

CHAPTER-I

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Economic Sector of Government of Odisha relates to matters arising in the Department of Agriculture and Farmers' Empowerment and Compliance Audit of Government Departments.

The primary purpose of the Report was to bring to the notice of the State Legislature significant results of audit. The audit findings are expected to enable the executive to take timely corrective action. This would help in framing policies and directives that will lead to improved 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 applicable Rules, Laws, Regulations, various orders and instructions issued by the competent authorities are being complied with.

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

1.2 Audited Entity's Profile

There are 39 departments in the State headed by Additional Chief Secretaries/Principal Secretaries/Commissioner-cum-Secretaries at the Secretariat level. Directors and Sub-ordinate Officers assist them. Out of 39, 12 departments dealt with the Economic Sector. This Report includes the results of audit of three departments.

1.3 Profile of Economic Sector

The expenditure of the Departments of Government of Odisha under Economic Sector in 2017-18 was ₹22,333.77 crore and constituted 25.29 per cent of the total expenditure of ₹88,325 crore incurred during the year. The expenditure incurred during last five years by Departments of Government of Odisha falling within Economic Sector is given below.

Table No. 1.1: Details of expenditure of the departments

(₹ in crore)

| Sl. No. | Name of the Department | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---------|---|---------|---------|---------|---------|---------|----------|
| 1. | Water Resources | 3657.75 | 4278.70 | 6043.53 | 7726.87 | 8814.73 | 30521.58 |
| 2. | Works | 2718.59 | 3776.95 | 5305.33 | 4517.08 | 4564.14 | 20882.09 |
| 3. | Agriculture & Farmers' Empowerment | 1920.06 | 2650.85 | 3139.48 | 2977.66 | 3129.27 | 13817.32 |
| 4. | Cooperation | 683.18 | 661.01 | 854.61 | 1646.25 | 878.36 | 4723.41 |
| 5. | Forest and Environment | 601.53 | 645.94 | 579.31 | 585.12 | 615.48 | 3027.38 |
| 6. | Skill Development and Technical Education | 337.01 | 526.54 | 710.30 | 548.98 | 617.32 | 2740.15 |
| 7. | Energy | 1149.82 | 752.20 | 1544.89 | 2288.10 | 2306.43 | 8041.44 |

| Sl. No. | Name of the Department | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---------|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 8. | Fisheries and Animal Resources Development | 390.05 | 475.47 | 546.27 | 549.99 | 591.47 | 2553.25 |
| 9. | Industries | 0.78 | 35.34 | 104.72 | 97.14 | 257.36 | 495.34 |
| 10. | Tourism | 161.38 | 238.37 | 212.36 | 209.06 | 273.00 | 1094.17 |
| 11. | Handloom's and Textiles & Handicrafts | 140.40 | 116.06 | 132.18 | 139.72 | 137.10 | 665.46 |
| 12. | MSME | 52.83 | 90.12 | 85.72 | 102.24 | 149.11 | 480.02 |
| 13. | Total | 11813.38 | 14247.55 | 19258.70 | 21388.21 | 22333.77 | 89041.61 |
| 14. | Total Expenditure of GoO | 50873.20 | 59677.78 | 72794.00 | 79618.43 | 88325.00 | 351288.41 |
| 15. | Expenditure of Economic Sector as a percentage of total expenditure | 23.22 | 23.87 | 26.46 | 26.86 | 25.29 | 25.35 |

1.4 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 (CAG's DPC Act), 1971. The CAG conducts audit of expenditure of the departments of Government of Odisha under section 13⁹⁴ of the CAG's DPC Act, 1971. In addition, the CAG conducts audit of Autonomous Bodies substantially funded by the State Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the CAG.

1.5 Planning and Conduct of Audit

Audit process starts with the risk assessment of the Department / Organisation as a whole and that of each unit. The assessment was based on expenditure incurred, criticality/complexity of activities and level of delegated financial powers and assessment of internal controls. Previous audit findings were also considered in this exercise wherever necessary. Based on this risk assessment, the frequency and extent of audit were decided. An Annual Audit Plan was formulated to conduct audit on the basis of such risk assessment. After completion of audit of each unit, Inspection Reports (IR) 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 were received, audit findings were either settled or further action for compliance was advised. The important audit observations made in the Inspection Reports/Performance Audit were processed for inclusion in the Audit Reports. These are submitted to the Governor of Odisha under Article 151 of the Constitution of India.

1.6 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its stewardship role seriously.

⁹⁴ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

- ***Response to Recommendations of the Public Accounts Committee***

PAC Reports/Recommendations are the principal medium by which Legislature ensures financial accountability of the Executive. The Odisha Legislative Assembly (OLA) Secretariat issued (April 2005) instructions to all State Government departments to submit ATNs on suggestions and recommendations made by PAC within four months of presentation of PAC Reports to the Legislature.

Action Taken Notes on all the 730 recommendations, relating to Audit Report (Economic Sector) made by the PAC⁹⁵ were submitted by the departments as of March 2018.

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

Serious irregularities observed in audit are included in the Reports of the Comptroller and Auditor General that are presented to State Legislature. According to the instructions of the Finance Department (December 1993/June 2016), the Administrative Departments are required to furnish explanatory notes on transaction audit paragraphs, reviews/performance audits, etc. included in the Audit Reports within three months of their presentation to the State Legislature.

For the Audit Reports of the period (2007-08 to 2015-16)⁹⁶ explanatory note in respect of one compliance audit paragraph on National Horticulture Mission of the Audit Report for Year ending March 2016 relating to Agriculture & Farmers' Empowerment department was awaited as of March 2018. The Department has submitted the explanatory notes in May 2018.

- ***Response to Inspection Reports***

A review of IRs issued up to March 2018 pertaining to 12 departments showed that 9,443 paragraphs relating to 2,923 IRs were outstanding at the end of June 2018. Of these, 1,068 IRs containing 2,266 paragraphs are outstanding for more than 10 years. Even first reply from the Heads of offices which was to be furnished within one month has not been received in respect of 272 IRs issued up to March 2018.

⁹⁵ From the 1st Report of 10th Assembly (1990-95) to 5th Report of 14th Assembly (2009-14)

⁹⁶ As per decision of PAC (June 2016), Audit reports prior to 2007-08 are to be monitored by concern department.