

# **Chapter 1**

## **Introduction**

### **1.1 About this Report**

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Odisha relates to matters arising from Performance Audit of selected department, programmes / schemes and Compliance Audit of Government Departments and Autonomous Bodies. This is the second volume of the Report of the C&AG of India on the Government of Odisha for the year ended 31 March 2012 relating to General and Social sector. The first Volume of the Report on General and Social Sector was laid in the State Legislature in December 2012.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable Rules, Laws, Regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit examines the extent to which the objectives of an organisation, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides a synopsis of the significant audit observations and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of four Performance Audits and Chapter 3 deals with 'Response to Audit' by various departments, Public Sector Undertakings and Autonomous Bodies relating to General and Social sector.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

### **1.2 Significant observations of Performance Audits**

This report contains four Performance Audits. The focus has been auditing the organisation, specific programmes / schemes and offering suitable

recommendations, with the intention to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

***1.2.1 Allotment of land by General Administration Department in Bhubaneswar city for various purposes***

Odisha Government Rules of Business empower the General Administration (GA) Department to control, administer, manage and protect Government land within the geographical limits of capital city of Bhubaneswar i.e. Bhubaneswar Municipal Corporation (BMC) area. Although the GA department was entrusted with the management of this land since 1952, yet no rules, regulations, manuals for allotment of land have been framed by the Department for the last 60 years.

Performance Audit of “Allotment of Government land by GA Department in Bhubaneswar City for various purposes” was conducted and it was observed that, though, the Department is the custodian of Government land in BMC area, it had no comprehensive data on total land available, allotted, and encroached upon.

The Department allotted 464.479 acre land in 337 cases during 2000-12 to individuals, government offices, government undertakings as well as private bodies for establishment of hotels, hospitals, educational institutions and non government organisations (NGOs). Of this 183.449 acre (39 *per cent*) land were allotted to other than Government institutions / organisations.

On test check of 164 (49 *per cent*) out of total 337 cases allotted, it was noticed that the process of allotment of land lacked a defined policy and procedure. Absence of any rule or criteria to govern the allotment process gave room for arbitrariness in allotment. There was no uniformity in disposal of applications, sanction of concession on premium to be paid, changes in land use plan and resumption of encroached land.

Out of 164 cases test checked, 63 cases pertained to other than Government parties. In 16 of these 63 cases, applications for land were disposed off within a year, but in the remaining 47 cases, delays ranged from one year to 24 years. Proclamation inviting public objections as stipulated in Odisha Government Land Settlement Rules was not published in any of the test checked cases. Site Selection Committee (SSC), a body specifically constituted to examine the eligibility of allotment, was bypassed in 19 out of 164 test checked cases while allotting 112.157 acre of land. Recommendation of the respective Administrative Departments was not obtained in 15 cases for allotment of 39.272 acre of land.

Premium payable on allotment of land was last revised in 1998. In 2009, bench mark rates with reference to market rates were decided. This resulted in extension of undue benefit to allottees during 1998-2009. Despite continuous rise of land price in the capital city, non revision of premium and non

consideration of the prevailing market value of the land of the respective areas resulted in a loss of ₹ 251.92 crore to Government for the period 1998-2009.

Despite stipulation in the Acts and Rules to put the public land (for other than public purpose) into auction, the Department did not apply auction method in case of allotment of 154.473 acre though the prevailing market rate was 4.78 times more than the bench mark value, thereby foregoing the opportunity of earning substantial revenue.

It was also noticed that there was loss to Government due to charging of conversion fees at reduced rates in three cases (₹ 41 lakh), non realisation of outstanding premium in eight cases (₹ 9.66 crore) and interest (₹ 21.51 crore) there on and non charging of consent fees in one case (₹ 51 lakh).

6.051 acre encroached land valuing ₹ 18.89 crore, was regularised in 11 cases resulting in a loss of ₹ 14.15 crore to Government due to allotment at less than market rate. In addition, although 11.187 acre land valued at ₹ 84.21 crore was under the occupation of encroachers as of March 2012, no effective steps for eviction had been taken by the Department. Monitoring and inspection mechanism in the Department was non-existent due to acute shortage of personnel. Although lessees were not utilising allotted land for years together, the leases had been determined i.e. terminated only in a few cases

### ***1.2.2 Implementation of Indira Awas Yojana in the State***

Performance Audit of “Implementation of Indira Awas Yojana” was conducted during October 2011 to October 2012 covering the period 2007-12. Audit revealed many deficiencies in both financial management and programme implementation.

Survey to identify eligible poor households was not conducted. The beneficiaries were not provided with basic services like drinking water and sanitation through convergence of the scheme with other programmes.

Financial management of the programme was inefficient as there was curtailment of central assistance of ₹ 223.95 crore during 2007-12 on account of low spending and excess carry over funds to subsequent year. There was short release of State matching share by ₹ 26.85 crore and delay in release of State share.

Districts submitted UCs for ₹ 250.18 crore fictitiously without actual utilisation of funds to avail the subsequent central share. Non-accounting of interest for ₹ 2.41 crore earned on scheme fund and diversion of funds of ₹ 31.12 crore for purposes not connected with the scheme etc were also noticed.

Programme implementation remained ineffective and was marred by fraudulent payment of ₹ 1.03 crore to 655 beneficiaries without construction of any house based on false certificate furnished by supervising officers. Similarly, excess payment of ₹ 53.81 lakh was made to 579 beneficiaries

based on false verification report of the field officials showing higher progress in the construction of houses than what was actually constructed.

Fairness and transparency was lacking in preparation of permanent waitlist, selection of beneficiaries and allotment of houses. Houses were irregularly allotted to persons not/low in the permanent waitlist.

Payment of ₹ 1.15 crore was made towards allotment of houses to 1144 Non BPL households. Irregular payment of ₹ 60.15 lakh was made to 321 fake BPL beneficiaries. Duplicate allotment of house was made to same BPL ID and same BPL family resulting in excess payment of ₹ 26.25 lakh and denial of claim of 118 deserving BPL households. 193 needy BPL households could not avail of the benefit under the scheme as they did not own homestead land.

Monitoring of the implementation of the programme was feeble while inspection of houses under the scheme was weak and unreliable. Grievance redressal mechanism remained inadequate.

### ***1.2.3 Implementation of Mo Kudia in the State***

Performance Audit of the State scheme “**Mo Kudia**” revealed that the objective of the scheme in supplementing the IAY in providing housing to the rural poor not covered under IAY was not fulfilled to the extent envisaged due to the presence of multiple lapses across financial management, implementation and monitoring aspects.

Basic principles of financial propriety were over looked leading to instances of non-submission of UCs, submission of fictitious UCs to cover unspent funds and reduced utilisation efficiency.

Implementation of the scheme was not effective as there was arbitrariness in the process of allotment of houses to eligible BPL families.

The monitoring mechanism of the scheme was inadequate and ineffective as the State and district level committees did not take specific steps to exercise proper supervision. Absence of field visits by supervisory officers resulted in incomplete and delayed construction of houses leading to non-achievement of targets.

### ***1.2.4 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in the State***

The National Rural Employment Guarantee Act 2005 (NREGA) enacted (September 2005) by the Parliament and renamed (2 October 2009) as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), provided livelihood security to the rural poor by providing at least 100 days of guaranteed wage employment in a financial year to every registered household, whose adult members volunteer to do unskilled manual work. The scheme was launched in the State on 2 February 2006 in 19 districts and was extended to five more districts from 1 April 2007. The remaining six districts were covered from 1 April 2008. During 2007-12, ₹ 4452.30 crore was

released by the Government of India (GoI) and ₹ 491.57 crore was released by the State as its share. Out of the total availability of ₹ 5160.26 crore during this period, ₹ 4864.36 crore (94 per cent) was utilised.

Performance Audit of implementation of the MGNREGS in 199 sample Gram Panchayats (GPs), 20 sample blocks of eight sample districts of the State revealed weak institutional arrangements, deficient planning, delay in payment of wages, wasteful expenditure on abandoned and incomplete works, creation of non-durable assets and lack of adequate awareness about the scheme among the target group. Use of labour displacing machines, non-transparent grievance redressal mechanism with feeble monitoring and evaluation mechanism were noticed. Audit also observed execution of the least prioritised items of work and creation of non-durable assets.

Financial management was ineffective as scheme fund was kept in private bank and cooperative bank in two units, incurring administrative contingency over and above the permissible limit in some test checked units, diversion of funds as well as irregular and improper maintenance of records. Response of SC/ST beneficiaries for employment under the scheme was encouraging while the demand for job by other categories remained low.

### **1.3 Response to Audit**

#### ***1.3.1 Inspection Reports on audited entities***

Response to the Inspection Reports (IRs) of Audit was poor. As of March 2012, 75001 paragraphs relating to 11667 IRs pertaining to 24 departments under the audit jurisdiction of the office of the Accountant General (General and Social Sector Audit), Odisha remained outstanding at the end of June 2012. Of these, 2308 IRs containing 6089 paragraphs had not been settled for more than 10 years. Even the first reply from the Heads of Offices which was to be furnished within four weeks was not received in respect of 2638 IRs issued up to March 2012.

The Chief Secretary communicated (1 January 2013) serious concern of the Chairman, Public Account Committee over inadequate response of some Departments and instructed all the Departments to personally review the cases and to furnish the first replies of IRs received up to November 2012 latest by 15 January 2013. As recommended by the Chairman, PAC, Finance Department had chalked out annual calendar for holding Triangular Committee (TC) meetings during the year 2013 in respect of five Departments<sup>1</sup> in consultation with the Accountant General (G&SSA), Odisha and Accountant General (E&RSA), Odisha on 18 January 2013.

#### ***1.3.2 Follow up action on earlier Audit Reports***

Out of 499 audit paragraphs reported in Audit Reports for 2000-01 to 2010-11, compliance notes for 52 paragraphs including 37 Performance Audits have not

<sup>1</sup> Health and Family Welfare, Panchayati Raj, School and Mass Education, Water Resources and Women and Child Development

been furnished by 12 Departments up to September 2012. Departments largely responsible for non-submission of explanatory notes were Revenue and Disaster Management, Health and Family Welfare, Housing and Urban Development, Food Supplies and Consumer Welfare followed by Higher Education.

### ***1.3.3 Response of the departments to the recommendations of the Public Accounts Committee***

Out of 624 recommendations made by the PAC from the first Report of Tenth Assembly (1990-95) to fortieth Report of Thirteenth Assembly (2004-09) final action on 69<sup>2</sup> recommendations from five Departments were awaited (September 2012). The Departments largely responsible for non-submission of ATNs were Rural Development, Health and Family Welfare, Law followed by Revenue and Disaster Management.

## **1.4 Recommendations**

This report contains specific recommendations on a number of issues involving non observance of the prescribed internal procedure and systems. As compliance to such procedure would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large, the State Government is urged to take cognizance of such recommendations in a time bound manner.

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2 Health and Family Welfare (16), Housing and Urban Development (1), Law (8), Revenue and Disaster Management(12) and Rural Development(32)