

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

OFFICE MEMORANDUM

No. **26190**/F, dated:- **01/08/2019**
FIN-WM-CMS-0001-18

Sub: **Guidelines for timely spending of budgetary grants through implementation of Cash Management System in the selected Departments through Quarterly Expenditure Allocation (QEA) and Monthly Expenditure Plan (MEP) in the Financial Year 2019-20.**

Pursuant to the provisions of sub-section (1-a) of Section 8 of the Odisha Fiscal Responsibility & Budget Management Act, the State Government do hereby lay down the following Guidelines for timely spending of budgetary grants through the **Cash Management System** in 2019-20. It is formulated on the lines of modified exchequer control based expenditure management and restrictions on expenditure during the last quarter of the financial year, being implemented in the Ministries of Government of India. The system was initially adopted in respect of the 10 Demand for Grants administered by large spending Departments during the financial year 2010-11. Thereafter, it has been extended to 10 more Departments during 2011-12 to 2017-18. All these 20 Departments will also continue to remain under the purview of Cash Management System in 2019-20. The list of these 20 Departments and the Demand for Grants is furnished in **Annexure-I**.

2. The **Cash Management System** has the following objectives:-

*Objectives of
the Cash
Management
System*

- viii. Even pacing of expenditure within the financial year.*
- ix. Reduce rush of expenditure during the last quarter especially in the last month of the financial year.*
- x. Front loading of expenditure in the 1st three quarters of the financial year so that corrective measures can be taken in the mid-year to achieve the fiscal objectives.*
- xi. Curb the tendency of parking of funds outside Government Account.*
- xii. Effective monitoring of the expenditure pattern.*
- xiii. Improve the quality of expenditure.*
- xiv. Better Ways & Means Management.*

3. On removal of Plan-Non-Plan distinction in Budget, the formats of various budget documents have been revised which now distinguishes the budgetary allocation in terms of revenue and capital expenditure and not in terms of Plan and Non-Plan. The State Government budgetary expenditure has been classified into following four broad categories in the Annual Budget for the year 2019-20.

A. Administrative Expenditure :

- (i) Establishment, Operations & Maintenance (EOM) Expenditure
- (ii) Debt Servicing Expenditure

B. Programme Expenditure :

- (i) State Sector Schemes
- (ii) Central Sector Schemes
- (iii) Centrally Sponsored Schemes

C. Disaster Response Funds :

- (i) State Disaster Response Fund
- (ii) National Disaster Response Fund

D. Transfers from State :

- (i) Union Finance Commission Transfers to Local Bodies
- (ii) State Finance Commission Transfers to Local Bodies
- (iii) Other Transfers

4. The broad features of the Cash Management System is indicated hereafter:-

(i) Guidelines for spending of budgetary grants through the Cash Management System out of the Vote on Account for the year 2019-20 i.e. from April to July 2019 was issued vide Finance Department O.M No.16885/F, dated 27.04.2019 wherein the indicative Quarterly Expenditure Allocation (QEA) for the first Quarter and Monthly Expenditure Plan (MEP) for the month of July for Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes), Administrative & other Expenditure in respect of each Demand for Grant was worked out and communicated.

(ii) The provision under different schemes in Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes), Administrative & other Expenditure has undergone modification in a few cases in the Budget Estimates for 2019-20 which necessitates re-fixation of the Quarterly Expenditure Allocation (QEA) and Monthly Expenditure Plan (MEP) pertaining to all the four Quarters. Accordingly, the Quarterly Expenditure Allocation (QEA) for Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes), Administrative & other Expenditure is worked out in respect of each Demand for Grant and indicated in **Annexure-II (A) & (B)**.

(iii) **The minimum level of expenditure up to the 3rd quarter i.e. 60% of the gross provision made in the Budget Estimate for 2019-20, not only under Administrative & other Expenditure and Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) taken together but also under Programme Expenditure alone under the Cash Management System is non-negotiable.** Besides, the Works, Housing & Urban Development, Water Resources, Rural Development, Forest & Environment Departments and Department of Agriculture & Farmers' Empowerment, are required to incur expenditure to the extent of 25%, 15% and 20% of the Gross provision in the Budget Estimate in the 1st, 2nd and 3rd Quarter respectively, taking into consideration their working season. **Failure to reach the prescribed level of expenditure up to the end of 3rd Quarter i.e. 60% of the gross provision made in the Budget Estimate for 2019-20, not only under Administrative & other Expenditure and Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) taken together but also under Programme Expenditure alone, will result in resumption of the shortfall by Finance Department.**

(iv) The limit of expenditure indicated in **Annexure-II (A) & (B)** for the first three quarters is the minimum; however, **the Administrative Departments are free to enhance the MEP & QEA of first three quarters for their respective Departments.**

(v) The **Monthly Expenditure Plan (MEP)** may be worked on the basis of the Quarterly Expenditure Allocation by the

concerned Department in the format at **Annexure-III** in accordance with the broad principles indicated in **Para 6 & 11**.

(vi) The limit of expenditure mentioned in **Annexure-II (A) & (B)** for the fourth quarter and monthly expenditure for the month of March is the uppermost ceiling which should not to be exceeded in any case.

*Quarterly
Expenditure
Allocation
(QEA)*

5. The Quarterly Expenditure Allocation (QEA) should not be modified by the Administrative Departments without prior approval of Finance Department in Ways & Means Branch. **The QEA for all the four quarters is furnished in Annexure-II (A) & (B) for all the 20 Demand for Grants, which may be modified, if necessary, by the Administrative Departments in accordance with their work plans/programme implementation schedule within the minimum limits for 1st three Quarters indicated in Annexure-II (A) & (B) and the following broad parameters and submitted to Finance Department by 31.08.2019 for approval.**

*Features of
the Cash
Management
System &
Enhanced
Delegation*

6. (I) Monthly Expenditure Plan (MEP) of each Department is to be fixed on the following lines:-

(a) MEP for the month of March shall not exceed 15% of the Budgeted Provision (Budget Estimate).

(b) MEP for the month of January to March may be so fixed that the QEA for the last quarter **shall not exceed 40% of the overall Budgeted Provision (Budget Estimate) and 40% of the provision under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) (Budget Estimate).**

(II) The Administrative Departments are authorized to sanction expenditure under **Administrative & other Expenditure, Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) and Transfers from State**, up to the limit of the QEA indicated in **Annexure-II (A) & (B)** including expenditure for grants and subsidies, subject to the following stipulations:

(a) **Central Sector Schemes and Centrally Sponsored Schemes** : Normally, expenditure for these schemes is to be made against availability of Central Assistance only during 2019-20. However, in case of urgent necessity for release of funds

for continuing schemes, the Administrative Departments can incur expenditure to the extent of 50% of the provision made in the Budget Estimate for the year 2019-20 or 50% of the annual allocation made by the concerned line Ministry of Government of India whichever is less, during the first two quarters of the financial year in respect of continuing Central Sector Schemes and Centrally Sponsored Schemes pending receipt of Central Assistance with concurrence of the Financial Advisor/A.F.A of the Department. Further, in case of continuing schemes, the Administrative Departments can incur expenditure on the salary component in anticipation of receipt of Central Assistance up to 31.12.2019 without concurrence of Finance Department. On receipt of Central Assistance it will be first adjusted towards the advance release made by the State Government.

(b) 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.

(c) 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 30th September, 2019 and then release the amount at their level subject to recovery of outstanding Government dues and opening of Escrow Account.

(d) Release of funds in respect of schemes/ provisions reserved for Post Budget Scrutiny would be subject to prior approval of Finance Department/Planning & Convergence Department as the case may be.

(e) If, any provision in the Budget Estimate 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.

(f) Allotment for Works Expenditure of Forest & Environment, Rural Development, Water Resources, Housing & Urban Development, Energy & Works Department against Budget provision, N.H. Credit and Deposits, based on budgetary allotment and accounts of the Division/Project, drawn through cheques, would continue to be routed through Works Expenditure module of the

Treasury Portal and regulated by Finance Department Circular No. 28777(6)/F, dated 24.06.2011. The Controlling Officers are advised to distribute budgetary allotment in respect of works expenditure to the Divisions/projects through Works Expenditure module of the Treasury Portal.

(g) Separate expenditure sanction would also be necessary in case of Works expenditure/projects governed by Public Works Department Code, in terms of the provisions contained in Rule- 17 (d) of the Delegation of Financial Powers Rules,1978 as amended from time to time.

(h) Guidelines for utilization of provisions made for different works under **Programme Expenditure** of Works, Rural Development, Housing & Urban Development and Water Resources Department and construction of buildings issued vide Finance Department O.M No. 15744/F, dated 05.04.2012 should be followed scrupulously for release of the budgetary allocation for these works.

(III) The Administrative Departments are to fix the QEA and MEP of Controlling Officers based on the QEA and MEP for the Demand for Grant and the Controlling Officers in turn may ask the DDOs to spend the provision in accordance with their own QEA and MEP.

7. Sanction of expenditure for new schemes or new services, existing schemes where scope of the scheme is proposed to be altered substantially and/or cost estimate of projects/schemes are to be revised :

Guidelines have been issued in Finance Department O.M. No. Codes-27/2011-1068/F, dated 10.01.2013 and Rule-17-A of the Delegation of Financial Power Rules, 1978 for appraisal and approval of new schemes or new services, existing schemes where scope of the scheme is proposed to be altered substantially and/or cost estimate of projects/schemes are to be revised. It is observed that new schemes having significant financial implication are being announced by Administrative Departments and scope of existing schemes are being substantially altered and/or cost estimate of schemes are being revised without following the procedure of systematic appraisal and approval. It is impressed upon the Administrative Departments that prior to launch/announcement of a new scheme and revision of scope of existing schemes involving substantial alteration and/or cost estimate of the scheme, the

procedure for systematic appraisal and approval as enshrined in Finance Department Office Memorandum No.1068/F dated 10.01.2013 should be scrupulously followed. **Mere provision in the Budget does not entitle the Administrative Departments to incur expenditure unless the process of systematic appraisal and approval has been completed. Sanction of expenditure can only be made after completion of the process of appraisal and approval by competent authority in such cases.**

8. The limits indicated in the QEA and MEP is calculated at the Demand for Grant level as a whole allowing inter-se variations between months within a quarter and across the sectors i.e. Administrative & other Expenditure and Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) within the broad parameters indicated in Para-6 and Para-11. The Administrative Departments and the Controlling Officers should distribute allotment under each sector among the DDOs broadly in accordance with the QEA and MEP for the entire year.

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

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

11. (i) The Ways & Means Branch of Finance Department are to monitor Grant-wise & Controlling Officer-wise Expenditure for each quarter.

(ii) After receipt of Grant-wise & Controlling Officer-wise Expenditure for the month of December, Ways & Means Branch of Finance Department will calculate the progressive expenditure up to December under each Demand for Grant.

(iii) At the end of 3rd quarter, the following expenditure targets have to be met by the Departments concerned:

(a) the aggregate expenditure under Administrative & other Expenditure and Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes)

should reach the minimum level of 60% of the Budget provision;
and

(b) expenditure under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) should also reach the minimum level of 60% of the Budget provision.

If any of the above two conditions are not fulfilled by any Department, then the concerned Department would be required to surrender the provision equal to the amount of shortfall in expenditure from the prescribed minimum level.

Illustration : (A) *If the expenditure of a Department covered under the Cash Management System falls short of 60% of overall Budget provision by Rs.'X' but exceeds 60% under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes), then Rs.'X' is to be surrendered by that Department.*

(B) *If the expenditure of a Department covered under Cash Management System exceeds 60% of the overall Budget provision but falls short of 60% of Budget provision under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) by Rs.'Y' then the concerned Department will have to surrender Rs.'Y' under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes).*

(C) *If the expenditure of a Department covered under the Cash Management System falls short of 60% of the overall Budget provision by Rs.'X' and 60% of the Budget provision under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) by Rs.'Y' then the concerned Department will have to surrender Rs.'Y' under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes) and Rs.('X' - 'Y') from the overall Budget provision. Where Rs.'X' is less than Rs.'Y' then only Rs.'Y' is to be surrendered under Programme Expenditure (State Sector Schemes, Central Sector Schemes, Centrally Sponsored Schemes).*

(iv) The Administrative Departments and the Controlling Officers need to reconcile the expenditure reported by the Accountant General (A&E) up to the month of December and

surrender the provision equal to the differential between the progressive expenditure and 60% of the Budget Provision as indicated in the Illustration above.

(v) Surrender of the provision should be made through the Budget interface module of IFMS and the surrender relating to works expenditure is to be made through Works Expenditure module of IFMS.

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

13. The Integrated Financial Management System (IFMS) has been so enabled that it will not admit expenditure in excess of 40% of Budget Provision during the last quarter and 15% in the month of March under any Demand for Grant under the Cash Management System.

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

15. (i) As stipulated in Subsidiary Rule 242 of Orissa Treasury Code, Volume - I, money should not be drawn from the Treasury unless it is required for immediate disbursement. Besides, it is stipulated in Rule-6 of O.G.F.R, Volume-I that unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Government Account for investment or deposit elsewhere without the consent of the Finance Department. Further, Rule-141 (3) of Odisha Budget Manual provides that no money should be drawn from the Treasury unless it is required for immediate payment. It is not permissible to draw money from the Treasury and keep them in Banks without sanction of Finance Department. Money should not be drawn from the Treasury simply on the ground that the charges have been sanctioned by competent authority. Nor is it permissible to draw money from the Treasury and then place it in deposit in order to avoid lapse of allotment. The system of electronic disbursement of Government payments directly to the beneficiary account has been introduced vide Finance Department O.M. No. 27444/F, dated 26.7.2012 with the objective of direct payment to the beneficiaries

and vendors and to prevent parking of funds in bank accounts by the DDOs. However, instances have come to the notice of Government that money drawn by the DDOs is being kept unutilized for indefinite period. This adversely affects the Ways and Means position of the State. Drawal and retention of funds results in deferment/deprivation of the expenditure on priority items which are linked with developmental activities. In order to prevent drawal of money and retention thereof in shape of cash/bank draft, instructions have been issued vide Finance Department letter No.11213/F dated 30.3.2019 that the DDOs must record a certificate on the body of the bills presented after **31st March, 2019** as follows:

"the money drawn in cash/bank drafts up to the period 31.03.2019 has been disbursed by now except Rs._____ which would be disbursed by 30.04.2019 at the latest".

(ii) Similarly, while presenting the pay bill for **April, 2019** to be paid on or after 01.05.2019, the D.D.O must record a certificate that :

"all money drawn in cash/bank draft up to the period 31.03. 2019 have been fully disbursed and no amount is lying un-disbursed with him".

(iii) While presenting the pay bill for the month of **May, 2019** onwards, the D.D.O. must record a certificate to the effect that:

"the money drawn in shape of cash/bank draft through the bills presented during the previous months has been disbursed except the money drawn in A.C. bills and the amount now proposed for withdrawal in this bill in shape of Cash/Bank draft shall be disbursed within a period of 15 days from the date of actual drawal from the Bank/Treasury".

(iv) While scrutinizing the bills to be presented during 2019-20, the Treasury Officers must check and ensure that a certificate is recorded on the body of the bill by the D.D.O. concerned to the effect that no amount of money drawn from Treasury/Bank has been kept in deposit account without specific prior approval of Finance Department.

(v) It is observed that the cash balance Certificate is being furnished in a routine manner although huge amounts remain un-disbursed for a long period, which seriously affects the Ways & Means position. Instructions have been issued vide Finance Department letter No.11213/F dated 30.3.2019 that the DDOs shall furnish a cash balance report as on 15.04.2019 in the enclosed proforma (at Annexure-'II') to the Collector of the District by 20.04.2019 and the Collector in turn will report directly to Finance Department (Ways & Means Branch) the name of DDOs who have drawn money up to 31st March 2019 but have not disbursed it by 15.04.2019. A copy of such report should also be endorsed to the concerned Heads of Department. However, it is seen that the cash balance report has not been received in Finance Department from any Collector. **The Collector of the Districts are once again requested to furnish the cash balance report to Finance Department (Ways & Means Branch) forthwith.**

(vi) Instructions have been issued vide Finance Department letter No.23853/F, dated 10.07.2019 and letter No.32215/F, dated 21.11.2014 that money should not be drawn from the Treasury by the DDOs unless it is required for immediate disbursement. Unauthorized parking of Government money in Bank Account in contravention of financial rules and instructions issued by Finance Department is strictly prohibited. **It has been stipulated in the above mentioned circulars of Finance Department that if any such instance of un-authorized parking of money is noticed, the concerned DDO shall be liable for disciplinary action under Rule – 15 of the OCS (CC&A) Rules, 1962.** As per instructions issued vide Finance Department Circular No. 32215/F., dated 21.11.2014, the Heads of Department and Collectors shall cause enquiry into the matter of unauthorized parking of Government money in bank accounts after obtaining information from the Treasury Officers/ Drawing and Disbursing Officers/Autonomous Agencies of the Districts. In case, instances of irregularity are found, the matter should be reported to respective Heads of the Department/ Administrative Department. **They should take disciplinary action against the concerned sanctioning authority as well as the DDO, committing such irregularity, under intimation to Finance Department and ensure that funds are drawn and transferred to implementing agencies only for actual expenditure and not**

for parking in Bank Account. The sanctioning authority and the Drawing & Disbursing Officers shall strictly follow these instructions.

16. Sanction of funds out of Budgetary Provision would be regulated in terms of the provisions of the preceding paragraphs.

17. The gross provision in the respective Demand for Grant and minimum indicative limit of quarterly expenditure allocation for all the four quarters of 2019-20 is furnished at **Annexure-II (A) & (B)** for guidance. The Administrative Departments are free to enhance the MEP & QEA of first three quarters for their respective Departments in accordance with the instructions contained in the preceding paragraphs and furnish the same to Finance Department by **31.08.2019**.

The Administrative Departments concerned should issue suitable instructions to the Controlling Officers to implement the **Cash Management System** and help improve the public expenditure management.

By order of Governor

Sd/-

Principal Secretary to Government

ANNEXURE - I

Sl. No.	Demand No.	Name of the Department
1	07	Works
2	09	Food Supplies and Consumer Welfare
3	10	School & Mass Education
4	11	ST & SC Development
5	12	Health & Family Welfare
6	13	Housing & Urban Development
7	17	Panchayati Raj & Drinking Water
8	19	Industries
9	20	Water Resources
10	22	Forest & Environment
11	23	Agriculture & Farmers' Empowerment
12	28	Rural Development
13	30	Energy
14	31	Handlooms, Textiles & Handicrafts
15	33	Fisheries & Animal Resources Development
16	36	Women & Child Development and Mission Shakti
17	38	Higher Education
18	39	Skill Development & Technical Education
19	40	Micro, Small and Medium Enterprises
20	41	Department of Social Security & Empowerment of Persons with Disabilities