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## Chapter I: Overview

### 1.1 Introduction

This Report covers matters arising out of the audit of State Government Departments and Autonomous Bodies under the General and Social Sectors during 2019-20. The primary purpose of this Report is to bring to the notice of the Legislatures the important findings of Audit conducted during 2019-20. The findings of Audit will work as guidance to the Executives in carrying out corrective measures and in framing policies and directives that will help in better financial management and in achieving good governance.

The Report has been organised in two chapters as under:

- **Chapter I** contains the Profile of the Departments under the General and Social Sector during 2019-20, with a brief analysis of the expenditure of the Departments for the last five years; the authority for Audit, Audit jurisdiction, planning and conduct of Audit, significant Audit observations, response of the Government to various Audit products, namely Inspection Reports, Draft Paragraphs, *etc.*, and follow-up action on Audit Reports.
- **Chapter II** contains significant observations arising out of Compliance Audit of various Departments and their functionaries and includes Compliance Audit of “Water Quality Management in urban areas of the State” and “Management of Religious institutions by the Commissioner of Endowments in the State”.

### 1.2 Profile of General and Social Sector and Audit Universe

As per the Budget Publication, the Government of Odisha releases 43 grants related to its various Departments. The Audit universe under the General and Social Sector of the Office of the Accountant General (General and Social Sector), Odisha, during 2019-20 comprises 11,997 units of various levels related to 24 grants. It also includes 152 bodies/ authorities which are either substantially financed from the Consolidated Fund of the State or Audit of which has been entrusted by the Government under various sections of the Comptroller & Auditor General’s (CAG’s) DPC (Duties, Powers and Conditions of Service) Act, 1971. List of the Departments, Autonomous bodies and Companies under the Audit jurisdiction of the office of the Accountant General (General and Social Sector Audit), Odisha is shown in *Appendix 1.1*.

Summary of expenditure of major departments during 2015-20 under the Audit jurisdiction of the office of the Accountant General (General and Social Sector Audit), Odisha is shown in *Table 1.1*.

**Table 1.1: Summary of expenditure of major Departments under the Audit jurisdiction of Accountant General (General and Social Sector Audit), Odisha for the years 2015-16 to 2019-20**

(₹ in crore)

Sl. No.	Name of the Department	2015-16	2016-17	2017-18	2018-19	2019-20
1	Odisha Language Literature and Culture	213.02	209.69	274.07	131.38	158.94
2	Electronics and Information Technology	110.83	111.25	99.19	112.87	134.79
3	Finance	6,719.98	7,213.97	10,520.15	12,351.26	16,438.34
4	Food Supplies and Consumer Welfare	1,269.43	1,081.54	988.59	1,224.46	1,426.21
5	Health and Family Welfare	3,724.14	4,817.09	4,928.42	5,800.46	6,378.67
6	Higher Education	1,944.62	1,973.94	1,792.21	2,009.55	2,069.42
7	Home	3,379.99	3,585.35	4,198.73	4,923.19	4,953.14
8	Housing & Urban Development	2,721.88	3,075.76	4,683.27	4,540.75	5,258.03
9	Panchayati Raj and Drinking Water	7,652.22	8,345.96	9,302.11	15,426.37	16,856.22
10	Planning and Convergence	764.06	785.32	992.12	987.37	707.84
11	Revenue and Disaster Management	3,257.10	3,291.03	1,992.70	931.75	1,013.64
12	Rural Development	6,609.27	7,276.61	7,392.33	7,289.79	3,325.78
13	School and Mass Education	9,049.63	9,774.15	12,058.59	14,161.88	15,292.46
14	Social Security and Empowerment of Persons with Disabilities#	0	1,746.13	1,914.79	2,257.12	3,450.64
15	Sports and Youth Services	85.15	102.82	250.39	418.08	249.09
16	ST and SC Development, Minorities and Backward Classes Welfare	2,508.60	2,542.57	2,851.83	3,220.68	2,764.93
17	Women and Child Development & Mission Shakti	3,812.51	2,109.05	2,266.84	3,163.51	3,229.68

(Source: Appropriation Accounts of Government of Odisha for 2015-16 to 2019-20)

# Sl.14 came into being with effect from July 2015. Allotment under separate Grant was made from 2016-17 onwards.

In Panchayati Raj & Drinking Water Department, expenditure in 2019-20 rose by ₹ 1,429.85 crore (9.27 per cent) over 2018-19 due to increase in outlay in schemes like Buxi Jagabandhu Assured Water Supply to Habitations (BASUDHA) and Gopabandhu Gramya Yojana as well as increase in amount towards devolution of funds to Panchayati Raj Institutions. In Finance Department, the expenditure in 2019-20 registered an increase of ₹ 4,087.08 crore (33 per cent) over 2018-19 due to increase in pension liability by ₹ 3,749.50 crore. In case of Social Security and Empowerment of Persons with Disabilities, there was an increase in expenditure by ₹1,193.52 crore (53 per cent) in 2019-20 over 2018-19 mainly due to increase in outlay in social assistance schemes like pensions to old aged, disabled, destitute persons and widows.

Decrease in expenditure in Rural Development in 2019-20 by ₹ 3,964.01 crore (54.38 per cent) in comparison to the previous year was mainly due to decrease in outlay in Pradhan Mantri Gram Sadak Yojana and no provision for Special Central Assistance for Kalahandi-Balangir-Koraput (KBK) region.

### **1.3 Authority for Audit**

Authority for Audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). CAG conducts Audit of expenditure of State Government Departments under Section 13 of the CAG's DPC Act. CAG is the sole auditor in respect of Autonomous Bodies, which are audited under Section 19 (2) and 19 (3) of the DPC Act. In addition, CAG also conducts Audit of other Autonomous Bodies which are substantially financed by the Government under Section 14 of the DPC Act and Local Bodies under Section 20 (1) of the Act. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and Auditing Standards by the Indian Audit and Accounts Department.

### **1.4 Planning and conduct of Audit**

Compliance Audit is conducted as per the Annual Audit Plan. Units for Compliance Audit are selected on the basis of risk assessment of the Apex units, Audit Units and Implementing Agencies involving matters of financial significance, social relevance, internal control system, past instances of defalcation, misappropriation, embezzlement, etc., as well as findings in previous Audit Reports.

Inspection Reports are issued to the heads of Units after completion of Audit. Based on the replies received, Audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as Draft Paragraphs for inclusion in the Audit Report.

Formal replies furnished by Departments as well as views expressed by the Heads of Departments in Exit Conferences have been considered for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

### **1.5 Lack of response of Government to Audit**

#### ***1.5.1 Response of the Government to Inspection Reports***

Accountant General (Audit)-I conducts audit of government Departments to check for compliance to rules and regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. After these audits, Inspection Reports (IRs) are issued to the Heads of Offices audited, with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled till the end of audit, find place in IRs. Serious irregularities are brought to the notice of the Government.

As per the Regulations on Audit and Accounts, 2007, the Officer in charge of the audited entity shall send the reply to an IR within four weeks of its receipt.

On intimation of any major irregularity by Audit, the Government shall undertake *prima facie* verification of facts and send a preliminary report to AG-I confirming or denying the facts within six weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to AG-I within three months of the preliminary report indicating remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides above, the Finance Department of Government of Odisha has also issued instructions from time to time for prompt response by the executive to IRs issued by the AG to ensure timely corrective action in compliance with the prescribed rules and procedures and also to ensure accountability for the deficiencies, lapses, *etc.*, observed during audits.

A six monthly report showing the pendency of IRs is sent to the Principal Secretary/ Secretary of the respective Department to facilitate monitoring and settlement of outstanding audit observations/ paras in the pending IRs.

Inspection Reports issued up to March 2020 relating to 11,997 offices under 24 Departments showed that 48,193 paragraphs relating to 10,394 IRs remained outstanding as of June 2020. It was observed that out of 217 IRs issued during the period from April 2019 to March 2020, relating to 17 Departments, replies were received only in case of 44 IRs relating to 12 Departments.

Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in **Appendix 1.2**.

The outstanding IRs contained 998 paragraphs involving serious irregularities like theft, defalcation, misappropriation, *etc.*, of government money, loss of revenue and shortages, losses not recovered/ written off amounting to ₹ 1,149.58 crore. The Department-wise and nature-wise detailed breakup of the outstanding paragraphs of serious nature are shown in **Appendix 1.3**.

Triangular Committees (TC), comprising of representatives of the respective administrative Departments, Finance Department and Audit, held 141 meetings in respect of 14 out of 24 Departments under General and Social Sector Audit for expeditious settlement of outstanding Inspection Reports/ Paragraphs. Triangular Committee meetings were not held for the remaining 10 Departments. Of the 14 Departments where TC meetings were held during April 2019 to March 2020, 1,949 paragraphs and 195 Inspection Reports were settled.

It is recommended that the Government should ensure that a procedure is put in place for (i) action against officials failing to send replies to IRs/ paragraphs as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/ overpayments, *etc.*, in a time-bound manner and (iii) holding at least one meeting of each Audit Committee every quarter.

### **1.5.2 Impairment to Audit scope**

Section 18(1) (b) of the DPC Act stipulates that the CAG has the authority in connection with the performance of his duties under the said Act to requisition any accounts, books, papers and other documents which deal with or form the

basis of or otherwise relevant to the transactions to which his duties in respect of audit extend. The provision has been further amplified by Regulation 181 of the Regulations on Audit and Accounts, 2007 which provides that every Department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by Audit are made available in time. Further, Section 7A of Information Technology (Amendment) Act, 2008, provides that where in any law for the time being in force, there is a provision for audit of documents, records or information, that provision shall also be applicable for audit of documents, records or information processed and maintained in electronic form.

Despite such clear provisions, there were instances of non-production of records which restricted the effectiveness of Audit. Out of 520 units under various Departments audited during April 2019 to July 2020, nine audited entities under three Departments did not provide vouchers relating to transactions amounting to ₹ 3.43 crore, although sought for while conducting audit, as detailed in *Appendix 1.4*.

### **1.6 Response of the Departments to Draft Audit Paragraphs**

Regulations on Audit & Accounts, 2007 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India should be sent within six weeks.

Draft Paragraphs are forwarded to the Principal Secretaries/ Secretaries of the concerned Departments drawing attention to the audit findings and requesting them to send their response within prescribed time frame. It is also highlighted to the Departments that in view of the likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Draft Paragraphs proposed for inclusion in this Report were forwarded to the Secretaries of the concerned Departments between July 2020 and June 2021 through Demi-Official letters. The concerned Departments/ Directorates did not send replies to 10 out of 12 Paragraphs featuring in this Audit Report.

The responses of concerned Directorates/ Departments as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

### **1.7 Follow-up on Audit Reports**

After tabling of the Reports of the C&AG of India in the State Legislature, the State Government Departments are required to submit *suo motu* replies to the audit observations within three months. Review of outstanding replies on paragraphs included in the CAG's Reports on the General and Social Sector and Local Bodies on the Government of Odisha up to 2016-17 showed that no compliance is outstanding as of September 2020. Out of 210 paragraphs pertaining to the years 2007-08 to 2016-17, 153 paragraphs were selected for discussion by the Public Accounts Committee (PAC).

As stipulated in the Rules of Procedure of the PAC, Administrative Departments were required to take suitable action on the recommendations

made in the Reports of PAC presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within four months.

Action Taken Notes on 21 paras contained in two Reports<sup>1</sup> of the PAC, presented to the Legislatures had not been submitted by six Departments<sup>2</sup> to the Assembly Secretariat as of September 2020. These two Reports of the PAC had suggested recovery, disciplinary action, *etc.* A few significant cases are elaborated in *Appendix 1.5*.

Action taken by administrative Departments on the recommendations of the PAC were, however, found to be inadequate and wanting.

## **1.8 Significant Audit observations during Compliance Audit**

During the course of Audit, significant deficiencies which impacted the efficient functioning of the State Government including cases of misappropriation of government money, loss of revenue, idling of assets, wasteful expenditure, *etc.*, were noticed across various Departments. These significant audit findings have been reported in Chapter II. The major observations in this regard are as follows:

### ***1.8.1 Water Quality Management in urban areas of the State***

Achievement of 100 *per cent* water quality by 2016-17 as envisaged in Water Policy 2013 remained unfulfilled due to non-creation of infrastructure and human resources even after six years of framing of policy.

Procurement of equipment without making provision for chemical reagents and staff for operation, led to idling of equipment worth ₹ 1.43 crore, affecting analysis of quality of drinking water.

The percentage of shortfall in frequency of sample testing of water ranged from 71 to 99 *per cent* during 2016-19.

Non-testing of water samples of all sources in nine Public Health (PH) Divisions could not be made by State water testing laboratories, leading to non-analysis of water from bore well and other sources. Remedial action on results of tests was inadequate in sampled PH Divisions.

In the absence of regular testing of physical, chemical and bacteriological, metal and pesticide parameters of water, supply of safe drinking water could not be ensured.

Non-obtaining accreditation to any of water testing laboratories indicated lack of assurance regarding availability of required managerial and technical personnel to deal with the parameters identified in the BIS on quality standards for drinking water.

*(Paragraph 2.1)*

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<sup>1</sup> 16<sup>th</sup> PAC Report 2018-19 and 17<sup>th</sup> PAC Report 2018-19

<sup>2</sup> Home (1), Panchayati Raj and Drinking Water (2), Revenue and Disaster Management (2), Rural Development (14), Higher Education (1), Science and Technology (1)

### **1.8.2 Management of religious institutions by the Commissioner of Endowments in the State**

The institutional arrangements provided in the Orissa Hindu Religious Endowment (OHRE) Act, for management of religious institutions (RIs), had not been complied with. The sampled 13 religious institutions had not maintained important documents like property register, ornament register, cash book, ledgers, *etc.* Only seven out of 13 RIs had prepared and sent their budget to the Assistant Endowment Commissioners concerned for the years 2016-17 to 2019-20. However, no approval was found on record. Similarly, 12 sample RIs who had a registered income of ₹ 39.82 crore and incurred an expenditure amounting to ₹ 17.21 crore during 2016-19, had not prepared the annual Income and Expenditure accounts as required in the Act.

Absence of trust boards or fully functional trust boards resulted in improper management of properties, valuables and revenues of RIs. Audit noticed instances of suspected misappropriation of funds in RIs. In two RIs, ₹ 74.53 lakh was suspected to have been misappropriated. On being pointed out in Audit, Law Department of Government of Odisha referred (January 2020) the matter to the Economic Offence Wing of the Odisha Police for further investigation.

In nine RIs where the Executive Officer and Managing Trusty were jointly responsible for custody of jewels, 9.3 kg (38 *per cent*) out of 24.5 kg gold and 139.58 kg (49 *per cent*) out of 284.55 kg of silver found during JPI was in custody of *sevaks* and office bearers. The value of unauthorised custody of jewels was ₹4.73 crore. In five RIs, Audit found shortage of 823.334 grams of gold and 53,595.84 grams of silver valuing ₹ 60.07 lakh.

The Trust Boards of the RIs had not reported about encroachment of land to EC. As a result, eviction measures contemplated under Section 25 of the OHRE Act were not initiated as of March 2020 in any of the RIs concerned.

Audit noted that RIs had commercial premises given on rent. However, the schemes were silent on the manner of renting out of commercial space. Thus, absence of provisions in Schemes for regulating renting out of commercial spaces coupled with non-observance of general commercial prudence in letting out of shops like, signing agreements with tenants, fixing rent as per the prevailing rate and periodic revision thereof, resulted in revenue loss of ₹ 4.38 crore in three sampled RIs.

*(Paragraph 2.2)*

### **1.8.3 Other Compliance Audit Observations**

- Wilful negligence of District Social Welfare Officer in exercising due oversight on transportation and delivery of rice resulted in misappropriation of 3,398.25 quintals of rice valuing ₹ 1.14 crore.
- Private land measuring 44.10 acres, acquired without resorting to mandated land acquisition proceedings and even without payment of compensation to the land owners for construction of canals amounted to gross violation of the provisions of the Land Acquisition Act and overt disregard to the property rights of the concerned land owners.

- Lack of coordination among ST&SC Development, Minorities & Backward Classes Welfare Department and School & Mass Education Department in assessing requirement for B.Ed. College resulted in wasteful expenditure of ₹ 9.12 crore in construction of a B.Ed. College in Malkangiri.
- Bhubaneswar Municipal Corporation did not heed advice of the consultant in deciding modalities of operation of slaughter house and proceeded as per its own accord. As a result, it could not find an operator for operation of the slaughter house leading to idling of infrastructure created after expenditure of ₹ 7.27 crore.