

# **Chapter 1**

## **Introduction**

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### **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 programmes and activities and Compliance Audit of Government departments. 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 2013 relating to General and Social Sector.

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 a synopsis of the significant audit observations and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of one Performance Audit and Chapter 3 deals with Compliance Audit of various departments.

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 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:

### **1.2.1 Disaster Management in the State**

The SDMA constituted in October 2010 after a delay of five years of enactment of Disaster Management Act 2005 under the Chairmanship of the Chief Minister for overseeing activities relating to disaster prevention, mitigation, preparedness, relief and reconstruction, did not meet till July 2013. The State Government also failed to incorporate disaster management into the development planning process due to non-preparation of SDMP till July 2013 as envisaged in the Disaster Management Act 2005. SDMP was, however, prepared in August 2013.

Though early warning mechanism and communication systems for disaster preparedness were in place, the system was not effective due to inadequate staff and non-functioning of machinery. Relief, rehabilitation and reconstruction measures had gaps as payments of ₹ 49.59 lakh were made for rice without actual distribution, relief materials valuing ₹ 10.26 crore were issued without acquittance roll and beneficiary lists, rice got damaged due to improper storing etc. There was delay of six to nine months in providing relief to affected people and dal being basic food, was not distributed in relief operation.

During *Phailin* (cyclone struck the State in October 2013), though the State Government could save human life through early warning system and administration of evacuation to safer place, more could have been done to save the livestock which is main livelihood of the affected population. Further, the post disaster relief measure and restoration/ reconstruction measures undertaken by the Government were not comprehensive. There were cases of inequitable distribution of relief and short distribution of relief material. Restoration was not adequate due to delay in restoration of power infrastructure, piped water supply system, roads, irrigation canals and Lift Irrigation Projects affecting rabi crops/ agriculture in the affected districts. Besides, input subsidy for loss of crop was not paid and artisans were not adequately compensated for loss of livelihood.

There was improper financial management as ₹ 29.46 crore was sanctioned from CRF/ SDRF towards disaster preparedness in violation of GoI norms. UCs for ₹ 1456.42 crore were pending from executing agencies and Collectors against the release of fund of ₹ 3455.80 crore during 2007-13. Despite retaining the SDRF in interest bearing public accounts during 2011-13, interest thereon was not paid by State Government.

Monitoring of preparedness, rescue and relief operations by SEC was largely absent as its meetings were limited to approval of projects of various departments and sanction of fund out of SDRF.

### **1.3 Significant audit observations of Compliance Audits**

#### ***1.3.1 Administration of Self Financing Courses in the State***

Assessment of requirement was not done before SFCs were introduced. Fixation of course fee by the Universities was arbitrary and large surplus of fund were retained by the Universities. Universities conducted SFCs without having adequate infrastructure. Affiliated professional colleges did not possess basic infrastructure facilities like land, building, student's common room, library, toilets etc. Quality of education was compromised due to non-engagement of full time teaching staff, inadequate student-teacher ratio and teachers engaged without requisite qualification. Quality education under SFC further suffered due to inadequate coverage of course curriculum. Objective to provide scope for employment to SFC passed out students was only partially met as placement cells were not even constituted in two Universities out of three test checked in audit. UU while introducing SFCs in PPP mode selected private partners without open advertisement. Thus, implementation of objective to provide job oriented and market linked quality study through introduction of SFCs needed several area of improvement in these Universities and colleges.

*(Paragraph 3.1)*

#### ***1.3.2 Compliance to the provisions of Pre-conception & Pre-natal Diagnostic Techniques (Prohibition of Sex Selection) Act 1994***

Child sex ratio declined in 21 out of 30 districts of the State by one to 49 points with highest decline in Nayagarh followed by Dhenkanal and Angul during 2001-11. Registration and renewal of ultrasound clinics were not made timely giving scope to clinics to run under deemed registration without necessary scrutiny by the AAs. USGs were conducted by unauthorised persons and portable USG machines were used without permission. Inspection mechanism in place was largely inadequate as no action against unauthorised centres was taken. AAs did not conduct enquiry against complaints of sex determination. Enforcement of compliance to the provisions of the PNDT Act in the State needed to be strengthened.

*(Paragraph 3.2)*

#### ***1.3.3 e-Governance projects in three Universities of the State***

Due to non availing of service facility of hardware and software during warranty period, non-handing over of software prototype by firm for customisation, non-involvement of technically competent personnel in evaluation and testing process, non-imparting of adequate training to end users, non-assessment of need based requirement and shortage of human resources, the objective of introducing e-Governance projects largely remained unachieved. Besides, out of ₹ 7.53 crore, an amount of ₹ 4.69 crore (UU: ₹ 1.80 crore, BU: ₹ 2.33 crore and SU: ₹ 0.56 crore) was rendered wasteful as the warranty period of the software and hardware had already expired (March 2011) and the projects remained defunct.

*(Paragraph 3.3)*

### **1.3.4 Income Generation of Scheduled Tribes in Scheduled Areas**

Despite expenditure of ₹ 139.06 crore on IG activities, cases of unfruitful and idle expenditure of ₹ 13.06 crore were noticed and fund to the tune of ₹ 36.31 crore left unutilised. Besides, various short comings in implementation such as lack of monitoring leading to non-utilisation of bank loan and subsidy for the approved activities, irregular identification of beneficiaries and ineffective capacity building activities to ensure employment to tribal youths etc. were noticed. Hence, the objective to uplift the socio-economic condition of tribals through implementation of different programmes/ schemes remained largely unfulfilled.

**(Paragraph 3.4)**

### **1.3.5 Response to Audit**

- **Inspection Reports on audited entities**

Response to the Inspection Reports (IRs) of Audit was poor. As of March 2013, 45660 paragraphs relating to 10790 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 2013. Of these, 3275 IRs containing 10484 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 1930 IRs issued up to March 2013.

- **Follow up action on earlier Audit Reports**

It was noticed that 13 out of 24 departments did not submit explanatory notes as of September 2013 to 34 paragraphs (21 individual and 13 PAs/Review paragraphs) featured in the C&AG's Audit Reports in respect of Audit Reports from the year 2000-01 to 2011-12. The departments largely responsible for non-submission of explanatory notes were Housing & Urban Development, Revenue & Disaster Management, Planning & Coordination and Higher Education Departments.

- **Response of the departments to the recommendations of the Public Accounts Committee**

Out of 626 recommendations made by the Public Accounts Committee (PAC) from the first Report of Tenth Assembly (1990-95) to fifth Report of Fourteenth Assembly (2009-14) final action on 51<sup>1</sup> recommendations from seven departments were awaited (September 2013). The departments largely responsible for non submission of Action Taken Notes were Rural Development Department, Health & Family Welfare Department, Law Department and Panchayati Raj Department.

**(Paragraph 3.5)**

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<sup>1</sup> Higher Education (1), Health & Family Welfare (9), Revenue & Disaster Management (1), Law (6), Housing & Urban Development (1), Rural Development (29) and Panchayati Raj (4)

#### **1.4 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.