

Chapter I 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 programmes and activities and Compliance Audit 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 during the year 2014-15 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 2014-15 have also been included, wherever necessary.

1.2 Audited entity's profile

There were 39 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 2014-15 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 2012-15

(₹ in crore)

Particulars	2012-13			2013-14			2014-15		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue Expenditure									
General Service	79.44	12343.82	12423.26	151.76	13537.65	13689.41	175.33	14353.53	14528.86
Social Service	6629.47	8347.09	14976.56	8642.47	10079.08	18721.55	10481.45	10482.69	20964.14
Economic Service	4883.42	5312.82	10196.24	6213.46	6101.13	12314.59	8220.31	6605.07	14825.38
Grant-in-aid	#	641.49	641.49	#	892.20	892.20	#	817.37	817.37
Total	11592.33	26645.22	38237.55	15007.69	30610.06	45617.75	18877.09	32258.66	51135.75
Capital Expenditure									
Capital Outlay	5603.52	18.66	5622.18	7598.59	157.81	7756.40	11056.65	17.98	11074.63
Loans & Advances disbursed	140.98	75.04	216.02	#	#	463.55	#	#	358.00
Repayment of Public Debt	#	#	3179.86	*	*	2293.22	*	*	4111.45
Public account Disbursed	#	#	24886.31	*	*	31256.60	*	*	22511.40
Total	5744.50	93.70	33904.37	**	**	41769.77	**	**	38055.48
Grand Total	17336.83	26738.92	72141.92	**	**	87387.52	**	**	89191.23

Figures were not available in the Finance Accounts

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

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

(Source: Finance Accounts of 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 41 Autonomous Bodies² which are audited under Section 20 (1) and 19 (3) of the said Act. Audit of Government companies was also conducted under Section 19 (1) of the DPC Act. In addition, CAG conducts audit of 120 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 these bodies to CAG as well as to provide Technical Guidance and Support (TGS) to the Local Fund Audit for audit of ULBs and PRIs. Principles

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 One State Legal Services Authority, 30 District Legal Services Authorities, nine Development Authorities and Odisha Building and other Construction Workers Welfare Board

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 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 Procurement of paddy, milling and supply of custom milled rice

Decentralised Procurement Scheme (DPS) was introduced to enhance the efficacy of procurement of paddy for Public Distribution System (PDS) by encouraging local procurement and extending the benefits of Minimum Support Price (MSP) to farmers. The Performance Audit was conducted to assess the efficacy of the system of procurement, milling of paddy and supply of custom milled rice.

Food Supplies and Consumer Welfare Department of the State Government implemented an online registration system for farmers during 2014-15. No such system existed up to 2013-14 Kharif Marketing System (KMS) for assessing the quantity of self-consumption. Therefore, the marketable surplus could not be assessed properly as the trend in consumption widely varied and the district-wise targets for procurement fixed by the Department were changed several times. Even during 2014-15 KMS, the targets for marketable surplus were not assessed based on the data available through online system of farmers, as only 52.32 lakh MT (63 *per cent*) out of 83.22 lakh MT was targeted for procurement during 2014-15 KMS. Odisha State Civil Supplies Corporation Limited (OSCSC) procured paddy valuing ₹ 25,509 crore during

2010-15, but subsidy of ₹ 581.68 crore relating to this period was not released by GoI due to delay in finalisation of accounts.

Paddy Procurement Centres (PPCs) were not functioning properly as delay/ non-opening of PPCs, absence of godown facilities, non-calibration of weighing machines and non-intimation of actual dates of procurement to farmers were noticed.

Against marketable surplus of 8,512.44 quintals, 17,981.51 quintals *i.e.* 9,469.07 quintals excess paddy was procured from 25 farmers and 1,914.19 quintals of paddy was procured from 19 farmers who had no agricultural land. Similarly, paddy was also procured without verifying farmers' identity, without issuing vendors receipts, *etc.* The payments to farmers were either delayed or not paid. In seven test checked districts, MSP of ₹ 22.61 crore was paid to 2,635 farmers for procurement of 18,001.96 MT of paddy with a delay ranging from 2 to 188 days. Thus, a robust system to manage the procurement operation of paddy under MSP scheme was not established and the same was not commensurate to the magnitude of the procurement involved (₹ 25,509 crore) for 2010-15.

Instead of conducting required quality analysis, arbitrary deduction of 2 to 4 Kg was made from the quantity offered for sale by the farmers. As a result, an estimated quantity of 2.51 lakh MT of paddy worth ₹ 305.17 crore might have been unduly passed on to the millers during 2010-15.

Cover and Plinth (CAP) covers valuing ₹ 1.24 crore purchased in December 2014 for creating CAP facilities to store procured paddy during the intervening period of delivery to millers was not utilised.

Two hundred eleven millers were selected during 2010-15 KMS without verifying required documents like certificates from State Pollution Control Board, Encumbrance Certificate, DIC registration certificate, *etc.* Against the eligible limit of 5.75 lakh MT of paddy, 170 millers were permitted to take delivery of 9.48 lakh MT of paddy resulting in excess delivery of 3.73 lakh MT.

In 26 cases of four test checked districts, societies were tagged to distant mills by 12 to 185 Kms despite existence of nearby societies leading to excess payment of ₹ 61.14 lakh towards transportation charges. In two test checked districts, there was excess payment towards custody and maintenance charges amounting to ₹ 42.90 lakh. During 2010-14 KMS, there was short delivery of 0.72 lakh MT of Custom Milled Rice (CMR) by millers. There was also misappropriation of 11,243 MT of paddy valuing ₹ 40.78 crore by 20 millers in test checked districts.

Monitoring and supervision was not adequate leading to excess lifting of paddy by the custom millers, misappropriation/ doubtful procurement of paddy, delay in delivery of CMR by millers, *etc.* Shortfalls in holding of District Level Procurement Committee meetings and absence of random check of PPCs/ mills were also noticed.

(Paragraph 2.1)

1.6 Significant audit observations of Compliance Audits

1.6.1 Implementation of safety standards in factories and boilers

The Directorate of Factories and Boilers is responsible for enforcing the provisions of Factories Act. However, it has no effective mechanism to implement the safety standards by factories leading to persistent deficiencies over the years causing accidents. Even training imparted to workers on their safety at work was only 37 *per cent* of the total workers in test checked four units. The Directorate did not file prosecution proceedings against all the accidents. Factories were running without obtaining clearance from the State Pollution Control Board. The inspection and monitoring was inadequate as designated committees were not formed or functioned ineffectively. There were shortfalls in conducting required inspection of the factories even in repeatedly violating factories. As many as 26 *per cent* of factories functioning in the State were unregistered which escaped application of legal provisions of various Acts.

(Paragraph 3.1)

1.6.2 Working of juvenile homes in the State

Functioning of observation homes and special homes in the State was poor due to non-availability of adequate space and keeping under trial and confirmed offenders in the same premises. Accommodating juveniles in conflict with law (JCLs) with multiple crimes along with other inmates in combined Observation Homes (OHs) / Special Homes (SHs) was in violation of law. Delay in disposal of cases by Juvenile Justice Boards (JJBs) and non-completion of enquiries by the Child Welfare Committees (CWCs) within the stipulated period resulted in detention of juveniles/children for longer periods in OH/ SHs and Child Care Institutions (CCIs), resulting in denial of timely justice.

Infrastructure like dormitory, bathrooms, latrines, drinking water, kitchen, playground, *etc.* were either absent or inadequate. Required posts for whole time staff for different homes were not sanctioned. Medical check-up of juveniles, vocational training and counselling facility were almost absent in the juvenile homes. Lack of aftercare rehabilitation, mandated inspections by CWCs and mechanism to track the JCLs after their release rendered the functioning of all the OH/ SHs ineffective in mainstreaming the juveniles.

(Paragraph 3.2)

1.6.3 Preservation and conservation of ancient monuments and historical places

The State of Odisha is known for its wealth of ancient monuments. To protect and conserve the same, Orissa Ancient Monuments Preservations Act was enacted by the State. However, identification of ancient monuments was not done properly due to absence of a comprehensive survey for identifying and declaring monuments as “protected”. Documentation on monuments was poor. Required technical experts were not engaged despite specific directions from the Government.

Various irregularities were noticed in execution of preservation and conservation works done by the Department due to non-adherence to the Odisha Public Works Department Code and financial rules. Monitoring and inspection mechanism was found to be inadequate. Even after directions of the Government to form a technical committee with representatives of Indian Institute of Technology/ All India bodies to oversee execution of conservation works executed under 13th Finance Commission Award, such committee was not formed. Thus, efforts of the State to protect and conserve the ancient monuments were found to be inadequate.

(Paragraph 3.3)

1.6.4 Management of Antiquities

Odisha State Museum (OSM) possesses 39,452 antiquities and the process of documentation of the same was not started for all except in manuscript and palm leaf sections. Photographs of 8,056 antiquities are still to be taken. Only 1,763 antiquities (four *per cent*) were displayed in 18 galleries of OSM, leaving 37,689 antiquities in store. Conservation of antiquities was poor as 5,792 rare items of manuscript were damaged, while many antiquities were kept in open spaces, gardens, verandahs and temporary sheds. ₹ 3.53 crore released for construction of galleries during 2009-12 was not utilised. Annual physical verification of the antiquities was not done despite theft of antiquities from the OSM in three cases. A fire fighting system procured three years ago remained uninstalled. Close circuit television camera, metal detector and alarm system were not installed as of November 2015.

(Paragraph 3.4)

1.6.5 Implementation of Coastal Security Scheme

Odisha has a 476.70 kilometre long coastline which is vulnerable to export/import of illegal arms, contraband articles via sea route, unauthorised fishing, and entry of anti-national elements from the neighbouring countries. The objective of securing the coastline of the State through establishment of Marine Police Stations and sea patrolling was not achieved despite receipt of financial assistance from Government of India (GoI) under Coastal Security Scheme. Utilisation of funds meant for establishing basic infrastructure under the scheme was only 31.07 *per cent* for Phase-II of the scheme even after four years of receipt of funds from GoI. Required infrastructure like buildings for police stations, barracks and jetties are yet to be constructed. Besides, equipment and vehicles were either not purchased or utilised for other purposes. Required manpower in the marine police stations was not deployed. The utilisation of available manpower and equipment was not adequate as sea patrolling was conducted only for 2,805 hours as against requirement of 81,000 hours during 2012-15.

(Paragraph 3.5)

1.6.6 Non-eviction of unauthorised occupants from Government quarters and non-realisation of rent

General Administration (GA) Department possesses 11,636 quarters for allotment to Government employees and others as per the Special Accommodation Rules, 1959. Audit examination revealed that 321 quarters remained under unauthorised occupation of retired/ transferred Government employees and family members of deceased employees for years for which no rent and penalty was realised and ₹ 5.09 crore remained outstanding against the unauthorised occupants as of August 2015. Despite issue of eviction orders in 55 test checked cases, the same were not found to be executed. As the department failed to enforce relevant provisions under Orissa Public Premises (Eviction of Unauthorised Occupation) Act and Orissa Public Demands Recovery Act, such unauthorised occupancies continued despite 3,619 employees in waiting list for availing Government accommodations as of August 2015. Even after vacation of 230 quarters, rent of ₹ 1.12 crore remained unrealised from ex-MLAs for one to 38 years.

(Paragraph 3.6)

1.6.7 Follow up Audit on ‘Allotment of land by General Administration Department in Bhubaneswar city for various purposes’

The Report (G&SSA) of the Comptroller & Auditor General of India for the year ended March 2012 (Report No.4 of 2013), Government of Odisha included Performance Audit on ‘Allotment of land by General Administration (GA) Department in Bhubaneswar city for various purposes’. The Performance Audit included, *inter alia*, the fact of arbitrariness in allotment of land due to absence of land allotment policy, non-consideration of market value of land in fixing land premium, non-utilisation/ mis-utilisation of allotted land and encroachment of Government land. The Department adequately addressed two out of the three recommendations accepted. However, it did not take effective steps for strengthening monitoring mechanism to prevent mis-utilisation and encroachment of Government land and also did not review all cases of violations. Out of seven encroachment cases reported in the aforesaid earlier Audit Report, action was taken only in one case. Encroachment cases booked under OPP (EUO) Act were not dealt with effectively as in 16 cases, the Estate Officer issued directions for eviction with delay ranging from 43 to 418 days beyond the prescribed time of 45 days. With regard to cases of unutilised allotted land, Department could resolve the issues in 28 out of 33 cases reported in Audit Report while adequate steps were not taken to resolve the issue in the remaining five cases.

(Paragraph 3.7)

1.7 Recommendations

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