

FINANCE DEPARTMENT

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No. 17235(225) /F,  
WM-07/2011

Dt. 07.04.2011

From

**Shri J. K. Mohapatra, IAS**  
**Principal Secretary to Government**

To

**The Principal Secretaries/  
Secretaries to Government /  
All Heads of Departments**

**Sub: Regulation of Expenditure out of the Annual Budget for the year 2011-12.**

Sir/Madam

I am directed to say that after the Appropriation Bill for 2011-12 has been passed by the State Legislature and enacted, the Administrative Departments are now authorized to incur expenditure from 1.4.2011 to 31.3.2012 on the basis of the provision made in the Annual Budget for 2011-12. The modalities for sanction and release of funds provided in the Annual Budget needs to be specified beforehand.

2. It is necessary to expedite the pace of expenditure during the 1<sup>st</sup> quarter of the financial year as it is the working season before the onset of monsoon. The Departments should, therefore, carefully chalk out a work programme from the beginning of the financial year **and make available the provision made in the Annual Budget to the spending Units in the month of April, 2011.**

3. Keeping the above mentioned objectives in view, while sanctioning funds, the following guidelines are to be observed.

(i) Expenditure on creation of capital assets, completion of projects, reduction in Non-Plan Revenue Expenditure and the cost of operation of various services should be given top most priority.

(ii) Funds should be released according to a definite action plan for achieving the quantifiable physical target fixed for the year. The Secretaries of Administrative Departments are to review physical achievement against expenditure by 15<sup>th</sup> of every month against monthly /quarterly targets.

(iii) Statutory dues viz. Sales Tax/VAT, Municipal Tax, compensation for land acquisition etc. as well as electricity dues, water charges and Rents, Rates and Taxes, both current and arrears, should be cleared on the basis of provision made in the Budget, after verification and scrutiny and rebate where-ever available should be availed. If any delayed payment surcharge is levied, it would be the personal responsibility of the concerned Head of Office/DDO.

(iv) Allocation under M.V. Telephone; T.E and Office Expens should be distributed in such a manner so that it will meet the requirement for the entire year.

The maintenance expenditure under Non-Plan for Roads and Bridges,

*Guiding  
Principle for  
implementation  
of Budget*

Buildings, Urban Water Supply, Rural Water Supply, Major, Medium & Minor Irrigation, Flood Control work etc. should be incurred according to the Annual Maintenance Plan formulated by the concerned Administrative Department in consultation with Finance Department. Distribution of allocation among the administrative units should be completed by 30<sup>th</sup> April, 2011 in accordance with the approved Annual Maintenance Plan.

(v) Creation / filling up of posts would require prior concurrence of Finance Department. Reference of such proposals to Finance Department should be made only if the posts are essential for delivery of public services or developmental needs.

(vi) Purchase of new vehicles would require prior concurrence of Finance Department. It would be considered only on replacement basis and on the certificate of the Secretary of the Department regarding availability of a Driver and deposit of the sale proceeds of the condemned vehicle in Government Account.

(vii) Concurrence of Finance Department would not be necessary for purchase of machinery and equipment if it is within the overall limit of sanction under Plan and Non-Plan.

*Priority areas of expenditure*

4. While releasing funds, priority should be given for programmes/schemes where expenditure is reimbursable, completion of the incomplete projects under the Zero Based Investment Review and State's Own Flagship Programme etc. – (i) EAP, RIDF and other Resource Tied up schemes under State Plan, (ii) CSP & CP schemes, (iii) State's own plan schemes like Biju KBK, Gopabandhu Gramin Yojana, Biju Gram Jyoti, Biju Saharanchal Bidytikaran Yojana, Mo Kudia, Biju-Kandhamal O Gajapati yojana, Madhubabu Pension Yojana, Scheme for utilization of ground water in drought prone areas and Construction of Check Dams etc. (iv) Modernisation of Police force, Prison administration and security related expenditure under Non-Plan, (v) Relief expenditure.

*Submission of Utilization Certificate*

5. While scrutinizing proposal for sanction of expenditure during the year 2011-12, the progress of submission of Utilization Certificate in respect of expenditure incurred up to the preceding month and expenditure incurred during 2010-11 should be reviewed. It should be ensured that the implementing agencies utilize the scheme funds transferred to them.

*Even pacing of expenditure*

6. The flow of expenditure should be evenly paced and commensurate with the revenue receipts. However, it is noticed that expenditure pattern is skewed and back-loaded. Therefore, it is necessary to formulate quarterly and monthly expenditure plans from the beginning of the year to avoid rush of expenditure towards the year-end. In order to achieve this objective, completion of the formalities relating to sanction and release of funds in the early part of the financial year would accelerate the pace of expenditure in the 1<sup>st</sup> three quarters. The expenditure in the last quarter of the financial year and in the month of March ought to be within 40% and 15% respectively of the Annual Budget provision. This necessitates expeditious sanction and allotment of funds. The total allotment including supplementary provision should be communicated by 31.12.2011 or at the latest by 16.01.2012 in case of re-appropriation or additional allotment. The allotment relating to salary

including arrear revised pay should be released at one go from the beginning. Similarly, the process of issue of sanction orders for release of funds as well as surrender of Budgetary provision should be completed by 31.01.2012. In order to avoid last minute rush it is hereby indicated that the last date for submission of bills to the Treasuries in the financial year 2011-12 will be 9<sup>th</sup> March, 2012 for claims under other Contingency, Machinery, Equipment, Vehicle, Share Capital, Subsidy, Loan and 15<sup>th</sup> March, 2012 for other claims.

*Online distribution of allotment to DDOs through Treasury Portal*

7. (i) **Instructions were issued to all Departments vide Finance Department Letter No. 11592(40)/F dated 22.3.2011 to complete the process of distribution of allotments to the D.D.Os through Orissa Treasury Portal – <http://www.orissatreasury.gov.in> by 31.03.2011. The detailed DDO-wise Budget Allotments for the financial year 2011-12 should be distributed forthwith through Orissa Treasury portal <http://www.orissatreasury.gov.in> , if not already done, in order to enable the Treasuries / Special Treasuries /Sub-treasuries to check the bills against budgetary allotment through iOTMS. The DDOs need not wait for ink-signed copy of the allotment.**

**(ii) Works Expenditure against Budget provision, N.H. Credit and Deposits is proposed to be made allotment and account based through LoC module of iOTMS from 1<sup>st</sup> July, 2011.** The existing system of Letter of Credit for works expenditure would continue for the 1<sup>st</sup> quarter. However, the Controlling Officers covered in the Pilot implementation phase of the proposed system are advised to distribute allotment in respect of works expenditure to the Divisions, through LoC module of iOTMS from the beginning of the year.

## **8. Budgetary funds will in no-case be transferred to Civil Deposit**

9. **Cash Management System** was introduced in 10 key spending Departments in 2010-11 and extended to 5 more Departments in the current Financial Year for which guidelines have been issued separately in Finance Department Letter No. 17230(15)/F, dt. 07.04.2011 with enhanced delegation for sanction of funds. The Minimum level of expenditure up to the 3<sup>rd</sup> quarter i.e. 60%, not only under Non Plan, State Plan, CP & CSP taken together and but also under State Plan alone as indicated in Para 10(C) of the above Circular is non negotiable. Failure to reach the prescribed level of expenditure will result in resumption of the shortfall by Finance Department. The enhanced delegation for sanction of funds by the Administrative Departments covered under the Cash Management System is indicated below :

*Enhanced Delegation for sanction of funds under Cash Management System*

- i) The Administrative Departments are authorized to sanction expenditure other than works under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan Schemes up to the limit of MEP/QEA including expenditure for grants and subsidies.
- ii) In case of Central Plan and Centrally Sponsored Plan Schemes funds should ordinarily be released on receipt of Central Assistance. However, funds can be sanctioned/released in anticipation of receipt of Central Assistance in case of on-going schemes during the first three quarters.
- iii) If there is firm commitment for sanction and release of funds by the concerned Line Ministry of Government of India, funds for new;

schemes can also be sanctioned / released by the Administrative Departments for the first three quarters.

- iv) In case of EAPs in the pipe line, expenditure should be incurred only if agreement with the Donor Agency has been signed and the date of effect of the agreement has been notified.
- v) The Administrative Departments would obtain approval of Project Approval Committee/ Empowered Committee for sanction of the entire provision made in their Demand for Grant for share capital/loan /Grant in Aid/Subsidy to PSUs and Co-operatives, in one go, by September, 2011 and then release the amount at their level, subject to recovery of outstanding Government dues and opening of Escrow Account.
- vi) **Works Expenditure against Budget provision, N.H. Credit and Deposits is proposed to be made allotment and account based through LoC module of iOTMS from 1<sup>st</sup> July, 2011.** The existing system of Letter of Credit for works expenditure would continue for the 1<sup>st</sup> quarter. However, the Controlling Officers and Divisions where the pilot implementation of the proposed system has been made are advised to distribute allotment in respect of works expenditure through LoC module of iOTMS from the beginning of the year.
- vii) Accordingly, the concerned Administrative Departments are to indicate the Controlling Officer-wise Gross Budgetary Provision for 2011-12 relating to Works Expenditure under Non-Plan, State Plan, Central Plan and Centrally Sponsored Plan Schemes and Net L.C. entitlement (sector-wise i.e. Non-Plan, State Plan, Central Plan, Centrally Sponsored Plan) and furnish L.C. requirement for the 1<sup>st</sup> quarter to Finance Department within the overall limit of QEA for the 1<sup>st</sup> quarter by 15.4.2011.
- viii) Finance Department in Ways & Means Branch, after verification of the Net L.c. entitlement of each Controlling Officer and receipt of quarterly L.C requirement would intimate the quarterly limit of L.C. of the Controlling Officers which would remain valid for the quarter.
- ix) The unspent balance of any allotment /Letter of Credit pertaining to any quarter can not be carried over to the next quarter except without concurrence of Finance Department.
- x) Ordinarily, unspent balance of any allotment/ Letter of Credit pertaining to the third quarter will not be allowed to be carried over after December.
- xi) If, any provision in the B.E. is surrendered in one Demand and equivalent additional provision is taken in another Demand in the Supplementary Statement of Expenditure then the budgeted provision will be deemed to have been reduced to that extent and the MEP & QEA are to be modified accordingly.

***Limits of  
Sanction***

10. D) The Administrative Departments not covered under the Cash Management System are authorized to sanction expenditure up to Rs. 1500.00 lakh at a time under Non Plan and Rs. 3000.00 lakh under Plan. Sanction of expenditure exceeding these limits would require prior concurrence of Finance Department.

- II) Notwithstanding the limits indicated at Sub-Para (I) above, the Administrative Departments are fully empowered to sanction expenditure for :
- a) Provisions made under Non-Plan and Plan against grants recommended by the 13<sup>th</sup> Finance Commission, Relief expenditure, grant-in-aid (salary) for Aided Educational Institutions, Scholarship and Stipend to SC & ST Students, SOAP, NOAP, ODP, Modernization of State Police Force (including advance payment to Ordnance Factories for procurement of arms and ammunitions), Modernization of prison Administration and other Security related expenditure under Non-Plan.
  - b) All resource-tied up schemes, Biju KBK, Biju Gramjyoti, Biju Saharanchal Bidyutikaran Yojana, Biju Kandhamala O Gajapati Yojana, Gopabandhu Gramin Yojana, State Share of NRHM, Jalanidhi and Madhubabu Pension Yojana under State Plan.
  - c) i ) Central Plan & Centrally Sponsored Plan Schemes in case of availability of Central Assistance and the salary component of ongoing CP & CSP Schemes in anticipation of receipt of Central Assistance up to 31.12.2011.  
ii) The sanction order for C.S.P Schemes, the Central Share of which is routed through the State Budget, should be issued in respect of the total provision under C.S.P. inclusive of the State Share (indicating the proportionate State Share) and the drawal should be made accordingly.
  - d) i) Necessary Budge Provision has been made in respect of grants recommended by the 13<sup>th</sup> Finance Commission for Local Bodies, Elementary Education, grants for Forest sector, grants for improving Justice Delivery, grants for incentivizing issue of UID, grants for improving Statistical Systems in the State Government grants for District Innovation Fund, grants for Water Sector, grants for maintenance of Roads & Bridges and grants under State Specific Needs such as grants of Eco-restoration of Chilika Lake, Construction of Anganwadi Centres, Up-gradation of Health Infrastructure, Power Sector, Police Training, Up-gradation of Jails, Fire Services, Preservation of Monuments & Buddhist Heritage, and Establishment of Market yards at Block Level. The Administrative Department are authorized to sanction of expenditure for utilization of 13<sup>th</sup> Finance Commission recommended grants in consultation with FA/AFA of the Department **on the basis of the action plans approved by the High Level Monitoring Committee (HLMC) and guidelines issued by Government of India subject to fulfillment of the conditionalities mentioned in the report of the 13<sup>th</sup> Finance Commission and guidelines issued by Government of India.**  
ii) The grants for Urban Local Bodies and Panchayati Raj Institutions should be released within 5/10 days of its receipt from Government of India.  
iii) Steps should be taken for utilization of the grant, prompt submission of Utilization Certificate to Government of India in the prescribed format and to comply with the conditionalities put forth by the 13<sup>th</sup> Finance Commission for release of Performance Grants in respect of Local Bodies and the subsequent instalments of other grants.  
iv) the level of Non Plan Revenue Expenditure prescribed for the Forest Sector and Roads and Bridges and the NPRES level as well as the ratio of NPRES and Non Plan Revenue Receipt (NPRS) for the release of Water

Sector grant should be maintained by the concerned Administrative Departments. In respect of the grant for elementary education, the prescribed growth rate of revenue expenditure in the relevant Major/Sub-Major Head at the rate of 8% excluding arrear salary should also be maintained by the concerned Administrative Department.

v) Except for requisition of Letter of Credit, no reference should be made to Finance Department for sanction of expenditure / release of funds under the above schemes.

vi) No liability should be created by way of addition of staff under these schemes without specific prior concurrence of Finance Department.

**Release to  
PSUs/ Co-  
operatives**

11. The Administrative Departments not covered under the Cash Management System are authorized to sanction :

i) Share Capital/loan to PSUs/Co-operatives subject to recovery of outstanding Government dues, opening up of Escrow Account and with prior approval of the Project Approval Committee and the Empowered Committee, in one go, within 30.9.2011 in respect of the entire provision made for the purpose in their Demand for Grant, as the case may be and within the limit indicated in Para 10(1).

(ii) Grant-in-aid and subsidy to PSUs/Co-operatives shall also be made by the Administrative Departments subject to adjustment of outstanding Government dues, opening up of Escrow Account and within the limit indicated in Para 10(1) above

12. In case any Administrative Department, including those under Cash Management System, intends to grant any relief to any PSU/ Co-operatives in recovery of outstanding Government dues while releasing Share Capital/loan or subsidy, prior concurrence of Finance Department would be necessary.

**13. All the Administrative Departments including those covered under the Cash Management System would be required to obtain prior approval of Finance Department/ Planning and Co-ordination Department as the case may be before releasing funds in respect of schemes/provisions reserved for Post Budget Scrutiny.**

**Similarly, sanction of funds for new schemes where the norms of expenditure and guidelines for implementation are yet to be approved and cases involving change in the norms of existing schemes having financial implication would also require prior concurrence of Finance Department.**

14. Cases of expenditure sanction which require prior approval of Finance Department in the light of the guidelines set out in the foregoing paragraphs are listed out at Annexure for the sake of clarity.

I would, therefore, request you to sanction and release funds for expenditure out of the Annual Budget 2011-12 in accordance with the aforesaid instructions.

**Yours faithfully,**

**Sd/-J.K. Mohapatra  
Principal Secretary to Government**

## ANNEXURE

### Cases requiring prior approval of Finance Department

<b>Sl. No.</b>	<b>Subject / Item</b>	<b>Paragraph</b>
1.	Creation / filling up of posts	<b>3(v)</b>
2.	Purchase of new vehicles	<b>3(vi)</b>
3.	Purchase of machinery and equipment exceeding the limit of sanction under Plan & Non-plan	<b>3(vii)</b>
4.	Items of expenditure reserved for Post Budget scrutiny	<b>13</b>
5.	New schemes where the norms of expenditure are yet to be approved and cases involving change in the norms of existing schemes having financial implication	<b>13</b>
6.	Expenditure for the CP/CSP scheme in anticipation of receipt of Central Assistance where conditions prescribed in Para 9(iii) and 10(II)(c)(i) are not fulfilled.	<b>9(iii) &amp; 10(II)(c)(i)</b>
7.	Carry over of unspent balance of allotment/Letter of Credit pertaining to one quarter to the next quarter and Modification of QEA.	<b>9(ix), (x) &amp; (xi)</b>
8.	Sanction of expenditure exceeding Rs. 1500 lakh under Non-Plan and Rs. 3000 lakh under Plan in case of Departments not covered under Cash Management System.	<b>10(I)</b>
9.	Release of Share Capital / Loan / Grant-in-aid / Subsidy to PSUs / Co-operatives exceeding the limit specified in para-10(I)	<b>11(i) &amp; (ii)</b>
10.	Any relief to PSUs/Co-operatives in recovery of outstanding Government dues while sanctioning share capital, loan or subsidy	<b>12</b>