

Chapter I

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 Audits of Government Departments.

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 I provides a synopsis of the significant audit observations. Chapter II of this Report deals with the findings of one Performance Audit and Chapter III 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 2013-14 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 2013-14 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 2013-14 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 2011-14

Particulars	2011-12			2012-13			2013-14		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
<i>(₹ in crore)</i>									
Revenue Expenditure									
General Service	80.38	10848.20	10928.58	79.44	12343.82	12423.26	151.76	13537.65	13689.41
Social Service	5568.84	8769.23	14338.07	6629.47	8347.09	14976.56	8642.47	10079.08	18721.55
Economic Service	4070.54	4661.93	8732.47	4883.42	5312.82	10196.24	6213.46	6101.13	12314.59
Grant-in-aid	#	661.11	661.11	#	641.49	641.49	#	892.20	892.20
Total	9719.76	24940.47	34660.23	11592.33	26645.22	38237.55	15007.69	30610.06	45617.75
Capital Expenditure									
Capital outlay	4435.43	60.66	4496.09	5603.52	18.66	5622.18	7598.59	157.81	7756.40
Loans & Advances disbursed	2.34	618.67	621.01	140.98	75.04	216.02	#	#	463.55
Repayment of Public Debt	#	#	2327.76	#	#	3179.86	*	*	2293.22
Public account Disbursed	#	#	14022.62	#	#	24886.31	*	*	31256.60
Total	4437.77	679.33	21467.48	5744.50	93.70	33904.37	**	**	41769.77
Grand Total	14157.53	25619.80	56127.71	17336.83	26738.92	72141.92	**	**	87387.52

Figures for plan and non plan not available in the Finance Accounts

* Public Debt and Public account figures are not segregated as Plan and Non-Plan

** Totalling not made due to non-availability of figures above

(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 (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 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

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 on 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 Implementation of schemes for welfare and protection of girl child in Odisha

As per Census 2011, children in the age group of 0-18 years constitute 36.52 *per cent* of total population of Odisha of which 49.09 *per cent* are girls. Child sex ratio declined from 953 in 2001 to 941 in 2011. Literacy rate for females remains at 62.46 in the State against the national rate of 65.46. Mortality rates for girl children under five years age stood at 74, which exceeds male child rate of 70 per 1000 live births.

Though State Plan of Action for Children (SPAC) 2009-12 sets different goals and objectives for development of all children, Odisha State Policy for Girls and Women 2014 was formulated only in June 2014. There were deficient institutional arrangements in implementation of PCPNDT Act to check female foeticide.

Though there is gender inequality in the State, gender-based data was not maintained under ICDS platform to ensure 100 *per cent* coverage of children especially girls under Supplementary Nutritional Programme.

Calorie/ protein value of nutrition supplied was not determined to ensure nutritional security of girls even though 14,651 girls were found to be severely malnourished in test checked CDPOs.

Implementation of SABALA/ KSY scheme for adolescent girls was not fully effective as amount of ₹ 5.95 crore was surrendered even though 9.38 lakh adolescent girls remained uncovered under the scheme.

At elementary level, 2,516 Primary/ Upper Primary Schools did not have own school building, 7,497 schools did not have separate toilets for girls and 18,616 schools were not having boundary walls. Even in secondary schools where adolescent girls were studying, 220 and 2,201 schools did not have separate toilets for girls and boundary walls respectively.

Out of 17.80 lakh girls enrolled in Class I to IV during 2009-10, only 14.22 lakh girls were found pursuing their studies in Class V to Class VII during 2013-14. There was short/ delay in supply of NT books to children including girls.

Out of 182 KGBVs including 78 of test checked districts working in the State as of March 2014, 52 schools did not have hostel buildings to provide residential accommodation to girls of disadvantaged groups. Similarly, out of 1,514 hostels for SC/ST students, 803 were completed and construction works of 711 hostels were in progress.

Implementation of National Scheme for Incentive to Girls for Secondary Education scheme in the State remained largely ineffective as out of 4.91 lakh ST/SC girls enrolled during 2009-14, 3.58 lakh girls were deprived of incentive of ₹ 107 crore.

(Paragraph 2.1)

1.6 Significant audit observations of Compliance Audits

1.6.1 Implementation of Member of Parliament Local Area Development Scheme

District Collectors sanctioned 806 inadmissible works/ projects (16 per cent) without exercising proper scrutiny and vetting the proposals received from the MPs which resulted in inadmissible expenditure of ₹ 11.01 crore during 2010-13. Requisition of further fund from Government of India despite availability of fund contributed to accumulation of fund amounting to ₹ 29.06 crore. In order to avail release of subsequent instalment of GIA from GoI, advance was booked as final expenditure in the books of accounts resulting in excess exhibition of expenditure of ₹ 57.87 crore. Non-refund of unutilised balances of ex-MPs resulted in idling of ₹ 4.59 crore with four District Collectors and one Block Development Officer.

Compensation of ₹ 63.90 lakh was not levied on the executants. Assets were lying incomplete and could not be put to use leading to wasteful expenditure of ₹ 25.96 lakh.

The performance of the IAs was neither monitored nor brought under review by the Nodal Department failing to evoke good response from the IAs. Inaction of the DC conducting reviews of works weakened coordination and

feedback between the DC and the IAs. P&C Department did not undertake any third party inspection to conduct physical audit and quality check of MPLADS works during 2010-13.

(Paragraph 3.1)

1.6.2 Bio-Medical Waste Management

Compliance with the provisions of BMWMH Rules 1998 in the State was poor mainly in Government health institutions and non-existent in veterinary institutions. Hospitals/ clinics generating BMWs were functioning without obtaining authorisation from State Pollution Control Board (SPCB). Health Care Establishments of Government violated the BMWMH Rules regarding segregation, mixing, collection, treatment, etc. The system of labelling, storage and transportation of BMW as required under the Rules remained uncomplined with and SPCB had not taken measures to enforce the same. Untreated water/ liquid waste were discharged to municipal drain, thus polluting water. Availability of waste disposal equipment/ infrastructure and facilities were poor. Inspection, monitoring and enforcement of the Rules left scope for greater improvement.

(Paragraph 3.2)

1.6.3 Regulation of private hospitals in the State

Minimum standards for infrastructure, services and quality were not prescribed by the State Government. Registration/ license of 976 hospitals (65 *per cent* of total) expired for 1 to 17 years and were not renewed. The Department did not maintain any database about functioning/ closure of private clinical establishments (CEs). Inspections to ensure compliance with the registration conditions by hospitals were largely absent. There were wide variations in rates charged by different CEs for same services in absence of any prescribed standard. Land allotted at concessional rates for construction of private hospitals/ nursing homes were misutilised in some cases. System of accreditation of private hospitals was almost absent. Enforcement mechanism was poor.

(Paragraph 3.3)

1.6.4 Implementation of Odisha Tribal Empowerment and Livelihood programme

Annual work plan and budget proposals of ₹ 31.39 crore for the period 2011-14 was submitted to Programme Support Unit for final approval without approval of District Programme Management Committee (DPMC). In absence of scrutiny by the DPMC, there were cases of works not taken up (nine), projects not completed (79) noticed. Due to non-completion of the projects, expenditure of ₹ 28.02 lakh incurred on these projects remained unfruitful resulting in non-extension of benefit to 516 households.

There was shortfall in installation of 122 drip kits and six poly houses despite availability of funds of ₹ 33.74 lakh which denied the intended benefit to 122 poor families. Integrated Tribal Development Agency (ITDA) authorities failed to coordinate with other departments due to which projects either remained incomplete or not taken up at all resulting in deprivation of benefits that could have accrued to the community. ITDAs also failed to implement activities under agriculture and horticulture effectively due to which sustainability in food security and income could not be provided to 1215 households.

ITDAs did not prepare any time bound action plan for conducting training programmes. Shortfall of 544 training programmes (29 *per cent*) was noticed despite availability of ₹ 67.70 lakh with ITDAs/ Village Development Committees (VDCs). Though 1800 quintals of informal seed was targeted for production under agriculture and horticulture development, only 1368 quintals were produced. 46 VDCs misappropriated ₹ 2.16 crore out of which only ₹ 0.56 crore was recovered from 35 VDCs, leaving ₹ 1.60 crore unrecovered. Due to lack of mobilisation of community resources towards implementation of developmental works under the programme, OTELP had to bear the extra financial burden of ₹ 31.36 lakh. Due to non-conduct of DPMC meetings regularly, monitoring of works undertaken, requirement and timely procurement of equipment and services was not ensured. Funds were released to VDCs without ensuring that physical and financial transactions were carried out in a proper manner. Social and financial auditing was not done by VLSC regularly and follow up measures were not taken up.

(Paragraph 3.4)

1.6.5 Functioning of Self Help Groups

Non-inclusion of all the identified households under Self Help Groups (SHG) fold deprived the rural poor of availing government assistance for ensuring their socio-economic development as envisaged in scheme guidelines. Selection of SHGs for financial assistance was not fair and transparent due to absence of database and priority list of beneficiaries.

Out of 58,685 SHGs working in rural areas of six test checked districts, 13,224 (22.53 *per cent*) were non-validated which did not enable identification of weak/ better functioning SHGs for intensive monitoring and support.

In Sonapur Block, 14 out of 16 SHGs recommended (March 2013) by BLAC for disbursement of seed capital had not passed Grade II assessment. Similarly, 21 SHGs under four Blocks were provided micro credit assistance of ₹ 5000 each under Mission Shakti even though they did not complete one year of formation. Further, though CDPO, Deogaon enlisted 150 SHGs who had not received any financial assistance, block level committee had not recommended them as of July 2014 depriving them of financial assistance.

DSWOs received ₹ 15.42 crore during 2013-14 for disbursement towards drudgery reduction assistance, out of which ₹ 4.87 crore was released to the CDPOs for disbursement. The balance amount of ₹ 10.55 crore was lying with the DSWOs as of March 2014.

(Paragraph 3.5)

1.6.6 Execution of projects by Odisha Computer Application Centre (OCAC) on behalf of various departments

OCAC proceeded with the Information Technology projects without ensuring preparation of detailed project reports and freezing of user requirement specifications resulting in delayed implementation of the projects and cost overrun of ₹ 3.44 crore and time overrun of five years was noticed in case of Odisha Secretariat Workflow Automation System (OSWAS). Revenue & Disaster Management Department refused to own *Punarbas* due to development of solution which deviated from the agreement and an expenditure of ₹ 1.29 crore on the project was rendered wasteful. As a technical directorate, it failed to assess the requirements under different projects and so economy was not observed in procurement of MS Office resulting in extra expenditure of ₹ 5.25 crore under GP computerisation project, avoidable expenditure of ₹ 2.38 crore on non-adoption of OpenOffice and avoidable expenditure of ₹ 97.18 lakh on Oracle product for OSWAS. Open tender process was not adopted for procurement of hardware of ₹ 6.21 crore for OSWAS.

(Paragraph 3.6)

1.6.7 Management of land and other assets by the Commissioner of Endowment

As of December 2014, 82 encroachment cases relating to encroachment of 21,336 acre land of one religious body were pending with the CoE for four to 18 years. In respect of a temple, out of 24,037 acre of land given to servitors, matter regarding Record of Rights in respect of 15,546 acre of land remained unsettled. In respect of 12 religious institutions, land measuring 287,718 acre was under occupation of servitors since 1990 for rendering specified services to deities. But, CoE neither reviewed the matter nor took any action to ensure that the tenants and servitors paid their share of income to those institutions.

Agricultural products of 13 religious institutions revealed that 3,15,313 Kg of agricultural produce valuing approximately ₹ 29.12 lakh remained unrecovered.

No annual physical verification of the stores was conducted in any 13 test checked religious institutions. Joint physical inspection conducted in five out of them by the CoE in presence of Audit revealed that in three units, there was shortage of 162.50 grams of gold and 740 grams of silver. Besides, in two test checked institutions, 43 grams of gold and 24.72 kg of silver were found to be in excess of the quantity recorded in the property register.

(Paragraph 3.7)

**1.6.8 Augmentation of drinking water supply system at Puri:
Unfruitful expenditure of ₹ 158.16 crore**

Due to improper planning, tagging a state funded project and lack of coordination between three Departments of Government entire expenditure of ₹ 158.16 crore remained unfruitful.

(Paragraph 3.8)

**1.6.9 Irregular approval of building plans for high rise buildings by
Bhubaneswar Development Authority and other violations**

BDA irregularly approved the building plan without proper verification/ checking the site condition and allowed the builder to construct multi-storey building over 6,70,532 sft floor.

(Paragraph 3.9)

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.