reply, factual correctness should be ensured and steps should be taken to avoid recurrence of such defects.

10. In all cases of audit objections involving loss to Government on account of the wrong action of officers, the officers prima-facie responsible for the alleged irregularities should submit compliance to audit objections after obtaining the approval of their higher authorities.

11. To enable the State Government to have an idea of the objections pending against its various Departments and their subordinate offices, the Accountant-General (Audit) sends half-yearly pending list of objections outstanding for over six months.

## 12. TRIANGULAR COMMITTEE

To expedite the settlement of audit objections contained in the Inspection Reports, instructions have been given in Finance Department Circular No.22690, dated the 12<sup>th</sup> July 1960 (Annexure-I) for constituting Triangular Committees in the Departments of Government consisting of representatives of the Administrative Department, Finance Department, Heads of Departments and Accountant General. The constitution of the Triangular Committees was subsequently reviewed and it was felt that since in each Department of Government there is a Financial Adviser/Assistant Financial Adviser, who represents the Finance Department in the Administrative Departments in all financial matters, nomination of a representative from the Finance Department to the Triangular Committees of the Departments is not necessary. Hence in consultation with the Accountant General, Orissa, the constitution of Triangular Committees has been modified in Finance Department Circular No. 20871, dated the 7<sup>th</sup> May 1993 (Annexure-II). At present the Triangular Committees consist of representatives of the concerned Administrative Department, Head of Departments and Accountant General. It should be ensured that the FA/AFA of the Department is nominated to the Triangular Committee constituted for settlement of audit paras.

13. For convening Triangular Committees for settlement of outstanding audit paras reference may be made to the instructions given in Finance Department Circular No. 66395 dated 23.12.78 (Annexure-III), No.44641, dated 10.12.1985 (Annexure-IV) and No. 11818, dated 20.03.1987 (Annexure-V).

14. The Administrative Departments should review the functioning of the Triangular Committees constituted in their respective Departments. It must be ensured that the Triangular Committees meet at regular intervals and expedite settlement of the points raised by audit in the Inspection Reports.

15. At the end of each year, the Administrative Department shall submit a report to the Finance Department containing information relating to:

- (i) Number of Inspection Reports pending at the beginning of the year indicating number of paras against each Report.
- (ii) Number of Inspection Reports received during the year containing number of paras in each Report.
- (iii) Number of Triangular Committees held during the year and number of paras settled out of the pending Inspection Reports during the year.
- (iv) Number of Inspection Reports pending at the end of the year showing number of paras against each such pending Report.

#### 16. DRAFT AUDIT PARAS

Irregularities and Audit objections discovered in the course of audit, which are likely to find a place in the Report of the C&AG are first brought to the notice of the concerned Administrative Department/Head of Department in the form of Draft Audit Notes which are required to be replied, with factual position within six weeks. If no reply is given to the Draft Notes or the reply given is found unsatisfactory, the Draft Audit Notes are converted into Draft Audit paras by the Accountant General (Audit). The Draft paras are then sent to the concerned Administrative Department/Head of Department, with a copy to Finance Department, for verification and acceptance of facts within six weeks. If the final reply is not sent within the prescribed time of six weeks or the reply given is found inadequate, the Draft paragraph as prepared by audit is incorporated in the Report of the C&AG on the basis of facts available to audit.

17. It is, therefore, imperative for the Administrative Departments/Heads of Departments to ensure that reply to Draft Audit Notes/Draft Audit Paras are sent to the Accountant General (Audit) with full facts and figures with a sense of urgency within the prescribed time of six weeks under intimation to Finance Department. In exceptional cases, where compliance is not possible within the period of six weeks, it is necessary that the Department of Government/Heads of Department should get in touch with the Accountant General and report the position with the available facts in the shape of an interim reply.

18. It should be ensured that while sending replies to Draft Audit Notes/Draft Audit Paras the Financial Adviser/Asst. Financial Adviser of the Department, is consulted irrespective of whether the objections raised fall within the delegated financial powers or otherwise, so that the F. A./A. F.A. will be able to render necessary assistance in framing the reply. The final reply to the Draft Audit Note/Para should invariably be shown to the F.A./A. F. A. before it is sent to audit.

19. The comments on the Draft Audit Note/Paras should be normally communicated under the signature of the Secretary of the concerned Department or otherwise it should be indicated in the forwarding letter that the comments have the approval of the Secretary of the Department. Copies thereof should be sent to the Finance Department for reference. Facts coming to the notice of the Department after the Draft Para has been finalized by Audit, should also be transmitted to audit under intimation to Finance Department for posting the Public Accounts Committee with up-to-date information at the time the audit paras are taken-up for examination by the Committee, at a later stage.

20. Every Administrative Department/Heads of Departments should maintain a control register to watch the receipt and disposal of Draft Notes/Paras. In order to ensure fiscal accountability at all levels the rate of response to the draft paras/Audit Notes has been adopted

as one of the Key Action Points and Monitorable Targets under Medium Term Fiscal Plan.

21. Proper co-ordination should be maintained in all matters relating to audit paras and attempt should be made as far as possible to use the facility of consultation with the Audit Officer in order to reduce the Draft Audit Paras or objections at the very outset.

22. On receipt of copies of reply to Draft Audit Notes/Paras from the Accountant General, pertaining to different Departments the following action should be taken in the Finance Department.

- (i) A Control Register containing particulars of Draft Audit Notes/Paras pertaining to each Department should be maintained to watch the progress of action taken by the concerned Department.
- (ii) Finance Department should associate itself closely with the examination of the Draft Audit Notes/Paras and give necessary guidance to the Administrative Departments by pointing out to them whether the reply adequately covers the points raised in the Audit Para. And what further remedial measures, if any, are considered necessary.
- (iii) Cases of delay in the processing of Draft Audit Notes/Paras should be brought to the notice of the Secretary of the Administrative Department by the Finance Department.

23. In Finance Department Memorandum No. 19494, dated 20.05.1967 (Annexure-IX) detail instructions have been given regarding action to be taken on Draft Audit Paras.

#### 24. REPORTS OF THE C.A.G. OF INDIA

The C.A.G. of India submits the following reports on the accounts of the State Government and State owned Companies and statutory Corporations.

- (i) Finance Accounts,
- (ii) Appropriation Accounts,
- (iii) Report of the C.A.G. of India (Civil),
- (iv) Report of the C.A.G. of India (Revenue Receipts),
- (v) Report of the C.A.G. of India (Commercial).

## 25. EXAMINATION OF THE C.A.G. REPORTS BY THE P.A.C.

In accordance with the provisions of Article 151 (2) of the Constitution of India read with C.A.G.'s ( DPC ) Act, 1971, the reports of the C.A.G. of India are required to be laid before the Orissa Legislative Assembly with the prior approval of the Governor. These Reports are, thereafter, referred to the Committee on Public Accounts in accordance with Rule 134 (1) of the "Rules of Procedure and Conduct of Business in the Orissa Legislative Assembly". The procedure for placing the Reports of the C.A.G. in the Legislature and their examination by the Public Accounts Committee has been laid down in the Finance Department Circular No.18066, dated 22<sup>nd</sup> May 1968 (Annexure VI)

## 26. FOLLOW-UP ACTION ON THE C.A. G. REPORTS

After the Reports of the C.A.G. of India are laid in the Orissa Legislative Assembly, it is the responsibility of the Finance Department to send adequate number of copies of the Reports to the concerned Administrative Department / Head of Department for their comments and reporting the factual position on the relevant paras pertaining to their Departments, to the Orissa Legislative Assembly for examination by the Public Accounts Committee or by the Committee on Public Undertakings as the case may be.

27. As soon as the Audit Reports are received in the Administrative Department, they should take immediate action to rectify the irregularities mentioned in the Audit Reports in advance for consideration by the Public Accounts Committee so that the Committee are informed of the final position and not merely told that the matter will be looked into. The Administrative Department should furnish compliance notes indicating remedial measures taken by them on the various paragraphs contained in the Audit Reports pertaining to their respective Departments. Before submitting compliance to the P.A.C. on different Paras of the C.A.G's Reports, approval of the Government is required to be taken in the respective Administrative Department. A copy of the instructions given by

the Secretariat of the Orissa Legislative Assembly in their letter No.7964, dated 14<sup>th</sup> May 1982 is enclosed (Annexure-VII). Finance Department have laid down the detail procedure in Circular No.18066, dated 22<sup>nd</sup> May 1968 (Annexure-VI) for giving compliance to C.A.G's reports and for suo motu action by the Departments of Government, without waiting for further instructions from the Assembly Secretariat. The procedure laid down in the said Circular has also been reiterated in the Finance Department Circular No. 30783 dated the 1<sup>st</sup> September 1994 (Annexure-VIII).

28. Under Rule 11 of the "Rules of Procedure (Internal working) of the Public Accounts Committee", the Secretaries to the Government and such other Officers as may be called by the Committee to give evidence before them shall appear in person. If they are unable to attend in person for unavoidable reasons, they will depute their representatives with the permission of the Chairman of the P.A.C. Similarly it has to be ensured by the Administrative Department that Statements and other documents submitted to the Public Accounts Committee are duly authenticated by the Secretary of the Administrative Department. Detail instructions in this connection have been given in Finance Department Circular Memorandum No. 19494, dated the 20<sup>th</sup> May 1967 (Annexure-IX); Circular No. 41251, dated the 23<sup>rd</sup> September 1992 (Annexure-X) and Circular No.26186 dated the 22<sup>nd</sup> July 1994 (Annexure-XI). The instructions given in these circulars should be strictly followed.

29. The representatives of the Administrative Departments should have, in their possession, the facts relating to the cases reported in the C.A.G's Reports, before they appear before the Public Accounts Committee.

30. After examining the reports of the C.A.G. of India, the Public Accounts Committee submit their Reports to the Legislature. Copies of the P.A.C.'s reports are circulated among the Departments of Government for taking immediate action as recommended by the Committee. In this connection, instructions given in para-8 of the Finance Department

Circular No.19494, dated the 20<sup>th</sup> May 1967 (Annexure-IX) shall be strictly followed.

31. As per the instructions given by the Orissa Legislative Assembly Secretariat, the Action Taken Notes (ATN) on the various recommendations and observations of the Public Accounts Committee are required to be sent to the Committee within six months after presentation of the Reports of the PAC to the Legislature. In this connection, reference may be made to Para-31 of the "Epitome of the Reports of the Committee on Public Accounts of the Orissa Legislature" (Volume-III), extracts of which are shown at (Annexure-XII). ATN are to be sent first to the Accountant General with all supporting papers for the purpose of verifying the facts and figures before their submission to the Committee. The PAC will not entertain un-vetted ATN submitted by Departments of Government. In this connection reference may be made to Para-18 of the "Epitome of the Reports of Committee on Public Accounts of the Orissa Legislature" Volume-III, extracts of which are placed at (Annexure-XIII). Prescribed number of copies of the ATN should be sent to the Public Accounts Committee over the signature of Secretary of the Administrative Department after taking approval of the Government in the concerned Administrative Department.

32. The procedure discussed above relating to submission of compliance on C.A.G's Reports on the Accounts of the State Government and Action Taken Notes on the Reports of the Public Accounts Committee apply mutatis mutandis to the examination of the C.A.G's reports by the Committee on Public Undertakings.

### 33. ROLE OF THE FINANCE DEPARTMENT

The role of the Finance Department is to monitor the response of the various Departments of Government to the Reports of the C.A.G. of India and to review the adequacy or otherwise of action taken by way of compliance to Audit Paras and on the recommendations of the P.A.C./COPU.

#### 34. VISITS TO ACCOUNTANT GENERAL'S OFFICE BY DEPARTMENTAL OFFICERS FOR CLEARING AUDIT OBSERVATIONS AND INSPECTION REPORTS

The Head of Departments should specifically detail a senior officer such as FAs/AFAs and other senior officers in Administrative Department and Accounts Officers in Directorate level for prompt attention to audit observations and Inspection Reports. Section Officers or Sr. Assistant attached to FA Cell under the guidance of Finance Officer should collect all documents, compliance notes from all concerned officers and shall visit the office of A.G., Orissa to handover required compliances/documents timely. FAs/AFAs, Accounts Officers shall also periodically visit office of A.G., Orissa to discuss with concerned officers of Accountant General's Office for speedy settlement of all audit observations/reviews. There should be regular contact and discussion with A.G. Office for acceptance and settlement of I.Rs and notes of observation.

#### 35. MONITORING SYSTEM

Finance Department are assigned an important Role in Monitoring Govt. response to Audit and the observations of PAC/COPU.

##### 35.1 Monitoring Committee

The Monitoring Committee has been constituted in each Department of Govt. Consisting of the Secretary of that Department, Heads of Department and representative of F.D. to review and monitor the progress of follow up action for timely submission of compliance to A.G. Orissa & PAC on the C & AG Reports, Inspection Reports, Audit Reports, Draft Paras as well as non compliance to Audit objections etc. (Circular No.22121 dt.18.5.2000 of F.D. is enclosed at Annexure-XXIV)

A designated Officer has been nominated in each Department who is the convener of the Monitoring Committee. He is responsible for taking the follow up action on Audit Paras.

### 35.2 Review Committee

It was observed by Government that despite issue of definite guidelines and detailed instructions to all Departments of Government for observing clear cut time frame for submission of approved notes of compliance to report of C&AG and compliance on Action Taken Notes on recommendations of Public Accounts Committee, there is no significant improvement noticed in this regard. In order to minimize delay and strengthen the purpose of Audit it was proposed by A.G. Orissa to constitute a Committee for periodic review of progress of audit and action taken in this regard.

The Review Committee constituted for the purpose shall comprise Secretary Finance Department, Accountant General (O) or his Representative, and Secretary of the concerned Administrative Department.

The Committee will meet periodically and review the progress of compliance to Audit Report as per relevant information submitted by concerned Department in prescribed proforma. A circular was issued by Finance Department in this regard on 14<sup>th</sup> December 1992 which is enclosed (Circular No.52924(46)-AA(P)-32/92 dt.14.12.1992) {Annexure-XIV}.

### 35.3 Apex Committee

For Govt. as a whole an "APEX COMMITTEE" has been constituted consisting of the following members :-

1. Chief Secretary	:	Chairman
2. Secretary to Govt. Finance Deptt.	:	Permanent Member
3. Secretary to Govt. Water Resources Department	:	Member
4. Secretary to Govt. Home Deptt.	:	Member
5. Secretary to Govt. Panchayatiraj Department	:	Member
6. Secretary to Govt. Agriculture Department	:	Member
7. Secretary to Govt. Revenue Department	:	Member
8. Special Secy./Addl.Secy. in charge of A & A Br. F.D.	:	Member Convenor

A copy of the Finance Deptt. Resolution No.48358/F., dated 1.12.2000 is enclosed (Annexure XVI) for reference.

The Members of the Committee will be changed by rotation.

The functions of the "APEX COMMITTEE" is as follows:

- (a) To analyze the function of the Departmental Monitoring Committee & to ensure timely submission of compliance to A.G. Orissa & P.A.C.
- (b) To review periodically, action taken on C.A.G. Reports by the Deptts. of Govt.
- (c) To sort out bottlenecks for prompt action to be taken by all Deptts. of Govt. on Audit Paras.

The Committee would sit half-yearly.

### 36. SPECIAL INSTRUCTIONS FOR DISPOSAL OF AUDIT OBSERVATIONS

In spite of the instructions issued by Government from time to time the number of audit observations pending and the amount held under objections are on the increase. This is pointed out by Audit in almost every Report. The Public Accounts Committee have expressed concern about the large number of audit observations pending for pretty long periods. Special instructions have been issued for clearing this backlog. It is necessary in the interest of sound financial administration that audit observations should be disposed off within the stipulated time limit. They should not be allowed to accumulate. Instructions issued in this respect in Finance Department circular Memorandum No. 19494-A.A.16/67F Dated 20.05.1967 (Annexure-IX) should be strictly followed.

### 37. RESPONSIBILITY OF OFFICERS

The responsibility for replying to audit observations and the settlement of other issues raised in audit devolves primarily upon the Disbursing Officers, Heads of Office, Controlling Authorities and Secretariat Officers according to the nature and responsibility involved.

### 38. ACTION BY ADMINISTRATIVE DEPARTMENT OF GOVERNMENT

The Secretary to Government in the Administrative Department should nominate a Senior Officer of the Department to ensure prompt attention to the audit objections. It shall be the responsibility of the Officer to review the monthly reports received from the Heads of Department with reference to the half yearly statement received from the Accountant General and assess the Progress in the clearance of the objections and the adequacy of the action taken by the Heads of Department. He should submit his report of the review to the Secretary to Government who will communicate to the Heads of Department his assessment of the position and give suitable instructions to them for further clearance. Copies of his communications to the Heads of Departments should be forwarded to the Finance Department.

### 39. ACTION BY FINANCE DEPARTMENT

Finance Department have outlined guidelines and deadlines for submission of compliance reports to Comptroller and Auditor General's audit observations and Action Taken Reports on the recommendations of the Public Accounts Committee. It has now been decided that every Department shall furnish detailed notes indicating the action taken on paragraphs appearing in the audit report of Comptroller and Auditor General of India, within 4 months of the Comptroller and Auditor General Report being available in the Department. In case any Department feels that there are special circumstances which necessitated a longer period, they shall submit a detailed proposal in this regard to the Finance Department who would obtain orders of Chief Secretary permitting such longer time limit.

Besides a number of circulars have been issued in Finance Department from time to time for quick submission of compliance reports (Annexure-XVI to XXV)

#### 40. EXCESS EXPENDITURE AND ITS REGULARISATION

Substantial excess expenditure or savings vis-à-vis budget grants were noticed in the past years indicating a persistent weakness of financial management. Due to close monitoring and timely action on reconciliation and verification of expenditure the instances of expenditure were substantially reduced.

The excess expenditure incurred by the Administration Department and the failure in the verification and reconciliation of Departmental expenditure with Audit figures have been viewed with concern by the PAC.

In the past, instruction have been issued from Finance Department emphasizing the need for strict adherence to the revised procedure with a view to minimizing delay in the regularization of excess expenditure according to the revised procedure. The revised procedure as prescribed in consultation with Public Accounts Committee and A.G., Orissa is as follows:

- (i) As soon as the Appropriation Accounts are finalized by Audit and sent to the Press for the first proof, Audit will inform the concerned Departments of Government of the cases in which excesses have occurred, under intimation to the Finance Department. It is expected that this will be done by the end of December each year.
- (ii) The concerned Departments of Government would be required to take steps to ensure that the notes alongwith the relevant files are furnished to the Finance Department by the 1st of February.
- (iii) The relevant files alongwith the notes will be examined by the Finance Department and returned to the Administrative Department by the 1st of March, who would in their turn forward the notes to Audit for vetting by the 15<sup>th</sup> of March.

- (iv) Audit will return the notes duly vetted within a fortnight of their receipt to the concerned Departments of Government direct under intimation to the Finance Department.
- (v) On receipt of the notes duly vetted by the Audit, the concerned Department will furnish to OLA 25 copies of the notes duly signed by an officer not below the rank of a Joint Secretary and also indicating therein that the note has been seen by the Audit after the presentation of the Appropriation Accounts before the Orissa Legislative Assembly or 10<sup>th</sup> April whichever is later.

PAC after due consideration may recommend for regularization of the excesses. The object is to ensure that the irregularities are not allowed to remain unsettled for long periods.

Circulars in this respect have been issued by Finance Department vide Memo No.A&A-25/69-39561/F dt. 13.11.1969 (Annexure-XXXIII) and No.36261 dt.25.8.2006(Annexure-XXXIV).

#### 41. VERIFICATION AND RECONCILIATION OF DEPARTMENTAL EXPENDITURE AND RECEIPT WITH AUDIT FIGURES

Instructions on several occasions have been issued to all Departments of Govt. by the Finance Department for timely and regular monthly verification and reconciliation of Departmental expenditure with audit figures in the office of the A.G., Orissa. Monthly verification should be taken up in accordance with the existing instructions and completed within the prescribed time limit by the Administrative Department and respective Sub-ordinate controlling officers. Any laxity on this account will be seriously viewed and responsibility will be fixed on the Officers concerned. In this connection, F.D. Memo No.49101(230)/F dt.30.11.2006 is enclosed as Annexure XXXV.

## 42. CONCLUSION

The observations and recommendations contained in the Reports of the C.A.G. of India, can achieve the desired results only if they evoke positive and adequate response from the Executive. While systematic scrutiny of the C.A.G's Reports by the PAC/COPU is envisaged as an indispensable safeguard, the Executive is responsible for following them up promptly and fully on its own initiatives. What is important and crucial is to ensure that the irregularities pointed out by C&AG in his report for a year do not recur in the subsequent years. This will be possible only when prompt follow up action is taken at all levels on the observations of Audit.

\* \* \*

# ANNEXURES

ANNEXURE –I

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. A. R-77/60/22690-(41)-F.

Bhubaneswar, the 12<sup>th</sup> July 1960

To

The Political and Services/Revenue and Excise/  
Development/Supply/Home/Health/Tribal and Rural Welfare  
Depts. (Branch wise)/Industries/ Education/ Relief and  
Rehabilitation/ Works.

Subject – *Outstanding Audit objections and outstanding Inspection  
Reports.*

The undersigned is directed to invite a reference to paragraphs 27 and 28 of the Government of Orissa Appropriation Accounts 1957-58 and the Audit Report, 1959 and to say that it has been indicated by the Public Accounts Committee that smaller committees with representatives of the Administrative Department, Finance Department, Heads of Department and Accountant- General should be formed in finalizing audit objections. This system may be adopted from now on to solve all outstanding audit objections. The Departments are therefore requested to intimate Finance Department the dates suitable for them to sit in the Committee for finalization of audit objections.

Sd/-  
Assistant Secretary to  
Government

ANNEXURE -II

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. A. & A-72/92/20871-(45)-F.

Bhubaneswar, the 7<sup>th</sup> July 1993

To

All Departments of Government

Subject –*Reconstitution of the Triangular Committee meeting for settlement of outstanding audit objections and outstanding inspection reports.*

In partial modification of this Department Memo No. AR-77/60/22690, dated the 12<sup>th</sup> July 1960, I am directed to say that representation of the Finance Department in the Triangular Committee meetings, relating to other Departments, is considered no more necessary in view of the duties and responsibilities entrusted to the Financial Advisors/ Assistant Financial Advisors of the Administrative Department in the Finance Department notification No. 38595-F., dated the 7<sup>th</sup> September 1992. However the representation of Financial Advisors/ Assistant Financial Advisors in the Triangular Committee meetings may be ensured in future.

2. This has been concurred by Accountant –General, Orissa in his letter No. CASS-IA/ 2-8/90/2979, dated the 16 April 1993.

Sd/-

Joint Secretary to  
Government

ANNEXURE -III

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. 66395-CE(Audt.)-53/78(115)

Bhubaneswar, the 23<sup>rd</sup> December 1978

To

All Departments of Government,  
Heads of Department

Subject – *Convening meetings of Triangular Committees for settlement of outstanding audit issues, Pension Cases, etc.*

It has come to the notice of Government that there is neither uniformity nor consistency in convening meetings of Triangular Committees for settlement of outstanding audit objections. Several Departments of Government are convening Triangular Committee meetings, without adequate notice, at different headquarters for which the representatives of the Finance Department and of the Accountant-General, Orissa are not able to attend with adequate preparation to cover the area fully. Consequently the meetings do not always yield tangible results. In fact, the outstanding objections as reported by the comptroller and Audit-General in his Audit Reports every year have been on the increase. In order to make these meetings purposeful it is hereby impressed on all concerned that such meetings should be convened normally at the State headquarters with sufficient notice and proper agenda so that the representatives of the Accountant-General and the Finance Department and drawing officers concerned would come prepared for such meetings with a view to clearing as many outstanding issues as possible. As discussions are held to clear outstanding audit objections, apart from removing bottlenecks in the settlement of Pension Cases, Provident Fund Cases, etc. Accountant General will furnish information to the Head of the Department regarding points to be discussed during such

meetings as soon as intimation regarding the date of the meeting is received. The Departmental representatives are expected to bring their sides of the matter for fruitful discussion during the meetings. For the sake of convenience such meetings may also be held at headquarters of Revenue Divisional Commissioners with prior consultation with Finance Department and the Accountant-General. In all such cases it should be ensured that the Administrative Departments are represented by senior officers and the meetings are taken by the Revenue Divisional Commissioners. The follow-up action taken during a particular meeting should be pursued closely by the Department concerned.

Ordinarily, meetings of the Triangular Committees are intended to be convened by the Departments of Government. Where the Secretary concerned feels it necessary, he may request the concerned Revenue Divisional Commissioner to preside over the meeting at the Divisional headquarters for facility of disposal at the local level; the meetings should invariably be attended by a senior representative of the convening Department. Since Triangular Committees are required to consider Pension Cases also, it would not be necessary to convene separate committees for review of Pension Cases.

Sd/-  
Secretary to Government.

ANNEXURE -IV

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

No. 44641-CE(Audt.)-25/85-F

Bhubaneswar, the 10<sup>th</sup> December 1985

To

All Secretaries to Government,

Subject –*Holding of meetings of Triangular Committees.*

Sir,

I am directed to say that the Comptroller and Auditor General of India has brought it to the notice of Chief Minister that a large number of audit objections/ inspection report/ audit Paras, are outstanding against every Department for years and as these are not settled promptly. There is heavy arrears of such audit objections at present. The C.A.G has requested that State Government to take immediate steps for clearance of the same.

As you are aware, the Department of Government and the Heads of Department have been advised from time to time to held meetings of the Triangular Committees consisting of the representatives of the Department, the Finance Department and the Accountant-General, Orissa to settle audit objections on the spot after thorough discussion. In fact, some Departments have already convened such meetings recently but many others have not convened even a single meeting during the current financial year and as a result the audit objections in their cases are increasing from year to year. It is, therefore, immediately necessary that those Departments should convene meetings of such Triangular Committee during the coming months, so that a much better picture of the outstanding audit objections can be presented to the C & A.G by the end of the financial year.

It is also observed that certain Departments are convening such T.C. meetings outside the State headquarters thereby making it difficult for the A.G and the Finance Department to send their representatives in time. In some cases the T.C., meetings are also deferred without sufficient notice and may representative from headquarters return disappointed without attending the meetings. Further in many cases notices of such meetings are sent without sufficient time thereby making it difficult for the concerned representatives to attend the meeting with full facts and figures. In order to make the T.C. meetings more purposeful, you are requested to kindly issue instructions to your subordinate offices to allow sufficient time and convene such meetings in coming months at the State headquarters only. The F.As/ A.F.As of Departments of Government and the Account Officers of the Heads of Departments may be instructed to ensure implementation of these guidelines and show tangible progress in reduction of the audit objections.

Yours faithfully

Sd/-  
Secretary to Government.

ANNEXURE -V

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. 11818(33)-AA(Audt.)-10/87-F

From

Shri R. N. Das

Commissioner-cum-Secretary to Government

To

All Secretaries to Government

Subject – *Convention of Triangular Committee meetings at the State Headquarters.*

Bhubaneswar, the 20<sup>th</sup> March 1987.

Sir,

I am directed to say that the Comptroller and Audit General has been pointing out in his report from time to time about non-settlement of a large number of Inspection Reports and Paras outstanding against some of the Departments. To expedite clearance of these cases, it was earlier laid down that such pendency should be settled in Departmental and District Level Triangular Committee meetings. A number of cases, it appears, have remained unsettled for about two decades. Instructions issued from time to time by Finance Department in the past do not seem to have produced the desired outcome, i.e., expeditious settlement of Inspection Reports/ Paras. As the Public Accounts Committee have been expressing concern at the over all position of outstanding Inspection Reports/ Paras, Secretaries of Departments were addressed by Chief Secretary demi-officially in Finance Department Memo No.45795(25)-F., dated 18<sup>th</sup> December 1983 emphasizing the need for bringing about a distinct improvement in the settlement of pending Inspection Report/ Paras.

2. Controlling Officers and Drawing/ Disbursing Officers aware of the objections relating to their Departments through the half-yearly

statement of Inspection Reports/ Paras received from Accountant-General every six months, but effective steps do not seem to have been taken to reduce the pendency. Instructions were issued in the past to hold Triangular Committee meetings at Headquarters once in a year to provide necessary guidance for sorting out the constraints which have been impeding settlement of pending objections. To effectively deal with the situation arising out of a growing volume of outstanding Inspection Reports/ Paras, all Departments are requested to convene Triangular Committee meetings as advised in earlier instructions. Schedule for convening the meetings is enclosed.

Outcome of the review may be communicated to Finance Department in the month following Triangular Committee meetings. Financial Adviser/ Assistant Financial Adviser of the Departments may be assigned the responsibility for successful implementation of the programme.

Yours faithfully

Sd/-  
R.N.Das  
Commissioner-Cum-Secretary to  
Government

ANNEXURE -VI

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. 18066 (25)-A.A-16/67-F

The 22<sup>nd</sup> May 1968

To

ALL DEPARTMENTS OF GOVERNMENT.

SUBJECT- Scrutiny of Audit Reports and initiation of action thereon.

The undersigned is directed to say that instruction on action to be taken on draft Paras and for appearance of officers as witnesses before Public Accounts Committee have been issued by the Finance Department from time to time, the last being those issued with No. 9494-A.A-16/67-F., dated the 20th May 1967.

2. Unfortunately the above instructions do not appear to have achieved the desired result. It is noticed that after issue of a draft Para till its final incorporation in the Audit Report, irregularities pointed out continue to persist while proper attention is not best owed on timely submission of compliance reports with full facts and figures to the Audit Office. Instances are not also rare where the Administrative Department and their subordinate offices have completely neglected timely scrutiny and have delayed initiation of action on the Audit Reports.

3. In order that this unsatisfactory state of affairs is not allowed to continue, the following further instructions are issued which should be strictly followed by the concerned.

- (i) Soon after the receipt of the Audit Report, the facts mentioned and figures quoted therein should immediately be verified with reference to relevant records in the concerned

offices. In case any discrepancy is noticed in the facts and figures mentioned in Audit Reports, the same should be pointed out to the Audit Office immediately and should not be held up for being discussed in the Public Accounts Committee meetings. It should be ensured that prior to appearing before the Public Accounts Committee, the discrepancies pointed out by Audit have already been taken notice of. Full facts to Audit should also be furnished so that a complete picture is available to the Public Accounts Committee.

- (ii) Necessary action ought to be promptly initiated on various points raised therein pertaining to each individual Departmental Office. Similar scrutiny and follow up action are also called for in respect of Audit Reports relating to autonomous Boards and Corporations under the Administrative control of various Departments of Government.

Audit Reports from the subject-matter for consideration by the Public Accounts Committee Delay in initiating action to rectify irregularities mentioned in Audit Reports has always been adversely commented upon. Answers of the sort "The matter will be looked into" fail to satisfy the Committee. Rectification of irregularities mentioned in the reports ought to be taken up sufficiently in advance of their consideration by the Committee to enable them to have a final position of the case.

- (iii) The following useful observation made by the Central Public Accounts Committee in Para. 6.40 of their 62<sup>nd</sup> Report (Third Lok Sabha) appear to give a correct appraisal of the situation.

"The Committee regret to note that the Ministers do not seem to have a proper system of scrutinizing the Audit Reports and initiating action thereon. They, therefore, desire the Ministries of Government should improve their system of scrutiny of Audit Reports not only in

respect of the Ministries themselves but in respect of all Boards/ Departments/ Organisation under them and ensure that all actions arising there from are initiated promptly."

The observations equally apply to the Administrative Departments under the State Government- Thorough scrutiny of the Audit Reports and expeditious initiation of actions on the irregularities mentioned ought to be ensured to avoid criticism leveled by Public Accounts Committee against Government.

4. The above instructions should be carefully implemented with immediate effect to achieve tangible results. The subordinate officers including autonomous Boards and Corporations under the Administrative Control of each Department may be suitably instructed in this regard and copies thereof endorsed to Finance Department for reference.

Sd/-  
Chief Secretary to Government

ANNEXURE – VII

SECRETARIAT OF THE ORISSA LEGISLATIVE ASSEMBLY

No. 7964 (41)-L.A.

The 14<sup>th</sup> May 1982

From

Shri H. Swain,  
Under Secretary.

To

All Departments of Government

*SUBJECT – Committee on Public Accounts – Procedure and Work Programme*

The undersigned is directed to say that the following decisions were taken at the meeting of the Committee on Public Accounts held on the 11<sup>th</sup> May 1982 and to request that the Departments may take necessary action. –

1. The Chairman of the Public Accounts Committee may suggest to Government that the Audit Reports be brought to the personal notice of the Minister concerned for scrutiny and issue directions with a view to expediting remedial action.
2. (a) The audit paragraphs in the Reports of C & A.G relating to the years 1974-75 to 1976-77 will be analysed by the Department concerned and irregularities contained be brought to the personal notice of the concerned Minister, so that remedial action is taken.  
(b) The concerned Department will send to the Assembly Secretariat twenty-five copies of the approved notes as the action taken on individual paragraphs, after approval of the Minister concerned, for placing the same before the Committee.  
(c) The Committee may, however, consider the individual Paragraphs where necessary.
3. The audit paragraphs contained in the Reports of C.& A.G. relating to the years 1978-79 and onwards will be considered by the Committee according to the procedure prevailing prior to

1978-79 i.e. the Departments will be examined on the memorandum of C & A.G., without waiting for written replies. The memorandum will, however, be sent to the concerned Department in advance of the meeting day.

Sd/-  
H. SWAIN  
Under Secretary

ANNEXURE -VIII

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. 30783-A.A-(P) 32/94-F  
The 1<sup>st</sup> September 1994

To

All Departments of Government.

SUBJECT- Scrutiny of C. & A.Gs. reports and initiation of action thereon.

The undersigned is directed to say that despite issue of detailed instructions in Finance Department Memo No. 18066, dated the 22<sup>nd</sup> May 1968, relating to scrutiny of Audit Reports and initiation of action thereon, the Department of Government do not appear to have taken the desired action. Some irregularities pointed out by Audit, continue to persist and timely action is at times not taken to submit compliance reports with full facts and figures to the Accountant –General, Orissa and the Public Accounts Committee.

2. To ensure overall improvement of the present state of affairs, the instructions given below should be strictly followed by the concerned Departments.

3. As soon as the reports of the C. & A.G. of India, are received, the facts and figures mentioned therein should be immediately verified with reference to the records maintained in the concerned Departments and its subordinate offices. In case any discrepancy is noticed, the same should be brought to the notice of the Accountant-General, Orissa, immediately and should not be kept pending for being discussed in the Public Accounts Committee meetings. In other words, it should be ensured that prior to appearing before the Public Accounts Committee, the deficiencies noticed in the C. & A.G's Report are taken notice of and full facts and figures are furnished so that a complete picture is available to the Public Accounts Committee. Necessary actions are to be promptly initiated on various

points raised in different paras of the Audit Reports pertaining to each individual Department of the Government.

4. It may be mentioned here that reports of the C & A.G. of India form the subject matter for examination and consideration by the Public Accounts Committee. Delay in initiating action on the reports of the C & A.G. of India has always been adversely commented upon. Rectification of irregularities mentioned in the reports should be taken up sufficiently in advance of their consideration by the Public Accounts Committee, to enable them to have a final picture of each case.

5. It is, therefore, once again impressed upon all the Departments of Government that the above instructions should be implemented with immediate effect to achieve tangible results. Submission of compliance on various reports of the C. & A.G. of India should be expedited without any further delay. The subordinate offices including autonomous bodies and Corporations under the Administrative control of each Department, may be suitably instructed in this regard, under intimation to Finance Department for future reference.

Sd/-  
Chief Secretary to Government.

ANNEXURE -IX

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

Memo No. 19494 -(A.A)-16/67-F

CIRCULAR MEMORANDUM

To

ALL DEPARTMENTS OF GOVERNMENT

SUBJECT- Action to be taken on Draft Paras and Audit Reports-  
Appearance of Officers as witness before the Public  
Accounts Committee – Consolidated instruction issued.

Bhubaneswar, the 20<sup>th</sup> May 1967

1. Instructions have been issued by the Finance Department from time to time in connection with delays in replies to the draft Paras proposed for inclusion in the Audit Report appearance of officers as witnesses before the Public Accounts Committee, etc. The following consolidated instructions are issued for guidance of Secretaries to Government and Heads of Department.
2. Draft Para for inclusion in the Audit Report- The draft of a Para.' proposed for inclusion in the Audit Report', "Appropriation Accounts" is forwarded by the Accountant General to the concerned administrative Department. This is to ensure that the irregularity commented upon in the Para is brought to the notice of the Government and the Departmental Officers who will have to appear as witness before the Public Accounts Committee when the relevant portion of the Audit Report is taken up for consideration by the Committee. The draft Para is forwarded for verification of the facts contained therein along-with comments of the Department and the compliance is to be communicated to the Accountant-General within six weeks from the date of receipt of the draft Para. Very often it happens that a reply to the draft Para is sent to the Accountant-General without examining all the aspects of the case and in same cases the reply is sent without the specific approval of the

Secretary/ Additional Secretary of the Department concerned. There have been instances where the facts mentioned in the audit Para are challenged only when the Audit Report is taken up for consideration by Public Accounts Committee. To avoid such lapses Government desire to impress upon the Secretaries of the Departments that a reply to a draft Para received from the Accountant-General should be sent only after their personal approval. Before sending a reply, they should collect all the facts which have a direct or indirect bearing on the irregularity commented upon in the draft Para and see that the audit Para reveals a true account of the alleged irregularity or lapse. If the draft Para proposed by the Accountant-General requires modification to bring forth the facts of the case, they should suggest suitably in their replies. As a rule, the reply to the draft Para should be sent to the Accountant- General for necessary action, This will ensure that the reply is sent by the approval of the proper authority (Secretary/Additional Secretary of the Department) after careful examination of all the aspects of the case. In case, the final reply to the draft Para could not be given within the time limit of six weeks referred to above an interim reply should be given to the Accountant-General indicating the time by which the final reply could be sent and that too by the approval of the Secretary/ Additional Secretary. The draft Paras should be disposed of as expeditiously as possible and the comments of the Administrative Department intimated to audit within a period not exceeding six weeks. If no final reply is sent within this prescribed period of six weeks, the paragraph as prepared by Audit will be treated as final and included in the Audit Report.

3. The Finance Department should be kept informed about the replies given to Accountant- General by Administrative Department from time to time. A copy of the final reply along with the relevant files are to be sent to the Finance Department for an independent examination of the case.

4. To ensure prompt replies to draft paragraphs received from Audit the concerned Department may open a separate register to note the date of receipt of paragraphs and date of reply to Audit. The Register should be

personally verified by an officer of the Department who should be named for the purpose during the first week of each month.

5. It is the responsibility of the Administrative Department concerned to collect necessary information from their subordinate offices in time. If the required notes or information are not received in time the Department concerned may contemplate suitable action against the officer or officers concerned found responsible for the delay.

6. Rectification of defects, irregularities, lapses, etc., commented upon in the Audit Paras :- Normally it has to be presumed that a draft Para forwarded to the Secretary to Government for verification will find a place in the Audit Report which will be placed before the legislature. The Audit report so placed will be examined by the Public Accounts Committee and the concerned Secretary to Government will have to appear as witness before the Committee for examination of the concerned Para. There will be time-lag ranging from six months to one year between date on which the draft Para is forwarded by the Accountant General for verification and the date on which the same is taken up for consideration by the Public Accounts Committee. The questions which are generally put to the witness include: -

- (1) Whether at least after receipt of the draft Para the irregularity commented upon in the Audit Para, has been rectified; -
- (2) Whether adequate steps have been taken to see that such irregularities do not recur, and
- (3) Whether in case of loss to Government, necessary action has been taken against those responsible.

If the Secretary to Government of the Department concerned takes prompt action immediately on receipt of the draft Para, to rectify these defects and to proceed against the person or persons responsible to make good the losses if any, it should be possible to answer the question. The Secretary of the Department may issue detailed instructions to the Subordinate Officers for avoidance of such irregularities in future. It should be possible to state before the Committee that the irregularity has

since rectified and action has also been taken to avoid recurrence for such irregularities in future. Hence the Secretary to Government should, on receipt of the draft Para, examine among other things the following aspect, and take suitable remedial measures immediately.

(1) Whether the irregularity committed was due to negligence on the part of any Government servant.

(If so, suitable action should be initiated against the delinquent )

(2) Whether there was any lack of proper instructions or defect in the organization set up.

(If so, steps should be taken to rectify such defects)

(3) If there was loss to Government the responsibility for the same should be fixed and steps taken to recover the loss.

(4) If the irregularity committed was due to lack of proper supervision or ambiguity in the rules steps should be taken to enforce adequate supervision or amend the rules.

In other words all possible ways should be devised to prevent recurrence of such irregularities and to make amends for the irregularity Committed.

7. Appearance of officers as witness before the Public Accounts Committee: - The Public Accounts Committee examines the Secretary to the Government of the concerned Department in order to ascertain the full facts relating to the case covered by the Audit Para. The Officer who is called upon to appear as a witness before the Committee should have studied thoroughly all the papers and files connected with the subject, including original records relating to the case of the subordinate offices as well as the file in which the draft Para, was examined in the Department. These records should be available with the Officer at the time of examination by the Public Accounts Committee. A comprehensive note covering all the aspects of the case in the Audit Para should be prepared indicating clearly chronological order of the actions taken in the case. Whether a similar irregularity had found place in any of the earlier Audit

Reports should also be verified and if there was such a case, the relevant papers relating to that case, the recommendations of the Public Accounts Committee on that subject and the action taken by the Government on the recommendations should also be looked into and full information on this should be available at the time of examination by the Committee. The Committee expects replies by the witness to be precise and to the point. Generalised replies by witness and expressions of opinion and presumptions in replying to the questions put by the Committee are undesirable and embarrassing and should be avoided.

8. Prompt action to be taken on the recommendations of the Public Accounts Committee :- The Report of the Public Accounts Committee presented to the Legislature would contain various recommendations and observations of the Committee on which the Departments have to take proper action without delay. Action should be expedited in all such cases while passing orders in all such files in which the recommendations and observations of the Public Accounts Committee are examined. As soon as copies of the Reports are circulated the Secretary to Government of concerned Departments should personally examine whether rules required amendment or a change in procedure is necessitated to implement the recommendations of the Committee.

Sd/-  
R.P. PADHI  
Additional Chief Secretary

ANNEXURE -X

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

MEMO NO. 41251(40) – A.A.(P)-14/92-F

To

All Financial Advisors and Assistant Financial Advisors  
of Department of Government.

Bhubaneswar, the 23<sup>rd</sup> September 1992

Subject - Public Accounts Committee Procedure and Work  
Programme.

The undersigned is directed to invite a reference to this Department Circular No. 21797, dated the 13<sup>th</sup> May 1992 and No. 29717 (40)- F, dated the 9<sup>th</sup> July 1992 on the above subject and to say that despite issue of clear instructions for submission of compliance notes and action taken notes to the Orissa Legislative Assembly, on the reports of the Comptroller and Auditor General of India and on the reports of the Public Accounts Committee ,duly authenticated by the Secretary of the Administrative Department it is observed by the P.A.C. that some of the Departments are still submitting the compliance notes / action taken notes without being authenticated by the Secretary of the Administrative Department. It is once again requested that the compliance notes and action taken notes should be page numbered and duly authenticated by the Secretary of the Administrative Department before submission to the P.A.C.

2. Further the Administrative Department were also advised on several occasions in the past, to prepare the notes on paras, incorporated in the report of the Comptroller and Auditor General of India (Civil and Revenue receipts) and on the report of the P.A.C. with full facts and figures and to submit 25 copies of the notes so prepared to Orissa Legislative Assembly duly page marked and authenticated by the Secretary of the Administrative Department promptly on receipt of the

report. This has not been adhered to. The Public Accounts Committee has therefore observed with dissatisfaction that the Departments do not furnished the approved notes and action taken notes within the time limit and in the prescribed manner.

You are, therefore, once again, requested to see that the instructions given on the subject, from time to time are carefully implemented so that the present State of affairs could be avoided.

The receipt of the circular may please be acknowledged.

Sd/-  
Joint Secretary to Government

ANNEXURE -XI

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. 26186(40) – A.A.(P)-33/94-F

From

Shri R.N. Das, I.A.S.  
Chief Secretary and  
Chief Development Commissioner, Orissa

To

All the Secretaries to Government

Bhubaneswar, the 22<sup>rd</sup> July 1994

Subject - *Public Accounts Committee Procedure and Work Programme.*

Sir,

Under Rule II of the Rules Procedure (Internal Working) of the Public Accounts Committee, the Secretaries to the Government and such other Officers as may be called by the Committee to give evidence before them, shall appear in person. If they are unable to attend in person for unavoidable reasons, they will depute their representatives with the permission of the Chairman. It is understood that sometimes Secretaries to the Departments of Government are not attending in person and are deputing Officers as their representatives without prior permission of the Chairman, P.A.C. This is contrary to what is envisaged under Rule II of the Rules Procedure (Internal Working) of the P.A.C. It is therefore requested that provisions of the aforesaid Rule, should be strictly observed hence forward.

In Finance Department Circular No. 41251, dated 23<sup>rd</sup> September 1992, all the Financial Advisors and Assistant Financial Advisors of the Departments of Government, were requested to ensure that statements and other documents submitted to the P.A.C. are duly authenticated by Secretary of the Administrative Departments. It has come to my notice

that these instructions have not also been followed by some Departments of Government. In future, all the documents submitted to the P.A.C. as desired by them, should be duly authenticated by the Secretary of the Administrative Department.

These instructions should be strictly followed.

Yours faithfully,

Sd/-  
( R.N. Das)  
Chief Secretary to Government

## ANNEXURE –XII

Extracts of para.31 of the “ Epitome of the Reports of the Committee on Public Accounts of the Orissa Legislature” (Vol.III)

31. Action taken on the recommendations of Public Accounts Committee.

“ Despite the reminders from the Assembly Secretariat, the submission of the reports regarding action taken on the Committee recommendations, contained in their Ninth Report was not satisfactory and the defaulting Departments had to be ultimately summoned before the Committee for explaining in person the position with regard to implementation of their earlier recommendation. This took much of the time of the Committee and hampered their work. The Committee also felt that by such delays in taking action, the criticism and suggestions made in respect of important matters lost force. They expected that the Departments should realize the importance and urgency of submission of notes, statements etc. showing action taken by Government on the various suggestions, observations or recommendations made by the Committee for their consideration within six months after presentation of the Report so that their time which was otherwise wasted in hearing , Department Representatives would be saved and on the other hand the Departments would not be troubled to appear before the Committee on account of their default.

ANNEXURE –XIII

Extracts of para.18 of the " Epitome of the Reports of the Committee on Public Accounts of the Orissa Legislature" (Vol.-III)

18. Submission of notes to the Public Accounts Committee.

"(a) Rule 7 of the Rules of Procedure (Internal Working) of the Public Accounts Committee provides that notes, memoranda, etc. called for from the Departments either in pursuance of the recommendations or points raised during examination of the audit point, may first be shown to the Accountant-General with all connected papers for the purpose of verifying the facts and figures, before their submission to the Committee. It was noticed that some Departments were not submitting self contained notes duly vetted by Audit despite instructions from the Assembly Secretariat from time to time. The Committee could not take action on the unvetted notes and consequently the Departmental representatives were to be called to explain the matter in person. They hoped that in future the Departments would send notes etc, after getting the same vetted by Audit."

ANNEXURE - XIV

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. 52924 (46)-AA (P) -35/92 /F.,

From

Shri P.K.Mishra,  
Secretary to Government

To

All Secretaries to Government, Orissa.

Bhubaneswar, dated the 14<sup>th</sup> December, 1992.

Subject :- *Submission of Approved Notes and Compliance on the Reports of the C. & A.G of India and Action Taken Notes on the recommendation of the Public Accounts Committee.*

Sir,

I am directed to say that despite issue of define guidelines and detailed instructions to all Departments of Government in the past for observing timely submission of Approved Notes and Compliance on the reports of the Comptroller and Auditor General of India and Action Taken Notes on the recommendations of the Public Accounts Committee, no visible improvement has been noticed. Delay in compliance and in taking remedial actions on the Audit observations defeat the very purpose of audit as it causes inordinate delay in the discussion of the Audit paragraphs. The Accountant-General, Orissa has therefore, suggested for the constitution of a Committee for periodical review of the progress and adequacy of actions taken.

2. After careful consideration, it has been decided to constitute a Committee comprising the secretary, Finance, Accountant-General or his representative and the Secretary of the concerned Administrative Department. The Committee would meet periodically to review the progress as well as the adequacy of actions taken on the Reports of the Comptroller and Auditor General of India and recommendations of the Public Accounts Committee in order to facilitate the examination of those paras by the Public Accounts Committee. The date and time for holding

the meeting of the Committee will be intimated in due course. You are further requested to furnish relevant information on the pending Audit paras and the recommendations of the Public Accounts Committee relating to the Seventh, Eighth and Ninth Assembly in the Proforma enclosed by the last week of December 1992, for taking further action in the Finance Department.

Yours faithfully,

Sd/-  
P.K.MISHRA  
Secretary to Government

ANNEXURE-XV

# The Orissa Gazette

EXTRAORDINARY  
PUBLISHED BY AUTHORITY

NO. 77 CUTTACK, TUESDAY, JANUARY 16, 2001/PAUSA 26; 1922

[ No. 48358 – A & A (P)-10/2000-F.]

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

## RESOLUTION

The 1<sup>st</sup> December 2000

Subject: *Formation of an "APPEX COMMITTEE" to review the action taken by the Departmental Monitoring Committee to ensure timely submission of compliance to Accountant General, Orissa.*

It has been brought to the notice of this Departments by the Accountant-General (Audit), Orissa that difficulties are being experienced in placing a large number of Audit Reports / Audit Paras. In the Public Accounts Committee for discussion due to non-submission of approved notes by the Administrative Departments relating to those Reports/ Paras. In spite of issue of guidelines from time to time by this Department there has been no improvement in the position.

Monitoring Committee has been constituted in each Departments of Government to monitor the follow up action on Audit Paras.

As per suggestion of Accountant-General (Audit), Orissa to review the progress as well as adequacy of action taken on report of the C.& A.G. of India for the Government as a whole, there should be an "Appex Committee" chaired by the Chief Secretary with Finance Secretary as a permanent member.

After care full examination, the State Government have been pleased to constitute an "Appex Committee" consisting of the Following members –

- |     |   |                  |
|-----|---|------------------|
| (1) | Chief Secretary   | Chairman         |
| (2) | Secretary to Government,<br>Finance Department            | Permanent Member |
| (3) | Secretary to Government, W R Department                   | Member           |
| (4) | Secretary to Government, Home Department                  | Member           |
| (5) | Secretary to Government, P.R Department                   | Member           |
| (6) | Secretary to Government, Agriculture Department           | Member           |
| (7) | Secretary to Government, Revenue Department               | Member           |
| (8) | Addl. Secretary in Charge of A & A Br.,<br>Finance Deptt. | Member Convenor  |

The terms of reference of the Committee will be as follows :-

- (i) to analyse functioning of Departmental Monitoring Committee and ensure timely submission of compliance to Accountant General, Orissa.
- (ii) To review periodically the action taken on C & A.G., Reports on the Departments of Government.
- (iii) To sort-out bottlenecks for prompt action to be taken by all Department of Government on Audit Paras.

The meeting of the "Apex Committee" shall be convened half-yearly.

Then agenda for the meeting will be circulated among the members well in advance by the Member-Convener.

ORDER :- Ordered that the Resolution be published in an extraordinary issue of the Orissa Gazette.

By order of the Governor  
Sd/-  
A. K. TRIPATHY  
Principal Secretary to Government.

Annexure-XVI

No. A & A (Pt)- 2099(45)/F,

Bhubaneswar, Dated the 13<sup>th</sup> January, 2003

To

*All Principal Secretaries /  
Secretaries to Government.*

Sir,

The Public Accounts Committee had called me on the 7<sup>th</sup> January, 2003 to discuss ways to improve compliance of observations made by C&A.G. as contained in their Audit Reports. The Committee is concerned about the delay by various Government Departments in furnishing the required explanatory notes on the paragraphs contained in the C&A.G. audit reports, and non-submission of action taken reports on the paras.

The Public Accounts Committee also expressed their concern regarding inadequate response from various Government Departments which have incurred expenditure in excess of the budgetary allocation.

Secretaries are requested to personally review the cases where explanatory notes / action taken notes have not been furnished in respect of audit paras and Public Accounts Committee recommendations thereon. The Public Accounts Committee desires that all Government Departments must furnish compliance notes on the audit paras appearing in the Audit Reports for 31<sup>st</sup> March, 2001. Similarly, action taken reports on the recommendation of the Public Accounts Committee during the 10<sup>th</sup> and 11<sup>th</sup> Assembly are to be furnished on priority to the Public Accounts Committee before March, 2003.

It has now been decided that Financial Advisors in each Department will be personally responsible for non-submission of such material to the Public Accounts Committee. Their performance in this regard would be reflected in the C.R. assessment for the year 2002-03.

Yours faithfully,

Sd/-

Chief Secretary, Orissa

Memo No.A&A (P)-03/02-2100(45)/F., Date 13.01.2003

Copy to F.As/A.F.As of all Departments for necessary action.

Sd/-

Special Secretary to Government  
Finance Department.

Annexure-XVII

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT.

\* \* \*

No.A&A (P) 3/2002-56066(45)/F.,

From

Shri A. K. Tripathy,  
Principal Secretary to Government.

To

All Principal Secretaries / Secretaries /  
Special Secretaries of all Government Departments.

Sub: *Submission of compliance reports to Comptroller and Auditor General's audit observations and Action Taken Reports on the recommendations of the Public Accounts Committee.*

Bhubaneswar, Dated the 9<sup>th</sup> December, 2002

Sir,

The Secretary, Orissa Legislative Assembly has drawn attention of Government to the fact that various Departments are not furnishing compliance notes on the report of comptroller and Auditor General and also that they are not furnishing action taken notes on the recommendation of the P.A.C. As a result of such defaults, the P.A.C. is being hampered in its functioning and there is delay in disposal of outstanding Audit Reports. The P.A.C. have expressed their serious concern over the matter. In this connection, attention is drawn to the Chief Secretary's circular No.2 (42) –CS dated 03.01.2001 wherein Secretaries were requested to furnish compliance in such cases at the earliest.

It has now been decided that every Department shall furnish detailed notes indicating the action taken on paragraphs appearing in the audit report of Comptroller and Auditor General of India, within 4 months of the Comptroller and Auditor General Report being available in the Department. In case any Department feels that there are special circumstances which necessitated a longer period, they shall submit a

detailed proposal in this regard to the Finance Department who would obtain orders of Chief Secretary permitting such longer time limit.

It has also been decided that with a view to clearing the back-log of pending inspection notes, audit paras etc. Departments may initiate a Special drive starting from the 1<sup>st</sup> week of December and clear up substantial amount of back-log during the next six months. The clearance of back-log would be reviewed by Chief Secretary in the monthly meeting of Secretaries.

You are requested to kindly take immediate steps to observe the time limits stipulated in this circular.

Yours faithfully,

Sd/-  
PRINCIPAL SECRETARY TO GOVERNMENT

ANNEXURE – XVIII

D.O. No. A & A ®/2001-39276/F.,

Bhubaneswar, Dated the 18<sup>th</sup> July, 2001

Sub: *Submission of compliance on C& A.G. Reports / Action Taken Report of PAC and Regularisation of Excess Expenditure.*

Dear,

I am desire to invite a reference to the Demi Official letters indicated at the margin on the subject referred to above and to say that in spite of regular pursuing the matter by Finance Department and reviews by Chief Secretary in the fortnightly meetings, progress on submission of compliance report within the stipulated period has not been satisfactory for many Departments.

Enclosed please find a Table categorizing the departments on the basis of the degree of response and compliance till the end of June, 2001. The Departments categorized as 'A' come under Very Good category with full response, Departments categorized as 'B' come under the Good category with responses except one month, Departments categorized as 'C' come under the Poor category with response except for 2-3 months and Departments coming under category 'D' are rated Miserable because of poor response in majority of the months.

You are requested to kindly pay your personal attention to this subject and make the progress of submission of compliance cent percent so that the Government do not cut a sorry figure before the Public Accounts Committee of Orissa Legislative Assembly in their next meeting.

**D.O. letter No to be noted**  
**1. D.O. No.2(42 CS) dt.3.1.01**  
**2. let. No.1821/F dt.11.1.01 of Principal Secretary, FD**  
**3. D.O. letter No.3824 /F dt.30.1.01 of Principal Secretary, FD**  
**4. D.O. No.4733/F dt.5.2.01 of Addl. Secy., FD**  
**5. D.O. No.30331/F dt.8.5.01 of Principal Secretary, FD**  
**6. D.O. No.33471/F dt.2.06.01 of Addl. Secy., FD**

Suitable warning should be issued to the defaulting officials including FAs/ AFAs in the form of adverse entries in their ephemeral CCRs.

Yours sincerely,

Sd/-  
(A.K. TRIPATHY)

ANNEXURE – XIX

GOVERNMENT OF ORISSA  
FIANCE DEPARTMENT

\* \* \* \*

A & A (R) – 1/2001 -1821(45)/F., Dt.11.1.2001

To

The Secretaries of all Departments of Government.

Sub: - *Review the progress of submission of compliance on Audit Reports, Action Taken Reports of the P.A.C and regularization of excess expenditure.*

Sir,

I am directed to request you to refer to the letter No.2/CS, Dtd. 3/1/2001 of the Chief Secretary addressed to you expressing serious concern in respect of abnormal delay in the following items :

- 1) Delay / non compliance to different paras of objection in the C & A.G. report of different years against your Deptt.
- 2) Delay / non compliance on the action taken report of the P.A.C.
- 3) Regularisation of the excess expenditure in accordance with the provision under Article 204 and 205 of the Constitution of India for appropriation on the recommendation of the Public Accounts Committee.

Serious concerns have been expressed by the P.A.C before the Chief Secretary for lack of suitable follow up action in matters pending for compliance. A copy of the D.O letter No.4/C.S dtd.3-1-2001 of Chief Secretary indicating the excess expenditure against the Departments is enclosed. Finance Department have requested you for compliance several times as indicated in the margin. It has been decided that the Secretaries and their F.As would be held personally responsible by the P.A.C for any non-compliance.

I would, therefore, again request you to look into the matter personally and submit the compliance to Finance Department which will be reviewed by Chief Secretary on the 4<sup>th</sup> Monday of every month. This may be treated as Extremely urgent.

Yours faithfully,

Sd/-  
Principal Secretary to Government

Memo No. 1822 (2) /F. Dt. 11.1.2001

Copy forwarded to the Pvt. Secretary to Chief Secretary and Chief Development Commissioner, Orissa for kind information of Chief Secretary & Chief Development Commissioner with reference to D.O letter No,4 dt 3.1.2001 and letter No.2(42)/C.S. Dt. 3.1.2001.

Sd/-  
Addl. Secretary to Govt.

Memo No. 1823 (25)/ Dt. 11.1.2001

Copy with copies of enclosures forwarded to all expenditure branches / C.T. Br. / Treasury Branch of F.D for information and necessary action.

They are requested to ensure timely and quick submission of compliance report on the above matter relating to F.D to O.L.A Secretariat with a copy to Audit & Accounts Branch as the Chief Secretary will like to review the position on "4<sup>th</sup> Monday" of every month.

This is very urgent.

Sd/-  
Addl. Secretary to Govt.

Memo No. 1824 (45) / Dt. 11.1.2001

Copy with copies of the enclosures forwarded to the F.As / A.F.As all Departments of Govt. for information and necessary immediate action. They are requested to furnish necessary approved compliance notes to the O.L.A Secretariat (P.A.C Branch) immediately on the above items with a copy to Finance Deptt. as the Chief Secretary will review progress in the matter on 4<sup>th</sup> Monday of every month. Their performance for the year

2000-2001 would be adjudged depending on their performance in this important field.

This may please be treated as most urgent.

Sd/-  
Addl. Secretary to Govt.

Memo No. 1825 (5) / Dt. 11.1.2001

Copy forwarded to the Pvt. Secretary to Principal Secretary Finance Department and Private Secretary to All Additional Secretaries of Finance Department for kind information of Principal Secretary and Additional Secretary.

Sd/-  
Addl. Secretary to Govt.

Memo No. 1826 (30) / Dt. 11.1.2001

Copy forwarded to the All Joint Secretaries / All Deputy Secretaries / All Under Secretaries to Government Finance Department for information and immediate necessary action.

Sd/-  
Addl. Secretary to Govt.

ANNEXURE – XX

No. -2(42)/CS,  
Bhubaneswar Dated. 3<sup>rd</sup> January, 2001

To

All Principal Secretaries/  
Commissioner-cum-Secretaries/  
Special Secretaries.

Sir,

Today I was summoned by the Public Accounts Committee. The Public Accounts Committee brought to my notice that in some Departments, Action Taken Report (ATR) on the reports of the PAC are pending for as long as 10 years.

2. In many Departments compliance reports after the examination of PAC, are yet to be sent.

3. Regularisation of excess expenditure is yet to be done in some Departments from 1996-97 onwards.

4. I am enclosing a note on follow up on Audit Reports for your information.

Reports of CAG and reports of the PAC are to be taken up very seriously. Suitable follow up action needs to be ensured. I am requesting Principal Secretary, Finance to circulate to you the reports for your department which are pending for compliance.

On the 4<sup>th</sup> Monday of every month I would like to review the progress.

You may, therefore, come fully prepared to discuss these matters, once every month.

Yours faithfully,

Sd/-  
Chief Secretary, Orissa

ANNEXURE-XXI

Shri A.K. Tripathy,  
Principal Secretary to Govt.  
Finance Department, Orissa.

D.O. No. 3824 Dated 30.01.2001

Dear,

You are kindly aware of the fact that the P.A.C. have expressed their serious concern for lack of suitable follow-up action in the matter relating to compliance on the Audit Reports and Action Taken Reports. Chief Secretary desires to review the progress on such compliance on every fourth Monday of the month. In this regard umpteen numbers of correspondence have been made from Finance Department but the response appears quite lukewarm in this matter. The Financial Advisors of the Department should be made specifically and personally responsible for such compliance. In order to enable the Finance Department to present the facts before the Chief Secretary by every third Friday, it is necessary that compliance report on the progress made every month shall reach Finance Department by every third Monday.

It is hoped that you will appreciate the importance and urgency of this matter and ensure submission of the information to the Finance Department by every third Monday. A proforma for furnishing the information is enclosed.

Yours sincerely,

Sd/-  
(A.K. Tripathy)

To

All Secretaries  
(By Name)

ANNEXURE-XXII

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \* \*

Shri A.K. Tripathy,  
Principal Secretary to Govt.

D.O. No. 30331/F      dated. 8<sup>th</sup> May, 2001

Enclosed, kindly find herewith a statement on the position for submission of compliance of C.A.G. Report, Action Taken Report of PAC and Regularisation of Excess Expenditure by different Departments of Government to be discussed in the all Secretary's meeting. Meanwhile, the PAC met on 27<sup>th</sup> April, 2001 to finalise the programme of review for the year 2001-02. In the said meeting serious concern was expressed by the members of PAC for lack of adequate response from the Administrative Departments in submitting compliance to the CAG Report and Action Taken Report on the observations of the PAC. Additional Secretary, Finance who attended the meeting appraised the PAC about the initiative taken by the Chief Secretary in expediting the compliance of CAG Report and Action Taken Report by seeking information and discussing the matter on every fourth Monday of the month. The members of the PAC, however observed that the process of compliance as reported by the Administrative Department should not continue for long and there should be visible progress in submitting the compliance reports within couple of months.

Your are, therefore, requested to kindly follow up vigorously to send compliance of the CAG Report and Action Taken Reports relating to your Department at the earliest.

Yours sincerely,

Sd/-  
AJIT KUMAR TRIPATHY

To  
All Secretaries  
(By Name)

ANNEXURE - XXIII  
P.A.C. URGENT

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. A&A (P) -5/2000. 17809 (45)/

From

Shri G.C. Mohanty,  
Addl. Secretary to Government.

To

The Secretaries to Government,  
All Departments.

Sub: *Submission of compliance note on C & A.G., India Report and Action taken notes on the recommendation of P.A.C.*

Bhubaneswar, the 19th April, 2000.

Sir,

It has been brought to the notice of the Department by Accountant General, Orissa (Audit) that a very large number of Audit Reports/Pars are pending for discussion in the P.A.C. due to non-submission of approved notes by the Administrative Departments. The period of Audit Report (Report of C & A.G., India) relates as back as 1989-90.

In this connection several instructions have been issued from Finance Department time to time in which detailed guidelines were communicated in dealing with from the stage of drat para up to Action taken note on the recommendation of P.A.C. Finance Department Memorandum No. 19494 dated 20.05.67 is relevant in this respect. Despite above facts, it is felt that adequate priority is not being given to this matter by the Administrative Departments.

In the 1st meeting of the P.A.C., 2000-2001 held on 10.04.2000, the same feelings were expressed by the Hon'ble Members, on the non-responsiveness of the Departments of Government to this item. To get out of this, it was decided that all the Administrative Departments would be requested to entrust this item of work to one senior officer exclusively

to peruse the P.A.C. matters and compliance notes on C & A.G. Reports/Draft paras and other audit matters.

It is, therefore, requested that suitable steps may kindly be taken to entrust this work to a Senior Officer of your Department preferably F.A. / A.F.A. with specific instruction to devote at-least one day in a week exclusively for such P.A.C. matters and submission of compliance note/ action taken notes. The periodical review of the progress will be made by the Committee constituted in 1992, comprising Secretary, Finance Department, Accountant General, Orissa (Audit) and Secretary of Administrative Departments.

Action taken in this regard may please be intimated to Finance Department by 25.04.2000.

Yours faithfully,  
Sd/-  
ADDL. SECRETARY TO GOVERNMENT.

Memo No. 17810 /F., dated. 19.04.2000

Copy forwarded to Accountant General, Orisa, (Audit - II) for information and necessary action.

Sd/-  
Under Secretary to Government.

Memo No. 17811 /F., dated. 19.04.2000

Copy forwarded to Secretary, Orissa Legislative Assembly, Bhubaneswar for information and necessary action.

Sd/-  
Under Secretary to Government.

ANNEXURE – XXIV

Shri A.S.Saranghi, IAS  
Secretary to Govt.  
Finance Department  
Orissa

D.O. No. 22121 Dated 18<sup>th</sup> May, 2000

Dear,

Sub: *Submission of compliance note on the reports of C & A.G. of India & monitoring the follow up action on audit paras.*

Ref: *Finance Department letter (i) No. AA (P)-35/92-52924 dated 14.12.1992 and (ii) No. A & A (P) 5/2000-17809 dated 19.04.2000. (Copy enclosed)*

It has been brought to the notice of this Department by the Accountant General (Audit), Orissa that difficulties are being faced in placing a large number of Audit Reports / Audit Paras in the Public Accounts Committee for discussion due to non submission of approved notes by the Administrative Departments relating to those Reports/Para in spite of issue of guidelines from time to time by this Department, there has been no improvement in the position.

2. The A. G. (Audit), Orissa has, therefore, suggested that in order to monitor compliance of Audit Reports / Paras, the following action should be taken immediately.

(i) there should be a Designated Officer in each Administrative Department of Govt. who will be responsible for taking the follow-up action on Audit Paras.

(ii) there should be a Monitoring Committee in each department consisting of the Secretary of that department, Heads of Department and representative of Finance Department who will monitor the follow-up action on Audit Paras.

3. In this Department letter dated 19.04.2000., you have been requested to entrust the work relating to compliance notes on C & A.G.'s reports / draft paras, PAC matters and other audit matters to a senior officer of your department, preferably F.A. / A.F.A. with specific instruction to devote at least one day in a week exclusively for this work. An office order should be brought out to this effect and copy endorsed to Finance Department A.G. You are also requested to constitute the Monitoring Committees within 7 days and inform the A.G., Orissa and Finance Department. The Committee may sit at least once in quarter. The Designated Officer should be the Convenor of the Committee.

4. Prompt and timely compliance to the A.G., Orissa on Inspection Reports, Audit Reports and Draft Paras is a work that should not be neglected. Non compliance of Audit objection etc. reflects on the credibility of the Administrative Department and Finance Department. Such indifference and negligence is also adversely viewed in the Public Account Committee. You are, therefore, requested to give due importance to Audit works in the Department.

5. The meeting of the Monitoring Committee should be held at regular intervals to review the position of compliance notes on the reports of the C & A.G. from now onwards. The first meeting of the Monitoring Committee may be held within the next fortnight and action taken may be intimated to Finance Department for kind information of the Chief Secretary.

Yours Sincerely,

Sd/-  
(A.S. Sarangi)

All Secretaries (By name)

Memo No. 22148 /F.,

Dated the 18th May, 2000

Copy to Shri R.K. Ghose, Accountant General (Audit) - II, Orissa for kind information with reference to his D.O. No. Report-R-HPC-I/77 dt. 03.05.2000. Steps are being taken for constitution of the Apex Committee as required in para 2 (c) of their letter.

Sd/-  
Addl. Secretary to Govt.  
Finance Department.

ANNEXURE - XXV

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

Memo No. A&A (P) -27/93 25700 (225) /F.,

Bhubaneswar, dated the 3rd June, 1996.

To

All Departments of Government/  
All Controlling Officers.

Sub: *Financial Discipline in different Departments.*

The undersigned is directed to say that in the Appropriation Accounts prepared by the Accountant General, Orissa, considerable savings and expenditure in excess over the Budget provision are being reflected almost every year. This phenomenon has been adversely commented upon by the P.A.C. while examining the accounts of different Departments. With a view to ensuring that such phenomenon does not recur, it is requested that the following guide lines be followed by the different Departments.

2. While furnishing proposals for the Annual Budget, realistic assessment of expenditure should be made. Such expenditure which are location specific should be included only after the location has likely been finalised or is likely to be finalised within the first three months of the year. In case of salary and allowances, provisions should be made only in respect of those posts which are continuing. Unless certain posts are very shortly to be filled up, provisions for such posts should not be made in anticipation, because in such cases adequate savings is shown due to non-filling of such posts. Similarly provision for arrear claims should be made where such arrears have been sanctioned or are in the process of sanction.

3. Supplementary provisions should not be resorted unless the departments are confident that they are in all preparedness to spend money within the financial year. Where savings can be diverted by way of re-appropriation, supplementary provision should not also be resorted to;

4. In case of Central Plan and Centrally Sponsored plan Scheme, the Administrative Department should firm up the commitments of Government of India before the proposals are included. Such schemes should be closely monitored so that the internal assistance is received in time and spent within the financial year. Therefore, timely steps for release of central assistance should be vigorously pursued by the Administrative Departments.

5. As per para 144 (2) of the Budget Manual, 10<sup>th</sup> March of the year is the last date upto which surrender of savings should be received by the Finance Department. Therefore timely steps should be taken for locating savings in different items or schemes and surrender should be made to Finance Deptt. as per the above provisions of Budget Manual. In no case the department or the Controlling Officers should wait till 31st March for intimation of surrender.

6. The Financial Advisors posted to different Departments should be entrusted with the responsibility of reviewing expenditure every month. In case of large scale/disproportionate savings or in case of excess expenditure over and above the Budget Provision the matter should be promptly reported by the Financial Advisor/Asst. Financial Advisor of the Department to Finance Department. The Financial Advisors as well as the Controlling Officers should also ensure verification of Departmental figures with that of Accountant General, Orissa and should reconcile the discrepancy, if any, in time so that incorrect figures may not appear in the Appropriation Accounts.

7. All the Departments of Government and the Controlling Officers are requested to meticulously follow the above guidelines. Receipt of this circular may please be acknowledged.

Sd/-  
Principal Secretary to Government.

Memo No. 25701 (275) / F., dated. 03.06.96.

Copy to all Collectors/ All Financial Advisers and Assistant Financial Advisers in the Departments of Government/ All F.A. & Chief Accounts Officers and Accounts Officers in Heads of Departments for information and necessary guidance.

Sd/-  
Under Secretary to Government.

Memo No. 25702 (2) / F., dated. 03.06.96.

Copy to Accountant General, (A&E), Audit-II, Orissa, for information.

Sd/-  
Under Secretary to Government.

Memo No. 25703 / F., dated. 03.06.96.

Copy to Secretary, Orissa Legislative Assembly for kind information. He is requested to place this circular before the Hon'ble Chairman, Public Accounts Committee for favour of his kind perusal, with reference to the minutes of the PAC Meeting dated 22.05.96.

Sd/-  
Under Secretary to Government.

Memo No. 26628 (120) / F., dated. 07.06.96.

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

Sd/-  
Under Secretary to Government.

ANNEXURE – XXVI

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

SHRI R. N. DAS,  
SECRETARY TO GOVERNMENT.

BHUBANESWAR, DATED THE 1ST JULY, 1976

D. O. No. 30561 (18) / F., AA - 121 / 76

My dear

It has been brought to the notice of Government by the Accountant General, Orissa that a very large number of draft paragraphs relating to the year 1974-75 were sent to your Department for comments, if any, but replies are still awaited, even though the prescribed period of 6 weeks is long since over.

These draft paras are sent to the Departmental Secretaries demi officially by the Accountant General, Orissa for verification on the facts states there in and communication of acceptance / comments within the prescribed period so as to enable him to finalise the paragraphs for inclusion in Comptroller and Audit or General's report. Due to non-receipt of replies from the Departments the Departmental views are not properly reflected in the Comptroller and Auditor General's report. As a result embarrassment is often caused at the time of discussion of the paragraphs before the Public Accounts Committee.

With a view to minimise the number of draft paras and to avoid factual inaccuracies to creep in and for better appreciation of the circumstances of each case, the Government of India have adopted the procedure of discussion of such paras at personal level with the Comptroller and Auditor General or his representatives at the appropriate level. The State Government have accordingly decided to adopt similar procedure immediately. I am desired by Chief Secretary to say that as soon as a draft para is received by a Department of Government

comments to the same should be offered within a period of 6 weeks positively and the para should not be allowed to be included in the Audit Report merely due to default of the Department in sending reply. Simultaneously the Departmental Secretary may also propose to the Accountant General, Orissa within a month's time whether he would like to discuss such matters with him. Such meeting may take place with the Departmental Secretaries and his officers on the one hand and the Accountant General, Orissa or his representatives on the other at a date and time mutually agreed upon wherein the facts and circumstances of such draft paras can be thrashed out properly. This procedure would be applicable to all draft paras that would be shortly received in respect of the year 1975-76, and thereafter in future.

Government desire that these draft paras will receive due attention they deserve. It will be the responsibility of the Financial Adviser/ Assistant Financial Adviser attached to the Departments of Government to place such draft paras before you and coordinate such meetings effectively so that this revised procedure becomes a success.

Yours sincerely,

Sd/-  
(R.N. Das)

Memo No. 30562 (75) /F., Dated -01.07.76

Copy to all Head of Departments for information and necessary action. They should send prompt reply on receipt of Audit notes from Accountant General, Orissa and obviate the necessity of such cases for incision in the Audit Reports.

Sd/-  
JOINT SECRETARY TO GOVERNMENT.

Memo No. 30563 /F., Dated -01.07.76

Copy to Accountant General, Orissa for information with reference to his D.O. letter No. 4 (76-77)-631 dated 23.06.76 addressed to Chief Secretary to Government of Orissa.

Sd/-  
JOINT SECRETARY TO GOVERNMENT.

ANNEXURE-XXVII

Dr. Subas Pani,  
Chief Secretary and  
Chief Development Commissioner,  
Orissa

D.O. No. 45049 dt. 14<sup>th</sup> November, 2004

The Public Accounts Committee had called me to discuss ways to improve compliance on observations made by C & A.G. as contained in their audit reports. The Public Accounts Committee is concerned about the mounting arrears in furnishing compliance notes on the audit reports as well as action taken notes on the recommendations of the PAC by various Government Departments.

The Chairman of the PAC brought to my notice instances wherein departments were furnishing compliance notes to the Accountant General on the day when the committee were to meet. Such last minute compliance does not give sufficient time for the A.G. to brief the P.A.C. In many cases the departments were sending incomplete compliance as a result of which the Committee was handicapped in taking a view on the audit reports.

I was also informed that the Committee while reviewing the C & A.G.'s reports on some departments has specifically directed the Department to submit their compliance notes within 15 days. The said departments had not submitted the required information and had sought additional time. The Committee have taken serious exception to such delays on the part of the departments.

Secretaries of all the Departments are to ensure that the directions of the Committee regarding furnishing required information are honoured and in no case there should be an occasion for the department to slip on the commitments made before the Committee.

On the whole I will suggest the following measures for rapid progress in responding the PAC. Generally, while addressing the issues raised in the audit paras only latest materials are studied. However, if the original paragraph is studied with a fresh mind, it will be easier to get at the root of the problem and find an appropriate response in terms of compliance and more in terms of systematic improvement to ensure that any inadequacy noticed in the audit paras are addressed on a more sustainable basis.

I would also like to point out that there is no substitute to hard work in this regard. Secretaries may set apart a full day and have meeting with all the relevant heads of the department and others with a focused approach so that at least they become fully familiar with the cases. Since Secretary level changes have recently been made, it is expected some of you may not be familiar with the subject and therefore, this is a good time to take a close look at the matter within the next 15 days to be fully familiar with the issues and there should be a time bound programme for immediate response.

Chairman, PAC and the members justifiably expressed their annoyance as well as anxiety about the responses received from many departments. The leitmotif of the observations by several members was that even after the PAC has liberally allowed additional time for compliance, the Secretaries did not keep their own commitments. This needs to be taken note of with the utmost urgency it deserves.

It has also been agreed with the Principal A.G. that we should make all out efforts to discuss with the senior officers of his establishment and through interaction find solution for compliance. In many cases, the factual position is to be accepted to provide compliance. Following the adage "prevention is better than cure", at the stage of the current audit, after interaction with senior officers of the A.G. many issues can be

explained to their satisfaction and therefore, will not become a part of the audit as such. Therefore, Secretaries may also take active interest in addressing issues raised by the A.G at the draft paragraph stage.

Another important approach which can be followed is that Secretaries may give a compliance covering paragraph for which they have full information rather than hold up the response waiting for total compliance.

On the whole, there needs to be greater alacrity in our response and there should be no room for any slackness or complacency on the matter.

Yours sincerely,

Sd/-

(Dr. Subas Pani)

ANNEXURE – XXVIII

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \* \*

No.45931 (45) / F., A &A(P) 26/2004 Dated 20.10.2004

From

Shri K.C. Badu, IAS,  
Special Secretary to Government

To

Principal Secretary /  
Commissioner-cum-Secretaries /  
Special Secretaries of all  
Departments of Government

Sub: *Important audit observations brought to the notice of Hon'ble Chief Minister by the Comptroller & Auditor General of India.*

Sir/Madam,

I am directed to say that the Comptroller & Auditor General of India in his D.O letter no.81-CAG/2004/Rep(S), dated 5<sup>th</sup> October, 2004 has brought some important crucial audit observations to the notice of Hon'ble Chief Minister for follow-up action by the concerned Departments. A copy of the said D.O letter is enclosed.

You are aware that the Comptroller & Auditor General of India is an important constitutional body ad his observations are to be promptly complied with. I therefore, request you to personally go through the important observations pointed out by the Comptroller & Auditor General of India in his aforesaid letter and furnish a comprehensive reply by 30.10.2004 for preparing the response of the State Government to the observations of Comptroller & Auditor General of India.

This may kindly be treated as urgent and most important.

Yours faithfully,

Sd/-

Special Secretary to Government

Memo No. 45932 / F., Dated 20.10.2004

Copy forwarded to the Principal Secretary to Chief Minister for his kind information.

Sd/-  
Special Secretary to Government

Memo No. 45933/F., Dated 20.10.2004

Copy alongwith a copy of enclosure forwarded to the Joint Secretary-in-charge of C&I Branch / Joint Secretary in-charge of Budget/Joint Secretary in-charge of Finance Commission Branch/ Deputy Secretary in-charge of Resource Branch of Finance Department for information and necessary compliance on the points relating to their branches.

Sd/-  
Special Secretary to Government

ANNEXURE – XXIX  
PAC Matters  
Top Priority  
Date Line

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \* \*

No. 21699 (50) / F. A &A(P) 36/2004      Dated 19.05.2006

From

Shri K.C. Badu, IAS,  
Special Secretary to Government

To

Principal Secretary /  
Commissioner-cum-Secretaries /  
EIC-cum-Secretary to Govt. /  
Special Secretaries of all  
Departments of Government

Sub: *Compliance to the important observations of the Public Accounts Committee (PAC) in their meeting held on 18.5.2006 at 11.00 A.M in Room No.54 of O.L.A.*

Sir / Madam,

I am to say that the 1<sup>st</sup> meeting of the Public Accounts Committee for 2006-07 was held on 18.5.2006 at 11.00 A.M in Room No.54 of the Orissa Legislative Assembly. The Hon'ble Committee have made certain important observations and recommendations, which must be strictly complied with by the concerned Departments within the time limit indicated. I am summarizing below these observations and recommendations for immediate necessary follow up action at your end.

(i) Compliance Note from 2004-05 backwards by 31.05.2006

The report of the C & AG for 2004-05 and backward would be taken up on priority basis. In other words, the report for 2004-05, 2003-04, 2002-03, 2001-02 etc. upto 1997-98 would be taken up in order of that priority. Hence, the parawise compliance with all relevant information should be prepared and sent to the Account General and Orissa

Legislative Assembly immediately. To Start with the compliance report for 2004-05 should be submitted before 31.5.2006 or before the date that may be fixed by the Committee in respect of the concerned Departments to examine the report for 2004-05.

- (ii) Submission of Explanatory Note and Reconciliation of Excess Expenditure from 2004-05 backwards.

Regarding excess expenditure from 1997-98 to 2004-05, the concerned Departments should furnish the compliance report with appropriate explanatory note indicating there in the circumstances under which the excess expenditure has been incurred or booked. This should start from 2004-05 and backward from 2003-04 upto 1997-98. Since the excess expenditure is a serious matter, top priority should be given to furnish the explanatory note on each item of the excess of expenditure booked by the Accountant General (A& E). In order to avoid the recurrence of booking of excess expenditure, regular verification and reconciliation of receipt and expenditure should be taken up with the Accountant General and the action taken in this regard should be reported to the PAC, when the Committee takes the report of the concerned Departments in their next meeting.

- (iii) Cases of loss of Revenue should be listed out

Even though in principle, PAC have decided to drop the audit paras upto 1996-97 and PAC paras upto 1994-95 (upto 10<sup>th</sup> Assembly), wherever serious omissions and misappropriation or loss of revenue have been reported in respect of the years upto 1996-97 should be identified by the concerned Departments and appropriate follow-up action may be taken at their end. The Department should be ready with the list of such loss of revenue, so that these can be explained to the PAC regarding the action taken on all such cases upto the year 1996-97.

- (iv) Compliance from 2004-05 backwards

Similarly, further compliance in respect of the report of the C&AG or observations of PAC should start from the latest year (i.e. 2004-05) and should go back to the year upto 1997-98.

(v) Monthly Review

As instructed in the D.O. Letter No. A&A(B)-36/2004:45049(39)/F., dated 14.10.2004 of Chief Secretary, the Department must hold monthly meeting at their end and discuss with the concerned heads of Departments and other senior officers and review the progress of compliance on the lines indicated above.

(vi) Timely compliance to the Draft Para

The compliance to the draft paras should be attended to on priority basis and in any case the response should be submitted to the A.G.(Audit) within the statutory period of six weeks and then followed up with further compliance. Attempt should be made to settle the draft paras as far as practicable, so that these draft paras are not carried over to the final report of the C&AG.

2. Fixing of responsibility for not taking timely action

Hon'ble Public Accounts Committee is of the view that the Departments are not very serious about the timely compliance to the audit observations as reflected in the C&AG report and report of the PAC. It has been indicated that the responsibility should be fixed on the officers concerned for not taking timely action on these matters.

3. In view of the seriousness of the matter, I request you to look into the matter personally and ensure timely action on each of the points mentioned above. Action taken in this regard should be reported to the Orissa Legislative Assembly, Principal Accountant General (Civil Audit), Accountant General (CW&RA) as well as the Accountant General (A&E) with a copy to Finance Department.

Yours faithfully,  
Sd/-  
Special Secretary to Government

Memo No. 21700 (3) / F., Dated 19.5.06

Copy forwarded to the Principal Accountant General(Civil Audit) / Accountant General (CW & RA) / Accountant General (A & E), Orissa, Bhubaneswar for information.

Sd/-  
Special Secretary to Government

Memo No. 21701 / F., Dated 19.5.06

Copy forwarded to Secretary, Orissa Legislative Assembly, Bhubaneswar for information.

Sd/-  
Special Secretary to Government

Memo No. 21702 (4) / F., Dated 19.5.06

Copy forwarded to Commissioner, Commercial Taxes, Orissa, Cuttack / Director, Treasuries & Inspection, Orissa, Bhubaneswar / Controller of Accounts, Orissa, Bhubaneswar / Director, MDRAFM, Chandrasekharapur, Bhubaneswar for information and necessary action.

Sd/-  
Special Secretary to Government

Memo No. 21703 (9) / F., Dated 19.5.06

Copy forwarded to OSD to Chief Secretary for kind information of Chief Secretary.

Sd/-  
Special Secretary to Government

C.C : Bt-I / Bt-II / Bt-III / Bt – IV / Bt. – V / Resource / CT Branch / Treasury Branch of Finance Department

ANNEXURE –XXX

PAC Matters

Top Priority

Date-line

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. 22324(12)\_\_\_\_\_ / F, Dated 23.05.06

A & A(P)-36/2004

From

Sri K.C. Badu, I.A.S.  
Special Secretary to Government

To

Principal Secretary to Government,  
Revenue / Steel & Mines / Forest & Environment / Excise /  
Commerce & Transport / Industries /  
Agriculture Department  
Commissioner-cum- Secretary to Government,  
Rural Development / Water Resources / Energy/  
School & Mass Education Department.  
E.I.C.-cum- Secretary to Government,  
Works Department.

Sub: *Time bound compliance to the draft paras as per the decision taken in the meeting held on 22.5.2006.*

Sir / Madam,

I am directed to say that a meeting was taken in the Finance Department regarding the progress of compliance to the draft paras received from the Accountant General (Audit), Orissa. During the course of review, it was seen though relevant materials has been received from the Controlling Officers and field functionaries, reply is not being given to the draft paras within the stipulated time on the ground that full information has not been collected. After review and detailed discussion the following decision were taken.

- (i) As soon as the draft paras / draft notes are received by the Administrative Department / Heads of Department, immediate acknowledgement should be issued indicating there –in the factual position available. This would be an interim reply

which should be given within one week. There-after relevant information where-ever needed should be collected through fax or over telephone and also through written communication and full fledged reply should be given within six week from the date of issue of the draft paras / draft notes. As and when further information is received or progress is made with regard to recovery etc. this should also be followed by additional compliance to the draft paras.

- (ii) In most of the cases, it was seen that some of the Departments have submitted compliance in respect of few draft paras leaving other paras yet to be complied. It was decided that the concerned Departments shall have to ensure compliance in respect of remaining paras by 28.5.2006 failing which treasures shall not honour the bills of those Administrative Departments and Heads of Departments.
- (iii) Since the Public Accounts Committee have already decided to examine the Report of C & AG from 2004-05 and backwards as intimated in Finance Department letter No. 21699 (50)/F, dated 19.5.2006, the concerned Departments should prepare the compliance report and submit the same to the Accountant General (Audit), Orissa and Orissa Legislative Assembly by 31.5.2006.
- (iv) Monthly meeting should be taken up by the Secretary of concerned Departments regarding progress made in submission of compliance to the draft paras. Report of the C & AG and audit paras. A copy of the proceedings of such meeting should be furnished to Finance (A &A) Department for record.

Since the rate of disposal of draft paras has been taken as a monitorable target under Orissa Socio Economic Development Programme Loan / Credit, I request you kindly to personally monitor the compliance note on the draft paras, Report of the C & AG and Inspection Report of the Accountant General (Audit) regularly on monthly basis.

This may kindly be treated as most urgent.

Yours faithfully,

Sd/-  
Special Secretary to Government

Memo No. 22325/F,      Date 23.05.2006

Copy forwarded to the Commissioner, Commercial Taxes, Orissa , Cuttack for information and necessary action. He is requested to furnish full compliance on the draft paras by 28.5.2006 at the latest. Further, the officers responsible for non-submission of compliance should be reported to Government to initiate action for negligence of duty.

Sd/-  
Special Secretary to Government

Memo No. 22326/F,      Date 23.05.2006

Copy forwarded to the Director of Treasuries & Inspection, Orissa, Bhubaneswar / Controller of Accounts, Orissa, Bhubaneswar for information and necessary action.

Sd/-  
Special Secretary to Government

**Dr. U. Sarat Chandran, IAS**  
*Principal Secretary to Govt. FD*

**ANNEXURE –XXXI**

D. O. No. 49201/F., Dt. 17<sup>th</sup> November, 2004

Dear

Sub: *Submission of compliance note on the report of C & A.G. of India and monitoring follow up action on audit paras.*

This has reference to this Department D.O. letter No. 2212/F, Dated 18.5.2000 wherein all the Departments of Government were requested to constitute a Committee consisting of the Secretary of the Department, Heads of Department and representative of Finance Department to monitor follow up action on audit paras. It was also instructed that there should be a designated officer in each Department who will be responsible for taking follow up action on audit paras.

The Principal Accountant General (Audit-I), Orissa, on review of the matter has indicated that only the Commerce & Transport Department has held three meetings of the Departmental Monitoring Committee and the Department of Higher Education one. Hon'ble Minister, Finance, had in a meeting taken by him on 5<sup>th</sup> October, 2004 with the Accountant General and the Financial Advisors of the Departments, expressed concern at the enormous delay in responding to the audit paras and stressed the need for strict monitoring at the level of Secretaries. The minutes of this meeting has been forwarded to you in this Deptt.letter no. 44125/F, BT.II – (Dt) 20/2004, dated 8.10.2004.

I would, therefore, urge that the Departmental Monitoring Committees be activated to ensure quick response to audit paras. An officer of the of an Accountant General (Audit) may also be associated in such meetings.

Yours sincerely

Sd/-  
(Dr. U. Sarat Chandran )

All Secretaries (By name)

ANNEXURE – XXXII

Shri P.K.Mishra,  
Special Secretary to Govt.

D.O. No. 50215(45) dt. 2<sup>nd</sup> November, 2005

Dear

Sub: *Meeting of Departmental Monitoring Committee & Compliance on the report of C & AG.*

This has reference to this Deptt. D.O. No.22121/F, dtd. 18.5.2000 & D.O.No.49201/F, dtd.17.11.2004., wherein all Departments of Govt. were requested to constitute a Monitoring Committee to monitor the follow up action on CAG Audit report & paras and for convening the Monitoring Committee meeting regularly to ensure quick response to Audit reports & paras. Hon'ble Minister, Finance had in a meeting taken by him on 5<sup>th</sup> October, 2005, with Financial Advisors of the Department expressed serious concern over the delay in furnishing compliance to the Audit reports & paras.

Instances have come to notice where the Departments are furnishing compliance notes to the AG on the day when the PAC are to meet. In many cases the Departments are sending incomplete compliance as a result of which the PAC is handicapped in taking a view on the Audit reports & paras. PAC have taken serious exception to such delays and lapses on the part of the Departments. Timely compliance to Audit Reports & Paras has assumed great urgency under the FRBM Act, 2005 which enjoins accountability at all levels. All these can be obviated on ensuring timely meeting of the Monitoring Committee and quickly responding to Audit reports/ paras.

We have no information regarding the regularity with which the Monitoring Committee are meeting. You may take immediate steps to hold such meetings and take appropriate action on the relevant Audit

Reports/ Paras so that the State Government do not face embarrassment before PAC / AG (O). You may also ensure that the Monitoring Committee meetings are held regularly in future.

Yours sincerely

Sd/-

(P.K. Mishra)

ANNEXURE-XXXIII

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. -A A -25/69-39561/F., dt.22.05.2006

To

All Departments of Government

Subject: *Revised procedure to be followed to minimize delays in regularization of excess.*

Bhubaneswar, the 13<sup>th</sup> November, 1969

The undersigned is directed to say that with a view to minimize the delays in regularization of excesses over voted grants/charged Appropriations as disclosed in the Appropriation Accounts, the Public Accounts Committee have since laid down a procedure, in consultation with the Accountant General, Orissa. According to this procedure, the notes of the departments in respect of the excesses will be placed before the Public Accounts Committee soon after the relevant Appropriation Accounts and the Audit Report for that year are placed before the State Legislature so that the excesses are recommended by the Public Accounts Committee for regularization after consideration of those notes and the irregularities are not allowed to remain unsettled for longer periods.

THE PROCEDURE SO OUTLINED IS AS FOLLOWS –

- (i) As soon as the Appropriation Accounts are finalized by Audit and sent to the press for the first proof, Audit will inform the concerned departments of Government of the cases in which excesses have occurred, under intimation to the Finance Department. It is expected that this will be done by the end of December each year.
- (ii) Thereafter the concerned Departments of Government will be required to take steps to ensure that the notes for submission

to the Committee so far as excess of their departments are concerned are furnished to the Finance Department latest by the 1<sup>st</sup> of February together with the relevant files.

- (iii) The relevant files along-with the notes will be examined by Finance Department are returned to the Administrative Departments by the 1<sup>st</sup> of March, who would in their turn forward the notes to Audit for vetting by 15<sup>th</sup> of March each year under intimation to Finance Department.
- (iv) Audit will return the notes duly vetted within a fortnight of their receipt to the concerned Departments of Government direct under intimation to Finance Department.
- (v) On receipt of these notes duly vetted by Audit the concerned Departments of Government will furnish immediately 25 copies of the notes to the Public Accounts Committee duly signed by an officer not below the rank of a Joint Secretary and also indicating therein that the note has been seen by Audit. The vetted notes are to be sent to the Public Accounts Committee immediately after the presentation of the Appropriation Accounts before the Orissa Legislative Assembly or by 10<sup>th</sup> April whichever is later under intimation to Finance Department.
- (vi) The Departments should reconcile their Departmental figures of expenditure with those booked in the Accounts offices throughout the year in accordance with the procedure laid down in Finance Department Circular letter No.20675, dated the 3<sup>rd</sup> June 1969 so that all discrepancies are reconciled in time. This would be in turn make possible for them to furnish the notes explaining the excesses within the period indicated above.

The time schedule as enumerated above should strictly be adhered to and no explanation for delay shall be accepted.

The Administrative Department will be answerable to the public Accounts Committee to this effect.

The Finance Department while examining the notes of the Administrative Departments for vetting by the audit will concentrate their particular attention to the following points :-

- (a) The reasons for which the expenditure could not be restricted to the grant/ appropriation.
- (b) The circumstances which prevented to augment the provision by means of supplementary Grant/ Appropriation.

In view of this, it is impressed upon all concerned that they should clearly indicated these two facts in their note to the satisfaction of the Audit Finance Department and Public Accounts Committee.

The receipt of the letter may kindly be acknowledged.

Sd/  
S.S. Mishra  
Joint Secretary to Government

ANNEXURE-XXXIV

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No. 36211 (52)-A & A (R)-11/2006/F., Dated 28.08.06

From

Shri K.C. Badu, IAS,  
Special Secretary to Government

To

All Principal Secretaries/  
Commissioner-cum-Secretaries/  
Special Secretaries,  
Departments of Government

Sub: *Compliance to the excess expenditure reported in the report of the C&AG for the years from 1996-97 to 2004-05-Displeasure expressed by Public Accounts Committee.*

Sir / Madam,

I am directed to say that the Hon'ble Chairman and Members of the Public Accounts Committee in their meeting held on 25.08.2006 took serious objection and expressed their displeasure for non-submission of compliance report on various observations of the C&AG. Particularly, the Hon'ble Chairman wanted to furnish the compliance report on the excess expenditure for the years from 1996-97 to 2004-05 immediately otherwise responsibility would be fixed on the defaulting Departments and the Finance Department have been directed to suggest action against those defaulting Departments.

2. In this context, I am to say that despite repeated reminders and persuasion, prompt compliance from the Department are not forthcoming. In the meeting taken by Hon'ble Minister, Finance on 06.06.2006 it was specifically directed that the Secretaries of the concerned Departments and the concerned Heads of Departments shall take monthly review at their end to ensure timely compliance to the observations of the

C&AG, Audit Draft Paras, observation of PAC, Inspection Reports etc. Action taken in this regard is not known. The Secretaries of the concerned Departments and Heads of Departments are required to ensure the compliance in this respect and report the dates on which such monthly review has been taken from the month of June, 2006 onwards in the Department and by the Heads of Department.

3. To start with, full compliance on excess expenditure reported in the report of the C&AG for the years from 1996-97 to 2004-05 should be furnished to Finance Department latest by 05.09.2006 and the name of the defaulting Department not sticking to this date would be reported to the PAC for appropriate action at their end and Treasuries would be intimated not to entertain any bills of those defaulting Departments after 05.09.2006.

4. The Department-wise review would be taken up by the Finance Department very shortly after 05.09.2006. This letter may kindly be acknowledged and action should be taken in the time bound manner as indicated above.

Yours faithfully,

Sd/-

Special Secretary to Government

Memo No. 36212 / F.,

Date- 25.08.2006

Copy forwarded to the Secretary, Orissa Legislative Assembly (PAC Matter), Bhubaneswar for information.

Sd/-

Special Secretary to Government

Memo No.36213 (3)/F., Date-25.08.06

Copy forwarded to the Principal Accountant General (Civil Audit) / Accountant General (Commercial, Works & Receipt Audit) / Accountant General (A&E), Orissa Bhubaneswar for information and necessary action.

Sd/-  
Special Secretary to Government

Memo No. 36214 (10) / F., Date-25.08.06

Copy forwarded to the Commissioner of Commercial Taxes, Orissa, Cuttack /Director of Treasuries & Inspection, Orissa, Bhubaneswar / Director, Madhusudan Das Regional Academy of Finance Management, Chandrasekharapur, Bhubaneswar/ CT Branch/ Treasury Branch/ LFA Branch/ Budget-1 Branch/ Budget-II Branch/ Resource Branch of Finance Department for information and necessary action.

Sd/-  
Special Secretary to Government

ANNEXURE-XXXV

TOP PRIORITY

Time Limit

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \* \*

Memo No. 49101/F., dated 30.11.06  
Bt- I - 20/2006

To

All Departments of Government.  
All Heads of Departments.

Sub : - *Admissibility of expenditure relating to the provisions made in the Supplementary Statement of Expenditure for the year 2006-07 and Expeditious action to utilize the Fund in time etc.*

In continuation of the Wireless Message No. 48672 dated 28.11.2006 of Finance Department, the undersigned is directed to say that the Demands contained in the Supplementary Statement of Expenditure 2006-07 have been approved by the Legislature and the Appropriation Bill has been enacted. Expenditure in terms of the provision in the Supplementary Statement of Expenditure is now admissible and can be incurred observing all formalities and subject to the restrictions and stipulations contained in FD letter No. 13967 (245)/F., Dt.30.03.2006 (Regulation of expenditure out of the Budget for the year 2006-07), No.31093 (230)/F., dt.19.07.2006 (Revised Estimate for 2006-07 and Budget Estimate for 2007-08) and No.37587 (45)/F dt.05.07.2006 (Implementation of Orissa Treasury Management System (OTMS) in Treasuries in Orissa)

2. The Administrative Departments are now authorized to incur the aforesaid expenditure as per the following guidelines and time schedules :-

- (i) Advance taken from O.C.F shall be recouped by 12.12.2006 and compliance be reported to F.D by 15.12.2006.
- (ii) Issue of re-appropriation order in respect of which funds have been augmented through re-appropriation in Supplementary Statement of expenditure by 12.12.2006.
- (iii) Wherever Supplementary schedules have been admitted with stipulations like, subject to Post-Budget scrutiny, release of Central Assistance, prior clearance of P & C Department, Finance Department etc., those have to be compiled with before release of additional provision made in the Supplementary Statement of Expenditure.
- (iv) The Dearness Pay being drawn with the monthly salary shall henceforth be charged to the new Code "147-Dearness Pay" under the respective Major Head of Account/ Minor Head etc.
- (v) Top priority should be given to expedite expenditure in time under-
  - Ø Capital Outlay
  - Ø Funds provided for Completion of Projects
  - Ø State Share and Central Share of CSP
  - Ø Central Grant under Central Plan
  - Ø Outlays provided for RIDF/AIBP and all other resource tied up schemes.
- (vi) Surrender of fund wherever felt necessary after proper assessment shall be ensured by 28.02.2007 at the latest but surrender of Fund relating to the augmentation of Fund in the Supplementary has to be ensured by 16.12.2006

3. Time schedule for allotment, verification, compliance to the report of C & A.G. etc.

- (i) The Budgetary allotment in respect of Original Budget Provision as well as Supplementary Budget Provision for 2006-07 shall have to be communicated by all controlling Officers to the concerned DDOs latest by 31.12.2006. In special cases, where Funds are being augmented through re-appropriation or on account of Central Assistance received late, the allotment would be accepted by Treasuries latest by 15.02.2007 under these circumstances only. The allotment issued after 15.02.2007 shall not be acted upon by the Treasury Officers and such bills shall be returned with objections. These date lines are to be strictly enforced and non compliance would result in lapse of fund and cut in the budget provision for 2007-08.
- (ii) All DDO wise allotment by the Controlling Officers have to be supplied in soft copies to the Director of Treasuries and Inspections, Orissa, Bhubaneswar for feeding into the Central Server located in his Office and in the absence of such data being fed into the Central Server, under the Online System of Transaction in the Treasuries, the bills cannot be entertained in the system. Therefore, special care must be taken by all Controlling Officer to supply the soft copies of Budgetary Allotment in all cases to the Director of Treasuries and Inspection, Orissa, Bhubaneswar in order to allow the transaction under the Online System of Treasury transaction. The concerned Controlling Officer would be responsible for any dislocation arising out of their failure in submission of the Budgetary Allotment Data in soft copies to Director of Treasuries and Inspection, Orissa, Bhubaneswar

- (iii) All Administrative Departments were asked in the meeting taken by Hon'ble Minister Finance on 06-06-2006 and communicated in Finance Department Memo No.25980/F., dt.8.6.06 to adhere to the following time schedule for verification and reconciliation of Departmental Receipt and Expenditure figure for 2006-07 with those of A.G (A&E, Orissa).

Month / Quarter	The date fixed for verification
April, 2006	30.6.2006
May, 2006	31.7.2006
June, 2006	31.8.2006
July – Sept, 2006	30.11.2006
Oct, 2006	31.12.2006
Nov, 2006	31.1.2007
Dec, 2006	28.2.2007
Jan, 2007	31.3.2007
Feb, 2007	30.4.2007
March, 2007	10.6.2007

All Administrative Departments are, therefore, requested to direct the Controlling Officer under their Administrative Control to make verification and reconciliation of Departmental Receipt and Expenditure figures with those of A.G (A & E). Orissa as per the time schedule under intimation to Finance Department. If any missbooking of expenditure and receipt is noticed, the concerned Controlling Officers shall be personally held responsible and accountable to Public Accounts Committee.

- (iv) Finance Accounts and the Appropriation Accounts for 2005-06 have already been laid in Orissa Legislative Assembly on 27.11.2006. The Report (Civil) of C & A.G for the year 2005-06 has also been laid in the O.L.A on 30.11.2006. All

Administrative Departments should submit the necessary compliance in respect of aforesaid reports by 31.12.2006 under intimation to Finance Department.

SPECIAL SECRETARY TO GOVT.

Memo No.49102/F., dated 30.11.2006

Copy forwarded to Secretary to State Election Commission, Bhubaneswar / Orissa Public Service Commission, Cuttack/ Staff Selection Commission, Bhubaneswar.

Sd/-

Special Officer-cum-Joint Secretary

Memo No.49103/F., dated 30.11.2006

Copy forwarded to all Collectors/ Treasury Officers of District Treasuries and Special Treasuries/ Sub Treasury Officers for information and necessary action.

Sd/-

Special Officer-cum-Joint Secretary

Memo No.49104/F., dated 30.11.2006

Copy forwarded to the Principal Accountant General, (Civil Audit), Orissa, Bhubaneswar/Accountant General ( A & E ), Orissa, Bhubaneswar/ Accountant General (CWRA), Orissa, Bhubaneswar/Deputy Accountant General, Orissa, Puri for information.

Sd/-

Special Officer-cum-Joint Secretary

Memo No.49105/F., dated 30.11.2006

Copy forwarded to F.As and A.F.As all Departments for information and necessary action.

Sd/-

Special Officer-cum-Joint Secretary

Memo No.49106/F., dated 30.11.2006

Copy forwarded to Audit & Accounts Branch of Finance Department for information and necessary action.

Sd/-

Special Officer-cum-Joint Secretary

Memo No.49107/F., dated 30.11.2006

Copy forwarded to the Private Secretary to Principal Secretary/ Special Secretaries/ Additional Secretary, Finance Department and all Joint Secretaries/ Deputy Secretaries/ Under Secretaries/ Section Officers of Finance Department for information.

Sd/-

Special Officer-cum-Joint Secretary

# APPENDICES

Appendix - I

GOVERNMENT OF ORISSA

FINANCE DEPARTMENT

\* \* \*

No. 19237 / F., Audit & Accounts-(D)-03/2006 Date 05.05.2006

From

Sri K. C. Badu, I.A.S.,  
Special Secretary to Government.

To

All Principal Secretaries to Government  
Commissioner-cum-Secretaries to Govt.,  
E/C-cum-Secretary to Govt.,/  
All Departments  
(By name)

Sub: *Timely Compliance to the draft paras and statutory responsibility under the Orissa Fiscal Responsibility and Budget Management Act, 2005.*

Sir / Madam,

The provision of Orissa Fiscal Responsibility and Budget Management Act inter-alia cast responsibility on the Secretary of all Administrative Departments to ensure prudent fiscal management in the day-to-day operation of the State Government business. In this context, it may be pointed out that the draft paras submitted by the Accountant General (Audit), Orissa pinpoints improper use of resource, leakage of revenue or lack of alertness on the part of the State Government officials to protect the interest of the State. Normally, the draft para stipulates dateline of six weeks for submission of response of the Secretary of the concerned Department. But, very often, this dateline is not adhered to, as a result, the comments and analysis made by the audit as reflected in the draft paras prepared based on whatever information was made available at the time of audit are repeated in the final Report of C & A.G. which is subsequently placed in the Orissa Legislative Assembly. It takes still a lot of time to settle the observation made in the Report of C & A. G. of the relevant year. If the draft paras could have been responded with all facts

and figures in time, perhaps most of the paras would have been dropped and would not have been taken to the final Report of the C & A.G.

2. In this connection, one of the monitorable indicators agreed to under Orissa Socio Economic Development Loan / Credit-II is improving the rate of response to the draft paras in the inspection reports and final observations in the C & A.G. Report. In other words, if the response is not given in time (within six weeks), the performance of the State Government will be taken as unsatisfactory and non-responsive and there would be delay in finalisation of the loan under Orissa Socio-Economic Development Programme.

3. In enclosing herewith a list of draft paras received from the Accountant General (Audit), Orissa, I request you to ensure timely compliance of each of the points in the said draft paras and then follow up till the draft paras are settled. All attempts should be made to settle the draft paras, so that the observations reflected in the draft paras are not carried forward in the final Report of C& A.G., 2005-06 and ultimately to the O.L.A.

4. Action taken in this regard may be reported to Finance (Audit & Accounts) Department by 20.5.2006 at the latest.

This may kindly be treated as most urgent.

Yours faithfully,

Sd/-  
Special Secretary to Government.

Appendix – II

PAC Matters

Top Priority

Date-line

Government of Orissa  
Finance Department

\* \* \*

No.\_2 2 3 2 4 /F., A & A(P)-36/2004

Date 23<sup>rd</sup> May, 2006

From

Sri K. C. Badu, I.A.S.,  
Special Secretary to Government.

To

Principal Secretary to Government,  
Revenue / Steel & Mines / Forest & Environment / Excise/  
Commerce & Transport / Industries / Agriculture Deptt.  
Commissioner-cum-Secretary to Government,  
Rural Development / Water Resources / Energy /  
School & Mass Education Department.  
E.I.C.-cum-Secretary to Government,  
Works Department.

Sub: Time bound compliance to the draft paras as per the decision  
taken in the meeting held on 22.5.2006.

Sir / Madam,

I am directed to say that a meeting was taken in the Finance Department regarding the progress of compliance to the draft paras received from the Accountant General (Audit), Orissa. During the course of review, it was seen that though relevant materials has been received from the Controlling Officers and field functionaries, reply is not being given to the draft paras within the stipulated time on the ground that full information has not been collected. After review and detailed discussion, the following decisions were taken.

- (i) As soon as the draft paras / draft notes are received by the Administrative Department / Heads of Department, immediate acknowledgement should be issued indicating there-in the factual position available. This would be an interim reply which should be given within one week. There-after relevant information where-ever needed should be collected through fax or over telephone and also through written communication and full fledged reply should be given within six weeks from the date of issue of the draft paras /

draft notes. As and when further information is received or progress is made with regard to recovery etc. this should also be followed by additional compliance to the draft paras.

- (ii) In most of the cases, it was seen that some of the Departments have submitted compliance in respect of few draft paras leaving other paras yet to be complied. It was decided that the concerned Departments shall have to ensure compliance in respect of remaining paras by 28.5.2006 failing which treasuries shall not honour the bills of those Administrative Departments and Heads of Departments.
- (iii) Since Public Accounts Committee have already decided to examine the Report of C&AG from 2004-05 and backwards as intimated in Finance Department letter No.21699(50)/F., dated 19.5.2006, the concerned Departments should prepare the compliance report and submit the same to the Accountant General (Audit), Orissa and Orissa Legislative Assembly by 31.3.2006.
- (iv) Monthly meeting should be taken up by the Secretary of concerned Departments regarding progress made in submission of compliance to draft paras, Report of the C&AG and audit paras. A copy of the proceedings of such meeting should be furnished to Finance (A&A) Department for record.

Since the rate of disposal of draft paras has been taken as a monitorable target under the Orissa Socio Economic Development Programme Loan / Credit, I request you kindly to personally monitor the compliance note on draft paras, Report of the C&AG and Inspection Report of the Accountant General (Audit) regularly on monthly basis.

This may kindly be treated as most urgent.

Yours faithfully,  
Sd/-  
Special Secretary to Government.

Memo No. 22325/F.,

Date 23.05.2006

Copy forwarded to the Commissioner, Commercial Taxes, Orissa, Cuttack for information and necessary action. He is requested to furnish full compliance on the draft paras by 28.5.2006 at the latest. Further, the officers responsible for non-submission of compliance should be reported to Government to initiate action for negligence of duty.

Sd/-

Special Secretary to Government.

Memo No. 22326 (2) /F.,

Date 23.05.2006

Copy forwarded to the Director of Treasuries & Inspection, Orissa, Bhubaneswar / Controller of Accounts, Orissa, Bhubaneswar for information and necessary action.

Sd/-

Special Secretary to Government.

Appendix - III

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT.

Most Important

\* \* \*

No. 2 7 4 6 2 (230)F.,  
Bt-I -30/2004

Dt.07.06.05

To

All Departments of Government  
Heads of Department.

Sub: *Special report on budgeting system contained in the 36<sup>th</sup> Report (11<sup>th</sup> Assembly) of the Public Accounts Committee, 1996-97). -General Guidelines as per direction of PAC.*

The Public Accounts Committee have brought to the notice of Government the persistent irregularities pointed out in the Audit Reports and Appropriation Accounts pertaining to different Departments of Government and have advised to evolve measures to prevent recurrence of such irregularities. The Committee have observed that financial rules and instructions contained in Budget Manual are not being observed by the Departments. As a result, excess expenditure of considerable magnitude, large scale savings, a number of financial irregularities and financial improprieties have been noticed. The Committee is of the view that issue of instructions in the past have not yielded desired result and there is an imperative need to devise a mechanism to ensure rigid enforcement of these instructions with a view to achieving financial discipline.

As observed by PAC there is urgent need for correctives for improvement in specific areas like budgetary planning, plan cut, savings and surrender, utilisation of Central Government allocation, regularization of excess expenditure, recovery of amounts misappropriated, role of Financial Advisors and P.L. Accounts. The other observations of the Committee are as follows: -

(i) Compliance reports rendered by the Departments on the Audit reports and Appropriation accounts are more or less done in a routine manner, as a result of which irregularities persist. There is no systemic improvement.

(ii) Many Departments resort to large scale savings because of plan cut, either due to State's own constraints or due to non-availability of funds from the Government of India upto the expected level. The plan cut can be effected in such a manner so that the ongoing projects of more than one year do not become the victims of plan cut. It would be desirable to resort to plan cut, after considerable examination of related issues well in time.

(iii) Large scale savings are indicative of poor budgeting, planning and also inadequate scrutiny of estimates at various levels. Departments have failed in efficiently utilizing the funds sanctioned by the Government even in the vital sectors of the economy.

(iv) In a number of cases, the savings are not surrendered in time or are surrendered only on the last day of the financial year or the amount surrendered exceeded the overall savings or are surrendered even when no savings are available for surrender. It should be ensured that the surrender of funds by the Departments is made strictly in accordance with the rules so that the available savings can be effectively made use of in the much needed sectors of economy.

(v) There should be review and scrutiny of proposals for supplementary allocations made by the Departments before presenting the same to the Assembly.

(vi) Excess expenditure beyond the budgetary provision without the approval of the Legislature is illegal and unauthorized. The Departments should take concrete steps to ensure that compliance report for regularization of excess expenditure is submitted to the Public Accounts Committee early. The internal check arrangement should be strengthened to keep watch over the trend of expenditure

against the sanctioned grant/appropriation. Timely correctives should be taken to obtain additional funds whenever required so that the undesirable tendency for incurring excess expenditure in a casual fashion could be minimized.

(vii) Correct facts are not reported to the Audit parties by the field Officers / Organisations. Difficulties encountered by the field organizations in implementing various schemes / programmes are not convincingly explained to the Audit parties. As a consequence, irregularities are reported by the Audit without proper scrutiny which could otherwise have been dropped had correct facts been placed before the Audit at the appropriate time.

(viii) The Audit reports and even the comments of the committee are not being attended to by the Departments for a long period. The F.As. of the Department should discharge their duties properly by forecasting their monetary requirement after taking due note of the essential requisites, past trends, the stage of formulation/ implementation of various schemes for which the funds are being sought. The Secretary of the Administrative Departments should look to this and provide necessary administrative support.

(ix) Finance Department should carefully review the budget estimates framed by the various Departments and apply necessary correctives to make budget exercise more realistic and meaningful.

(x) The Departments should create special monitoring cells to expeditiously finalise the cases of mis-appropriation and embezzlement and punish the culprits and recover the amount of mis-appropriation.

(xi) Surrender and re-appropriation proposals should be initiated and implemented in letter and spirit as laid down in the Budget Manual.

(xii) Finance Department should make a review department-wise pinpointing the lapses, inaction or delayed action of the Administrative Departments.

(xiii) Many Departments have taken lump provision in their budget. It is doubtful whether they have developed any infrastructure to implement the schemes.

(xiv) There is not enough justification to continue with the P.L. Accounts with huge balances. Many of these Accounts have long outlived their utilities; these should be closed forthwith.

2. In the past Finance Department have issued instructions in the matter from time to time but still then there has not been perceptible improvement.

It is, therefore, once again impressed upon all concerned that the above observations of Public Accounts Committee may be kept in view while submitting budget proposals and incurring expenditure. Any deviation will be viewed seriously by the Public Accounts Committee.

Sd/-

Special Secretary to Govt.

Memo No. 27463/F dt.07.06.2005

Copy forwarded to the Secretary, OLA, Bhubaneswar with a request to kindly place it before the Public Accounts Committee.

Sd/-

Spl. Officer-cum-Joint Secretary to Govt.

Memo No. 27464/F dt.07.06.2005

Copy forwarded to the A.G. (A & E), Orissa, Bhubaneswar for information.

Sd/-

Spl. Officer-cum-Joint Secretary to Govt.

Memo No. 27465(6)/F dt.07.06.2005

Copy forwarded to CCT (O) / DTI (O) / Controller of Accounts / Registrar, Orissa Sales Tax Tribunal / Director, MDRAFM / Examiner, LFA for information and necessary action.

Sd/-

Spl. Officer-cum-Joint Secretary to Govt.

Memo No. 27466 (120)/F dt.07.06.2005

Copy forwarded to all Officer / Branches of Finance Department for information.

Sd/-

Spl. Officer-cum-Joint Secretary to Govt.

Appendix – IV

No.43-CAG/RS/06  
COMPTROLLER & AUDITOR GENERAL OF INDIA

VIJAYENDRA N. KAUL

May 31, 2006

Dear Chief Minister,

Audit Reports for the year ended 31 March 2005 on the Government of Orissa (Civil, Commercial as well as Revenue Receipts) have been placed the State Legislature and these would be discussed in the Public Accounts Committee and Committee on Public Undertakings of the State Legislature in due course. Meanwhile, I would like to bring to your notice some important audit findings for immediate action that you may consider necessary.

2. The fiscal position of the State Government witnessed an improvement in the year 2004-05 over the previous year in terms of the key deficit indicators. The revenue expenditure however accounted the 91 per cent of total expenditure during 2000-05 and also exceeded the revenue receipts indicating that a significant proportion of borrowed funds are being used for meeting current expenditure. The increasing dependence of the State on borrowed funds has added to the fiscal liabilities of the State which have increased steadily from Rs23911 crore in 2000-01 to Rs.36093 crore in 2004-05 and was as high as 62 per cent of GSDP and over three times of its revenue receipts in 2004-05. The spiraling debt liabilities might result in an emergence of a vicious of deficit, debt and debt service payments unless suitable measures are taken to arrest the persistent increase in fiscal liabilities.

3. Some of the important audit observations appearing in the Audit Report (Civil) are as under :

- Ø Audit of implementation of the Consumer Protection Act, 1986 revealed that the basis objective of the Act of protecting the rights of the consumers by providing simple, speedy and inexpensive redressal of their grievances reminded largely unachieved.
- Ø Audit of functioning of the Orissa Health Systems Development Project lunched in September, 1998 revealed that the project was lagging behind

the schedule due to slow spending, delayed construction of buildings, under-utilisation of equipment and instruments, acute shortage of medical and paramedical staff in the project hospitals and inadequate training.

- Ø A review of activities in connection with construction of rural roads revealed that despite emphasis in the plan periods for establishing “all weather” village road communication and provision of resources by Government of India and the State Government under different schemes, the objective remained unfulfilled due to lack of a coherent policy towards prioritization and selection of roads to achieve connectivity. Though Rs.625.66 crore were spent on construction and maintenance of rural roads, yet 55 per cent of them were not fully connected.
- Ø Audit of Indian Systems of Medicines and Homoeopathy (ISMH) revealed that the poor infrastructure in hospitals and dispensaries, non-revision of norms of medicine and diet, shortage of staff in dispensaries, inadequate supply of medicines and equipment to dispensaries stood in the way of providing quality health care services. In the absence of Drug Testing Laboratory in the State for testing the homoeopathic and ayurvedic medicines, the quality and standard of ISMH drugs could not be ensured.
- Ø A review of the working of the Western Orissa Development Council revealed that there was no clear strategy for achieving the target of removing the regional imbalances and large part of expenditure was directed towards repair and maintenance of the existing assets.
- Ø An evaluation of Internal Control mechanism in the Finance Department revealed deficient budgetary and expenditure controls, cash management was poor and monitoring mechanism was almost non-existent. The supervisory control over functioning of treasuries were found to be inadequate. Follow up of audit objections raised by the Local Fund Auditors was not effective.

4. On the Commercial side, as on 31 March, 2005, the State had 66 Government Companies (31 working) and three Statutory Corporations, out of which the accounts of 27 working Government Companies and three statutory corporations were in arrears for periods ranging from one to seven years as on 30 September, 2005.

Ø The Orissa State Civil Supplies Corporation Limited could not distribute the allotted stock to the beneficiaries within the same month and the beneficiaries were deprived of the benefit of the scheme. There were also instances of excess lifting and distribution of rice costing Rs.3.37 crore due to non-segregation of Antyodaya Anna Yojana cards from the BPL card strength and non-accountal for death and migration cases. Orissa Mining Corporation Limited and Orissa Power Generation Corporation Limited extended undue benefit to a contractor by paying higher wage component (Rs.15.52 crore) and compensation in violation of the settlement (Rs.1.82 crore) respectively.

5. On the Revenue side, during 2004-05, various revenue earning Departments accepted underassessment etc. of Rs.109 crore but had recovered only Rs.6 crore.

I also enclose a summary of important points for your kind attention and corrective action so that the benefits envisaged by your Government under different programmes are maximized.

With regards,

Yours sincerely,

Sd/-  
(Vijayendra N. Kaul)

Shri Naveen Patnaik,  
Chief Minister of Orissa,  
Bhubaneswar,  
ORISSA.

Appendix - V

**NAVEEN PATNAIK**  
**CHIEF MINISTER, ORISSA**

D.O. No.UM103/06-257-CM  
BHUBANESWAR  
Date 5.7.2006

Dear Shri Kaul,

Sub: Follow up action on important audit observations.

I thank you for the important inputs provided by you in your DO letter No.43-CAG/RS/06, dated May, 2006. These observations and actions suggested by you are being seriously looked into and the concerned Departments have been directed to take follow up action immediately

2. Besides, to ensure fiscal transparency and fiscal accountability, the State Government have taken the following initiatives.

- (i) Alongwith the Budget, the State Government is presenting Orissa Budget at a Glance with other information on important matters pertaining to fiscal management. This book contains the comparative position of various deficits, debt position, revenue efforts, reform initiatives and performance of the State under RIDF, Externally Aided Projects, Utilisation of Central Assistance etc. This has helped for valuable and meaningful deliberation and debate in the Orissa Legislative Assembly and also in the media.
- (ii) Review and verification of accounts by the Departments with the accounts prepared by the Accountant General, Orissa. is being done systematically and also being reviewed by the Government.
- (iii) After laying of the Report of the Comptroller & Auditor General of India in the Orissa Legislative Assembly, immediate follow up action is being taken. The Report of the C&AG (Revenue Receipts) for the year ended 31<sup>st</sup> March, 2005 was placed in the Assembly on 20.2.2006. A review was

taken on 7.3.2006 and it has been decided that the monthly review would be taken up by the Secretaries of the Departments on collection of arrear revenue and follow up action on audit compliance and the certificate to that effect is being given in monthly pay bills so as to ensure regular monitoring of audit reports and observation of PAC thereon .

- (iv) The report of the C&AG of India for the year ended 31<sup>st</sup> March, 2005 (Civil) was presented in the OLA on 31.3.2006 and thereafter, immediate follow up action has been taken.
- (v) Regular reconciliation and verification of the expenditure is being taken up with the Accountant General, Orissa and as a result instances of discrepancy in the booking of expenditure, unnecessary savings etc. have been reduced.

3. The State Government is attaching utmost importance to the fiscal restructuring. As a result of persistent efforts, there has been perceptible improvement in the fiscal parameters. The Debt stock which was 341% of the total revenue receipt in 2001-02 has been reduced to 335% during 2003-04 and 287.35% in 2004-05. This is likely to be reduced further in 2005-06. As per the fiscal correction path projected to Government of India this is targeted to be reduced to 267% by 2009-10.

4. The growth of net addition to debt stock in the past was of the order of 15-20%. But this has been recently reduced to 7.6% in 2004-05 and it may be around 6% in 2005-06. There has been also a substantial reduction of Revenue Deficit and Fiscal Deficit. In 1999-2000, the revenue deficit was Rs.2574.19 crore which was 44% of the revenue receipt. This has been reduced to Rs.522.30 crore in 2004-05. As per the preliminary accounts of 2005-06, the revenue deficit may further be reduced to less than Rs.100.00 crore. The fiscal deficit in 1999-2000 was Rs.3836.44 crore which was 67% of revenue deficit which implies that nearly 67% of the net borrowing was being utilized to meet the revenue deficit. The fiscal deficit in 2004-05 has been reduced to Rs.1366.00 crore

which constitutes 38% of revenue deficit. As per the preliminary accounts of 2005-06, the fiscal deficit may be reduced to Zero.

5. We are extremely conscious of the difficult financial position and the reasons there-of. Our efforts are now directed to make efficient and economic use of the limited resources. The valuable inputs provided by you in your letter under reference will help the State Government to strengthen its fiscal management and improve the quality of expenditure.

I hope the State Government will receive your continued support and guidance in the coming days. At the same time, I assure you to take effective steps to ensure that the omissions and commissions pointed out in your Report are not repeated in the subsequent years.

With Regards

Yours sincerely,

Sd/-  
(Naveen Patnaik)

Sri Vijayendra N. Kaul,  
Comptroller & Auditor General of India,  
10, Bahadur Shah Zafar Marg,  
New Delhi – 110 002

Appendix - VI  
TOP PRIORITY

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

\* \* \*

No.A&A(P)-18/2006:29481(45)/F., Dated 7.07.2006

From

Shri K.C. Badu, IAS,  
Special Secretary to Govt.

To

All Principal Secretaries /  
Commissioner-cum-Secretaries /  
Special Secretaries,  
Departments of Government.

Sub: Follow-up action on important audit observations of the C &  
AG of India for the year 2004-05

Sir / Madam,

I am directed to say that the Comptroller & Auditor General of India (C&AG) in his D.O. letter No.43-CAG/RS/06, dated 31<sup>st</sup> May, 2006 addressed to the Hon'ble Chief Minister has brought out certain important observations, which find place in the report of the C&AG for the year 2004-05. The contents of the said letter were brought to your notice vide letter No.25511(12)/F., dated 6.6.2006 of this Department and a specific request was made therein to submit compliance to the observations of the C&AG of India by 9.6.2006. Full compliance report are yet to received from the Departments.

2. In the meantime, Hon'ble Chief Minister in his D.O. letter No.UM 103/06-257-CM, dated 5.7.2006 (copy enclosed) has assured to take effective steps to ensure that the omissions and commissions pointed out in the report of the C&AG of India for 2004-05 are not repeated in the subsequent years. This is a very important commitment by the State Government.

3. I, therefore, request you kindly to go through the report of the C&AG of India for the year 2004-05 and take immediate follow-up action to ensure that such type of omissions and commissions do not recur in

the subsequent years. This may kindly be treated as most urgent and action taken in the matter may be reported to Finance Department for placing a consolidated information before Hon'ble Chief Minister.

Yours faithfully,

Sd/-  
Special Secretary to Government

Memo No. 29482/F., Dated 7.07.2006

Copy along with a copy of D.O. letter dated 5.7.2006 of Hon'ble Chief Minister addressed to Shri V.N.Kaul, C&AG of India, New Delhi forwarded to P.S. to Minister, Finance for kind information of Hon'ble Minister.

Sd/-  
Deputy Secretary to Government

Memo No. 29483(4)/F., Dated 7.07.2006

Copy along with a copy of D.O. letter dated 5.7.2006 of Hon'ble Chief Minister addressed to Shri V.N.Kaul, C&AG of India, New Delhi forwarded to P.S. to Chief Secretary / P.S. to Member, Board of Revenue, Cuttack / P.S. to D.C-cum-Addl.Chief Secretary / P.S. to APC-cum-Addl.Chief Secretary for kind information of Chief Secretary / Member / D.C-cum-Addl.Chief Secretary / APC-cum-Addl.Chief Secretary

Sd/-  
Deputy Secretary to Government

Memo No. 29484/F., Dated 7.07.2006

Copy forwarded to P.S. to Principal Secretary to Chief Minister for kind information of Principal Secretary.

Sd/-  
Deputy Secretary to Government

Appendix – VII

THE ORISSA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT  
ACT, 2005

TABLE OF CONTENTS

PREAMBLE

SECTIONS

1. Short title, extent and commencement.
2. Definitions
3. Medium Term Fiscal Plan to be laid before the Legislature.
4. Fiscal Management Principles.
5. Fiscal Management Targets.
6. Measures for fiscal transparency.
7. Acknowledgement of liabilities in Annual Budget
8. Measures to enforce compliance
9. Power to make rules
10. Rules to be laid
11. Protection of action taken in good faith
12. Application of other laws not barred.
13. Power to remove difficulties.

# THE ORISSA GAZETTE

EXTRAORDINARY  
PUBLISHED BY AUTHORITY  
LAW DEPARTMENT  
NOTIFICATION  
The 16<sup>th</sup> May 2005

No.7033/Legis.- The following Act of the Orissa Legislative Assembly having been assented to by the Governor on the 11<sup>th</sup> May 2005 is hereby published for general information.

ORISSA ACT 6 OF 2005  
THE ORISSA FISCAL RESPONSIBILITY AND  
BUDGET MANAGEMENT ACT, 2005

AN ACT TO PROVIDE FOR THE RESPONSIBILITY OF THE STATE  
GOVERNMENT  
TO ENSURE PRUDENCE IN FISCAL MANAGEMENT AND FISCAL  
STABILITY BY PROGRESSIVE ELIMINATION OF REVENUE DEFICIT  
AND SUSTAIN- ABLE DEBT MANAGEMENT CONSISTENT WITH  
FISCAL STABILITY, GREATER TRANSPARENCY IN FISCAL  
OPERATIONS OF THE GOVERNMENT AND CONDUCT OF  
FISCAL POLICY IN A MEDIUM TERM FISCAL FRAMEWORK  
AND FOR MATTERS CONNECTED THERE WITH OR  
INCIDENTAL THERETO.

Be it enacted by the Orissa Legislative Assembly in the Fifty-sixth year of the Republic of India as follows:

Short title,  
extent and

1. (1) This Act may be called the Orissa Fiscal Responsibility and Budget Management Act, 2005

commencement.

(2) It extends to the whole of the State of Orissa.

(3) It shall come into force on such date as the State Government may, by notification, in the official Gazette, appoint in this behalf.

Definitions.

In this Act, unless the context otherwise requires, -

2. (a) "Budget" means the annual financial statement laid before the State Legislature under Article 202 of the Constitution;

(b) "Current Year" means the financial year for which Budget and Medium Term Fiscal Plan (MTFP) is being presented;

- (c) "Financial Year" means the year beginning 1<sup>st</sup> of April and ending on the 31<sup>st</sup> of March following;
- (d) "Fiscal Deficit" means the excess of -
  - (i) total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipts into the Fund excluding the debt receipts during a financial year; or
  - (ii) total expenditure from Consolidated Fund of the State (including loans but excluding repayment of debt) over own tax and non-tax revenue receipts, devolution and other grants from Government of India to the State, and non-debt capital receipts during a financial year which represents the borrowing requirements, net of repayment of debt, of the State Government during the financial year;
- (e) "Fiscal Indicators" means the measures such as numerical ceilings and proportions to gross state domestic product, as may be prescribed, for evaluation of the fiscal position of the State Government;
- (f) "Non Interest Committed Revenue Expenditure" means the sum total of salary expenditure and pension expenditure of the state in the revenue account of the Consolidated Fund of the State;
- (g) "Off Budget Borrowings" means borrowings by the State Government or its Agencies which are not reflected in the Budget;
- (h) "Prescribed" means prescribed by rules made under this Act;
- (i) "Previous Year" means the year preceding the current year;
- (j) "Primary Deficit / Surplus" means the non-interest Fiscal Deficit / Surplus;
- (k) "Reserve Bank" means the Reserve Bank of India constituted under the of Reserve Bank of India Act 1934;
- (l) "Revenue Deficit" means the difference between revenue expenditure and revenue receipts which indicates increase in liabilities of the State Government without corresponding increase in assets of the State Government; and
- (m) "Total Liabilities" means the liabilities under the Consolidated Fund and the Public Account of the State of Orissa.

3.

(1) This State Government shall lay in each financial year before Legislative Assembly a Medium Term Fiscal Plan along with the Annual Budget.

Medium Term  
Fiscal Plan to be  
laid before the  
Legislature.

(2) The Medium Term Fiscal Plan shall set forth a three-year rolling target for prescribed fiscal indicators with specification of underlying assumptions.

(3) In particular and without prejudice to the provisions contained in sub-section (2), the Medium-term Fiscal Plan shall include an assessment of sustainability relating to -

- (i) the balance between revenue receipts and revenue expenditures;
- (ii) the use of capital receipts including market borrowings for generating productive assets;
- (iii) the medium term fiscal objectives of the State Government;
- (iv) the evaluation of performance of the prescribed fiscal indicators in the previous year vis-à-vis the targets set out earlier and the likely performance in the current financial year as per the revised estimates;
- (v) the strategic priorities of the State Government in the fiscal area for the current financial year in form of a Fiscal Policy Strategy; and
- (vi) the policies of the State Government for the current financial year relating to expenditure, borrowings and other liabilities, lending and investments and description of other activities, such as guarantees and activities of Public Sector Undertakings which have potential budgetary implications.

(4) The Medium Term Fiscal Plan shall be in such a form as may be prescribed.

4. (1) The State Government shall take appropriate measures to eliminate the revenue deficit and to contain the fiscal deficit at sustainable level and build up adequate revenue surplus through appropriate measures such as

- (a) Maintaining Government debt at prudent levels;
- (b) Managing guarantees and other contingent liabilities prudently, with particular reference to level of risk of such liabilities;
- (c) Taking policy decisions of the Government have due regard to their financial implications on future generations;
- (d) Borrowings for productive purposes and creation of capital assets, and are not applied to finance current expenditure;
- (e) Maintaining a reasonable degree of stability and predictability in the level of the tax burden;
- (f) Maintaining the integrity and stability of the tax system by avoiding special incentives, concessions and exemptions;
- (g) Pursuing tax policies with due regard to economic efficiency and compliance costs;

- (h) Pursuing non-tax revenue policies with due regard to cost recovery and equity;
- (i) Pursuing expenditure policies that would provide impetus for economic growth and poverty reduction;
- (j) Building up a revenue surplus for use in capital formation and productive expenditure;
- (k) Maintaining physical assets of the Government properly;
- (l) Disclosing sufficient information to allow the public to scrutinize the conduct of fiscal policy and the state of public finances;
- (m) Using Government resources in ways that give best value for money; and also public assets are put to best possible use;
- (n) Minimizing fiscal risks associated with running of public sector undertakings and utilities providing public goods and services;
- (o) Managing expenditure consistent with the level of revenue generated;
- (p) Formulating budget in a realistic and objective manner with due regard to the general economic outlook and realistic revenue prospects, and minimize deviations during the course of the year; and
- (q) Taking appropriate measures in its cash management practices so as to avoid frequent recourse to overdraft from Reserve Bank and to gradually reduce the closing cash balance with Reserve Bank of India on a year to year basis so as to keep the closing balance within the Ways and Means Limit.

Fiscal  
Management  
Targets.

5. (1) In particular and without prejudice to the generality of the foregoing provisions, the State government shall -
- (a) reduce revenue deficit to nil within a period of five financial years beginning from the initial financial year on the 1<sup>st</sup> day of April, 2004 and ending on the 31<sup>st</sup> day of March, 2009;
  - (b) reduce fiscal deficit to not more than three percent of the estimated gross state domestic product within a period of five financial years beginning from the initial financial year on the 1<sup>st</sup> day of April, 2004 and ending of the 31<sup>st</sup> day of March, 2009;
  - (c) reduce fiscal deficit by 1.5 percentage of Gross State Domestic Product (GSDP) in each of the financial years beginning on the 1<sup>st</sup> day of April, 2004 in a manner consistent with the goal set in clause (b);
  - (d) generate a primary surplus of over 3 percent of Gross State Domestic Product (GSDP) by the year ending 31<sup>st</sup> March 2008;
  - (e) Other important monitorable targets would be -
    - (i) the ratio of salary to State's Own revenue is to be reduced to 80 percent by the year ending 31<sup>st</sup> March 2008;
    - (ii) the ratio of non interest committed revenue expenditure to State's Own and Mandated Revenue is to be reduced to 55 percent by the year ending 31<sup>st</sup> March 2008; and

- (iii) the ratio of revenue deficit to revenue receipt is to be reduced to 0 percent by the year ending 31<sup>st</sup> March 2009.
- (f) In order to bring the debt stock to a sustainable level, interest payment as a percentage of revenue receipt is to be limited to 18 to 25 percent;
- (g) The total debt stock should be limited to 300 percent of the total revenue receipt of the State by the year ending 2007-08.

Provided that while revenue deficit and fiscal deficit exceed the limits specified under this sub-section due to unforeseen demands on the finances of the State Government because of natural calamity, such excess shall not exceed the actual fiscal cost that can be attributed to the natural calamities:

Provided further that the ground or grounds specified in the first proviso shall be placed before the House of Legislature, as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limits, with an accompanying report stating the likely extent of excess, and reasons therefor.

6. (1) The State Government shall take suitable measure to ensure greater transparency in its fiscal operations in public interest and minimize secrecy as far as practicable in the preparation of the Annual Budget.

Provided that the State Government shall have the power to reserve any such information, which would adversely, affect the interest of the State Exchequer.

(2) The State Government shall at the time of presentation of the Annual Budget disclose in a statement the significant changes in the accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators;

(3) The consolidated position in respect of all Demands shall be brought out in the Budget at a Glance.

(4) The estimated yearly pension liability shall be worked out on realistic basis, for the next ten years.

(5) New policies being introduced in the annual budget shall be clearly described.

(6) Budget information shall be presented in a way that facilitates policy analysis and promotes accountability.

(7) Details regarding arrear of Revenues (both tax and non-tax revenues) shall be given in a separate statement to be appended with the Receipt Budget.

(8) Prioritising the allocation of funds shall be done in a manner that would ensure completion of on-going projects as per the time schedule. The State Government shall furnish a list of such projects based on zero base investment review and targeted date of completion and reason of deviation, if any, in the previous years.

(9) The statement indicating the institution-wise State Government guarantees given, default by these organisations in discharging debt servicing liabilities and contingent liability created in the State Government account on account of default of these organisations shall be placed before the State Legislature. The statement will also indicate the working of the Escrow Account opened by the PSUs / Cooperatives / Urban Local Bodies

(10) Special Statements along with the budget giving in detail the number of employees in government, public sector, and aided institutions and related salaries shall be brought out

(11) The Budget Document shall contain a statement showing tax concession and exemptions given in a financial year.

(12) The State Government shall publish full information on the level of its debt and financial assets. The information on debt shall disclose maturity profile and interest rate.

(13) A report on execution of the budget and achievement against fiscal targets/indicator shall be presented before the State Legislature.

Acknowledgement of liabilities in annual budget.

7. (1) While presenting the Annual Budget for the current year, State Government shall furnish a statement showing the deferred liabilities on the following accounts, -
- (i) State's matching share under central sponsored plan schemes not provided for in the previous years and the deficit of such state share in the current financial year;
  - (ii) Bills presented in the treasury but not encashed at the close of the previous financial year;
  - (iii) Central assistance received but not utilized at the end of a particular financial year; and
  - (iv) Un-disbursed amount lying in the civil deposits.

Measures to enforce Compliance

8. (1) The Annual Budget, and policies announced at the time of the budget, shall be consistent with objectives and targets specified the Medium Term Fiscal Plan for coming years.

(2) The Minister in-charge of Finance Department shall review the trends in receipts and expenditure in relation to the budget and remedial measures to be taken to achieve the budget targets.

(3) Whenever there is either shortfall in revenue or excess of expenditure over pre-specified levels during any period in a financial year, on account of any new policy decision of the State Government that affects either the State Government, the State Government prior to taking such policy decision, shall take measures to fully offset the fiscal impact for the current and future years by curtailing the sums authorized to be paid and applied from and out of the Consolidated Fund of the State under any Act to provide for the appropriation of such sums, or by taking interim measures for revenue augmentation, or by taking up a combination of both:

Provided that nothing in this sub-section shall apply to expenditure charged on the Consolidated Fund of the State under clause (3) of article 202 of the Constitution.

(4) In case the revenue deficit and fiscal deficit exceed in the case of unforeseen demands on the finances of the State Government, the Government shall identify the net fiscal cost of the calamity and such cost would provide ceiling for extent of non-compliance to the specified limits.

(5) Not more than one supplementary statement of expenditure shall be presented in a financial year. Whenever such supplementary estimates are presented before the State Legislature, the State Government shall also present an accompanying statement indicating the corresponding curtailment of expenditure to fully offset the fiscal impact of the supplementary estimates in relation to the budget targets of the current year and the Medium Term Fiscal Plan objectives.

(6) No liability shall be created outside the budget provision in a financial year without the approval of Government in Finance Department. Creation of any such unauthorized liability shall be treated as gross negligence and the officer(s) responsible for creation of such liability shall be personally liable for such additional liability created.

Power to  
make rules.

9. (1) The State Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely :-

(a) the fiscal indicators to be prescribed for the purpose of sub-section (2) of section 3;

- (b) the forms of the Medium Term Fiscal Policy Plan under sub-section (1) of section 3, Fiscal Policy Strategy Statement under clause (v) of sub-section 3 of section (3);
- (c) the form of statement under sub-section (2) of section 6; and
- (d) any other matter which is required to be and not inconsistent with the provisions of the Act.

Rules to  
be laid

10. Every rule made under this Act shall be laid, as soon as may be after it is made, before be laid the State Legislature for a total period of fourteen days which may be comprised in one or more sessions and if during the said period the state Legislature makes modifications, it any therein the rules shall thereafter, have effect only in such modified form so, however that such modification shall be without prejudice to the validity of anything previously don under that rule.

Protection of  
action taken  
in good faith.

11. No suit, prosecution or other legal proceedings shall lie against the State Government or any officer of the State Government for anything which is in good faith done or intended to be done under this Act or the rules made there under.

Application  
of other laws  
not barred.

12. The provisions of this Act shall be in addition to and not in derogation of, the provisions of any other law for the time being in force.

Power to  
remove  
difficulties.

13. (1) If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear be necessary for removing the difficulty:

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before the Legislative Assembly.

By order of the Governor

Sd/-

A.P.SAHOO

Additional Secretary to Government

THE ORISSA FISCAL RESPONSIBILITY AND BUDGET  
MANAGEMENT (AMENDMENT) ACT, 2006

TABLE OF CONTENTS

PREAMBLE

SECTIONS

1. Short title
2. Amendment of section 5.
3. Amendment of section 6.

THE ORISSA GAZETTE  
EXTRAORDINARY  
PUBLISHED BY AUTHORITY

No. 669 CUTACK, SATURDAY, MAY 20, 2006/ BAI SAKHA 30, 1928

LAW DEPARTMENT  
NOTIFICATION  
The 20<sup>th</sup> May, 2006

No. 6866/Legis – The following Act of the Orissa Legislative Assembly having been assented to by the Governor on the 16<sup>th</sup> May, 2006 is hereby published for general information.

ORISSA ACT 6 OF 2006

THE ORISSA FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT  
(AMENDMENT) ACT, 2006

AN ACT TO AMEND THE ORISSA FISCAL RESPONSIBILITY AND BUDGET  
MANAGEMENT ACT 2005.

BE it enacted by the Legislature of the State of Orissa in the Fifty  
seventh Year of the Republic of India as follows :-

Short title                      1. This Act may be called the Orissa Fiscal Responsibility and  
Budget Management (Amendment) Act, 2006.

Amendment  
of section 5                      2. In section 5 of the Orissa Fiscal Responsibility and  
Budget Management Act, 2005 (hereinafter referred to as the  
Principal Act), in clause (a), after the words and figures "31<sup>st</sup> day  
of March, 2009" occurring at the end the comma and words, "  
the annual reduction of revenue deficit on the average being  
rupees two hundred and eighty-five crores" shall be inserted.

Orissa  
Act 6 of  
2005.

Amendment  
of section 6                      3. In section 6 of the principal Act, after sub-section (13), the  
following sub-section shall be inserted, namely: -  
"(14) Annual Statement along with the Budget shall be brought out  
giving prospects of the State's economy and related fiscal strategy".

By Order of the Governor  
Sd/-

D.K. SAHU  
PRINCIPAL SECRETARY TO  
GOVERNMENT

# THE ORISSA GAZETTE

EXTRAORDINARY

PUBLISHED BY AUTHORITY

No. 1265 CUTTACK, THURSDAY, AUGUST 11, 2005 / SRAVANA 20,  
1927

FINANCE DEPARTMENT

## NOTIFICATION

The 11th August, 2005

S.R.O. No. 360/2005 - In exercise of the powers conferred by section 9 of the Orissa Fiscal Responsibility and Budget Management Act, 2005 Orissa Act 6 of 2005), the State Government do hereby make the following rules, namely: -

1. Short Title and Commencement. – (1) These rules may be called the Orissa Fiscal Responsibility and Budget Management Rules, 2005.

(2) They shall come into force on the date of their publication in the Orissa Gazette.

2. Definitions. (1) In these rules, unless the context otherwise requires, -

(a) "Act" means the Orissa Fiscal Responsibility and Budget Management Act, 2005;

(b) "Budget at a glance" means the Budget at a glance containing consolidated information on state's receipt and expenditure and other related information as placed before the Legislature along with the Budget;

(c) "Form" means a Form appended to these rules;

(d) "GSDP" means the Gross State Domestic Product at Current Prices;

(e) "Mandated Revenue" means the sum total of state's share in central taxes and the non plan revenue deficit grant received from Government of India; and

(f) "section" means a section of the Act.

(2) The words and expressions used but not defined in these rules and defined in the Act shall have the same meanings as respectively assigned to them in the Act.

3. Fiscal Indicator. – The fiscal indicators required to be prescribed for the purposes of the Act shall be as follows: -

- (a) revenue deficit as a percentage of Gross State Domestic Product;
- (b) fiscal deficit as a percentage of Gross State Domestic Product;
- (c) primary deficit / surplus as a percentage of Gross State Domestic Product; and
- (d) total debt stock as a percentage of Gross State Domestic Product.

4. Medium Term Fiscal Plan and Fiscal Policy Strategy. – (1) The strategic priorities of the state government in the fiscal area shall be prescribed in Form I.

(2) The Medium Term Fiscal Plan shall be prepared by the State Government in Form II.

5. Statement showing steps taken for restructuring of State Finances as recommended by the latest Finance Commission. – The State Government shall, while presenting the Fiscal Policy Strategy, include therein details of the steps taken for restructuring the State Finances as recommended by the latest Finance Commission.

6. Disclosure in a statement. – The State Government shall, at the time of presentation of the Annual Budget, make disclosure in a statement in Form III indicating any significant changes in the accounting

standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators.

7. Special Statements relating to employees. – The State Government shall, at the time of presentation of Annual Budget, furnish a statement in Form IV giving in detail the number of employees and related salaries as specified in sub-section (10) of section 6.

8. Statement showing deferred liabilities. – The State Government shall, while presenting the Annual Budget for the current year, furnish a statement in Form V showing the deferred liabilities as specified in section 7.

9. Action Plan for Contingent liabilities. – The state government shall transfer a certain amount from revenue account to a “Sinking Fund”, and the Insurance and Pension Fund to meet huge future repayment of borrowings and rising expenditure liabilities on account of pension etc. The fund so transferred shall be maintained outside the Consolidated Fund of the State and Public Account so that the corpus of the Sinking Fund and the Insurance and Pension Fund can be utilised to meet the future contingent liabilities on account of huge repayment of loans, rising expenditure on pension.

FORM – I  
[See rule 4 (1)]  
FISCAL POLICY STRATEGY STATEMENT

A. Fiscal Policy overview : [*this paragraph will present an overview of the present fiscal policy of the Government*].

B. Fiscal Policy for the Current Year: [*This paragraph shall have the following sub-paragraphs dealing with –*

(1) Tax Policy – in this sub-paragraph on tax policy, major changes proposed to be introduced in taxes in the current financial year will be presented. It shall contain details of tax exemptions, concessions and introduction of new taxes and user charges etc. It shall also contain details of tax reforms aimed at building up non-discretionary and revenue elastic system of taxation with tax rates that are low, limited in number of rate categories and stable. It shall also describe various non tax revenues reforms where user charges, as a short term objective, ensure recoveries of current costs, and aim at full recovery of costs measured at acceptable efficiency levels in the longer run, in case of services where there is no clear cut case for subsidisation and ensure rates of return on investment.

(2) Expenditure Policy – Under this sub-paragraph, major priorities in the allocation of expenditure shall be elaborated. It may also contain an assessment of principles regarding the benefits and target group of beneficiaries. It should describe the steps taken towards expenditure restructuring relating to both in size and sectoral allocations aimed at removing inefficiencies arising from misallocations, design and implementation of schemes, delivery of services.

(3) Government Borrowings, Lendings and Investments – In this subparagraph, the policy relating to government internal borrowings, lendings and recovery of loans and advances etc. shall be indicated.

(4) Other liabilities – This sub-paragraph shall include information relating to guarantees and off-budget borrowings of Government having potential budgetary implications. It would also include details relating to

one-time settlement of such liabilities, measures to limit the guarantees etc.]

C. Strategic Priorities for the current year –

[(1) Resource mobilisation for the current financial year through tax, non tax and other receipts shall be spelt out.

(2) The broad principles underlying the expenditure management through prioritisation of different schemes shall be spelt out.

(3) Priorities relating to incomplete projects and new projects shall be detailed including an assessment of the on-going projects in the State.]

D. Policy Evaluation – [This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the Medium Term Fiscal Plan.]

E. Restructuring the State Finances as recommended by latest Finance Commission – [This paragraph shall contain, in details, the various steps taken by the State Government toward restructuring state finances in order to achieve the following objectives:

- (a) Bringing down the ratio of interest payments to total revenue receipt
- (b) Bringing down the ratio of total salary bill relative to revenue expenditure net of interest and pension
- (c) Containing the ever increasing pension liability by following the initiative taken by the central government for pension reforms
- (d) Rationalising subsidies by reducing their overall volume, increasing their transparency by making them explicit and improving their targeting. This should include collection of user charges and recoveries of cost of maintenance of irrigation work, urban water supply etc.
- (e) Bringing down the debt – GSDP ratio.]

FORM – II  
[See rule 4 (2)]  
MEDIUM TERM FISCAL PLAN

A. Fiscal Indicators – Rolling Targets

Description	Last available Actuals	Last Year Revised Estimates	Current Year Target Budget Estimates	Targets for Next two years	
				Y + 1	Y + 2
Revenue Deficit as percentage of GSDP					
Fiscal Deficit as percentage of GSDP					
Primary Deficit as percentage GSDP					
Total Debt Stock as percentage of GSDP					

B. Assumptions underlying the Fiscal Indicators –

1. Revenue receipts

- (a) Tax Revenue – Tax wise growth rates
- (b) Non Tax Revenue – policies and approaches
- (c) Devolution to States – Plan Receipts from Government of India

2. Capital receipts –

- (a) Recovery of Loans & Advances – Principles and measures adopted by State Government to enhance recovery of loans and advances
- (b) Other Receipts – New dis-investment / sale decisions taken by State Government
- (c) Borrowings – Plan Borrowings and other internal borrowings including proposals for debt swap

3. Total Expenditure – Policy Stance

(a) Revenue Account –

- (i) Salary & pension – measures to control
- (ii) Subsidies – Policies and new proposals
- (iii) Maintenance Expenditure – Norms and Finance Commission recommendations
- (iv) Calamity Relief –
- (v) Others

(b) Capital Account –

- (i) Loans & Advances –
- (ii) Capital Outlay – measures taken by the State Government to enhance provision for developmental expenditure.

(c) Assessment of sustainability relating to –

- (i) The balance between revenue receipts and revenue expenditures. The MTFP may specify the tax-GSDP ratio for the current years and the subsequent two years. It may discuss the non tax revenue and the policies concerning the same. Expenditure on revenue account, both plan and non-plan, may also be made with particular emphasis on the measures proposed to meet the medium term fiscal objectives.
- (ii) The use of capital receipts including market borrowings for generating productive assets. The Fiscal Policy Strategy statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may spell out proposed changes among these categories and discuss it in terms of overall policy of the Government.

FORM III

[See rule 6 ]

DISCLOSURE STATEMENT

FORM IV  
[See rule 7]  
SPECIAL STATEMENT ON NUMBER OF EMPLOYEES AND RELATED  
SALARIES  
PROFORMA – I / II / III  
(FOR GOVERNMENT EMPLOYEES / AIDED EDUCATIONAL  
INSTITUTIONS / PSUs)  
NON PLAN/ PLAN  
AS ON 31ST MARCH 2003 / 2004 / 2005

DEMAND NO. -

	EMPLOYEES (IN NUMBER)		EXPENDITURE (RUPEES IN LAKH)			
Major Head / Scales of Pay	Sanctioned Strength	Men in position	Pay including special pay	D.A.	Allowances (HRA, RCM, OA)	Total
MAJOR HEAD NO. -						
SCALES OF PAY						

*Note : Information relating to employees on Consolidated Pay shall be shown separately indicating the amount of consolidated pay against each employee.*

Form – V  
[ See rule 8]  
STATEMENT OF DEFERRED LIABILITIES

[No.39247-Bt.I-16/2005-  
F.]

By order of the Governor

Sd/-  
S. KANUNGO  
Under Secretary to  
Government

Prepared by Audit and Accounts Branch, Finance Department  
Compiled at Finance Information Division, Finance Department  
and  
Printed at Orissa Government Press, Madhyapatna, Cuttack- 10