

Chapter 1 Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of Odisha relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments and Autonomous Bodies.

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 with due regard to ethics and equity.

This chapter provides the audited entity's profile, the planning and extent of audit, a synopsis of the significant audit observations. Chapter 2 of this Report deals with the findings of Performance Audit and Chapter 3 deals with Compliance Audit of various departments and Autonomous Bodies.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2012-13 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 2012-13 have also been included, wherever necessary.

1.2 Audited entity's profile

There were 38 departments in the State at the Secretariat level headed by Additional Chief Secretaries/ Principal Secretaries/ Commissioner-cum-Secretaries, assisted by Directors and Subordinate Officers. Of these, 24 Departments including PSUs/ Autonomous Bodies/ Local Bodies coming under these Departments are under the audit jurisdiction of the Accountant General (General and Social Sector Audit).

The comparative position of expenditure incurred by the Government of Odisha during 2012-13 and in preceding two years is given in Table 1.1.

Table 1.1: Comparative Position of Expenditure incurred by the Government of Odisha during 2010-13

(₹ in crore)

Particulars	2010-11			2011-12			2012-13		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue Expenditure									
General Service	78.77	9858.00	9936.77	80.38	10848.20	10928.58	79.44	12343.82	12423.26
Social Service	4249.09	7672.92	11922.01	5568.84	8769.23	14338.07	6629.47	8347.09	14976.56
Economic Service	3064.81	4012.75	7077.56	4070.54	4661.93	8732.47	4883.42	5312.82	10196.24
Grant-in-aid	#	431.61	431.61	#	661.11	661.11	#	641.49	641.49
Total	7392.67	21975.28	29367.95	9719.76	24940.47	34660.23	11592.33	26645.22	38237.55
Capital Expenditure									
Capital outlay	4156.51	128.59	4285.10	4435.43	60.66	4496.09	5603.52	18.66	5622.18
Loans & Advances disbursed	205.67	109.02	314.69	2.34	618.67	621.01	140.98	75.04	216.02
Repayment of Public Debt	#	#	2083.58	#	#	2327.76	#	#	3179.86
Public account Disbursed	#	#	11407.85	#	#	14022.62	#	#	24886.31
Total	4362.18	237.61	18091.22	4437.77	679.33	21467.48	5744.50	93.70	33904.37
Grand Total	11754.85	22212.89	47459.17	14157.53	25619.80	56127.71	17336.83	26738.92	72141.92

Figures for plan and non plan not available in the Finance Accounts
(Source: Finance Accounts of the respective years)

1.3 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act 1971. CAG conducts audit of expenditure of the departments of Government of Odisha under section 13¹ of the CAG's (DPC) Act 1971. CAG is the sole auditor in respect of 42 Autonomous Bodies² which are audited under section 20 (1) and 19 (3) of the said Act. Audit of Government companies were also conducted under Section 19(1) of the DPC Act. In addition, CAG conducts audit of 184 other Autonomous Bodies substantially funded by the State Government. CAG's audit jurisdiction also covers the Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) as the State Government had entrusted (July 2011) audit of such bodies to CAG and to provide Technical Guidance and Support

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts

² 30 District Legal Services authorities, one State Legal Services Authority and one Odisha Forestry Sector Development Corporation, Odisha State Commission for women and nine Development Authorities

(TGS) to the Local Fund Audit for audit of ULBs and PRIs. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the CAG.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Department/ Organisation as a whole and that of each unit based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, and assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the Governor of Odisha under Article 151 of the Constitution of India.

1.5 Significant observations of Performance Audit

This Report contains one Performance Audit. The focus has been auditing the 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:

1.5.1 National Rural Health Mission

Planning was deficient due to non preparation of perspective plans and annual action plans at the State, District and Block level, District Health Action Plan was prepared for only four out of 30 districts.

Gaon Kalyan Samiti (GKS) meant to work as community level platform to facilitate public health activities were belatedly formed and still 63 GKSs remained to be formed in targeted villages. Also delay in formation of GKS led to short receipt of GoI assistance of ₹ 18.52 crore.

There were delays in release of GoI installments upto 157 days due to delay in submission of Project Implementation Plan (PIP) by State.

Spending efficiency at State Level ranged between 36 and 66 *per cent* of funds available during 2007-13. State healthcare spending remained below three *per cent* of total budget against prescribed eight *per cent* due to less allocation by the State.

Though maternal mortality rate was reduced from 303 in 2007-08 to 237 in 2011-12, yet the same was above the national average. Similarly, infant mortality rate was reduced from 71 to 57 against the national average of 55 to

44 during 2007-12. Despite increasing trend of institutional deliveries in the State, position was not satisfactory in Koraput, Nabarangpur, and Kalahandi districts where it remained between 13 to 64 *per cent*.

Delivery of Health care was affected due to absence of required health institutions in the State as per Indian Public Health Standards (IPHS) norms. There were shortages of 3284 SHCs (33 *per cent*) and 370 PHCs (23 *per cent*). Despite stipulation in IPHS to have their own buildings, 91 PHCs and 2969 SHCs were functioning in private buildings in the State.

Due to lack of adequate monitoring, progress on infrastructure was not satisfactory as only 2491 (50 *per cent*) works were completed out of 5028 works sanctioned during 2007-13. Of the above, 1051(21 *per cent*) works were lying incomplete after incurring expenditure of ₹ 40.01 crore and the balance 1486 (29 *per cent*) works were not yet started.

Facilities for pathological tests were not available in 13 (54 *per cent*) test checked CHCs whereas X-ray and Electro Cardiogram (ECG) were not available in all the 24 test checked CHCs.

Against IPHS norms for posting of 10,594 doctors in the State, 5077 doctors were sanctioned and 3435 (32 *per cent*) were in position as of March 2013. Though 1075 specialist under 17 categories were essential for DHHs, only 603 specialists were available.

Similarly, as against requirement of 20,064 health workers for SHCs in the State, 10914 (54 *per cent*) were in position. No staff nurse and lab technicians (LTs) were posted despite stipulation in IPHS to post five Staff Nurses and two LTs in each PHC. Besides, 59 *per cent* (1534) of pharmacists were found short in PHCs.

Training programme for skill development fell short of the target by 29 *per cent* during 2007-13. Services of trained doctors were not utilised as 17 trained doctors in Skilled Birth Attendance (SBA) and 11 in Life Saving Anesthesia Skill (LSAS) were not deployed for respective service.

All types of essential drugs were not available in sampled DHHs, CHCs and PHCs. Drugs of Not of Standard Quality (NSQ) of ₹ 5.80 lakh and Life expired drugs of ₹ 0.74 lakh were administered to patients.

Monitoring was weak, inadequate holding of meetings by State and District Health Missions, non formation of Health Planning and Monitoring Committee were noticed.

Thus, the objectives of the mission to provide accessible, affordable, reliable and quality health care to the rural population sought to be achieved through NRHM remained largely unfulfilled.

(Paragraph 2.1)

1.6 Significant audit observations of Compliance Audits

1.6.1 Total Sanitation Campaign in Odisha

Institutional set up for Total Sanitation Campaign (TSC) in Odisha was deficient as Block Resource Centre, for creating awareness and motivating people for hygienic habits in GPs/ villages, were not set up as per requirement. Expenditure on the programme was low (38 per cent) and stood as major impediment for success of TSC in the State. Fund under IEC programme, being an important component of the programme for success of TSC, was utilised only to the extent of 12 per cent (₹ 2.34 crore) of availability. Inadequate and unplanned IEC activities led to lack of awareness and less creation of demand and the objective of TSC programme to provide access to toilet to all rural areas by March 2012 remained largely unfulfilled as 85.90 per cent of rural households were not having latrine facilities. The programme suffered at various stages of its implementation due to inadequate monitoring at all levels.

(Paragraph 3.1)

1.6.2 Functioning of Rural Piped Water Supply (RPWS) schemes in the State

Identification of need based RPWS project and their prioritisation was absent in planning due to non formation of Village Level Water and Sanitation Committee and non preparation of Village Water Security Plan (VWSP). Due to dual responsibility *i.e.*, operation of RPWS by PRIs and maintenance by RWSS, many projects were lying defunct or non functional for years together. Department had not taken adequate steps for timely revival of 175 defunct/non-functional RPWS projects commissioned at a cost of ₹ 25.80 crore and completion of 241 incomplete projects despite expenditure of ₹ 38.92 crore. Projects after completion were not functional for want of energisation. Department failed to take adequate precaution to provide safe water and unsafe water with excess chemical content from 73 projects was being used by people from RPWS schemes.

(Paragraph 3.2)

1.6.3 Distribution of Superior Kerosene Oil under PDS

Government failed to review the lists of beneficiaries annually since 1992 for purpose of deletion of ineligible families and inclusion of eligible beneficiaries. During special drive undertaken during 2009-11 by the department, 59,094 ration cards were detected as ineligible. Due to non-lifting of the entire allotted monthly quota by wholesalers, 372 KL of SK Oil lapsed during 2010-13. There was diversion of 9260.142 KL of subsidised SK Oil involving subsidy of ₹ 24.20 crore to non PDS beneficiaries. Wholesalers and sub-wholesalers were reimbursed ₹ 52 lakh towards insurance coverage and bank commission without ensuring its actual payment. Monitoring mechanism for allocation and distribution of SK oil needed improvement.

(Paragraph 3.3)

1.6.4 Security related expenditure (SRE)

Shortcomings in budgetary control, advance release of funds to the executing agency, delayed payment of rehabilitation package to the persons who surrendered etc., affected the implementation of SRE Scheme. Further, due to expenditure on inadmissible items, the GoI disallowed ₹ 15.60 crore during 2009-12.

(Paragraph 3.4)

1.6.5 Assessment and realisation of cost of deployment of police personnel in other than Government organisations

Deployment of police personnel without collection of the assessed cost of deployment in advance resulted in non-realisation of dues. No provision was made for execution of agreement between user agency and the service provider with a view to safeguard Government interest on the event of non-payment or delay in payment of prescribed fees.

(Paragraph 3.5)

1.6.6 Sale and disposal of river sand

Activities with regard to sale and disposal of river sand were tardy as Government did not make assessment of the sources, irregularly awarded sources on negotiation, allowed bidders mining without execution of agreement and unauthorisedly accepted bid amounts in installments. Though 23 cases (₹ 40.23 lakh) were pending for more than one year and were fit for institution of certificates cases against the defaulters under OPDR Act 1962, no initiative was taken. Further, penalty for ₹ 96.03 lakh towards illegal extraction and transportation of sand was not realised though pending since June 2012. Inspection and monitoring was inadequate.

(Paragraph 3.6)

1.6.7 Payment of dues/ fees in replacement of original challans

Replacement of bank challans and subsequent change in Daily Collection Register resulted in loss ₹ 12.75 lakh to BDA.

(Paragraph 3.7)

1.6.8 Procurement and distribution of dual desks

Due to non-selection of SSI units for supply of dual desks in the same or nearby district as per the criteria fixed by government, department procured desks from distant districts and as such incurred excess expenditure of ₹ 22.93 lakh on transportation cost during 2008-10.

(Paragraph 3.8)

1.7 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large.