OVERVIEW

Overview

This Report of the Comptroller and Auditor General of India (CAG) on observations arising from audit of Departments of Economic sector and State Public Sector Enterprises (SPSEs) of Government of Odisha covers the year ending 31 March 2020. The observations included in this report relates to Performance Audit on Assessment of Plantation Activities undertaken by the Forest, Environment and Climate Change Department of Odisha and outcome of Compliance Audit.

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.

Performance Audit examines the extent to which the objectives of an organization, programme or scheme have been achieved economically, efficiently and effectively.

Part - A

Departments and Entities under Economic Sector

I. Introduction

The Chapter I provides the audited entity's profile, the planning and extent of audit and a synopsis of the significant audit observations. Chapter II deals with the findings of Performance Audit and Chapter III deals with Compliance Audit of various departments.

II. Significant Observations of Performance Audits

This Report contains one Performance Audit on "Assessment of Plantation Activities" undertaken by the Forest, Environment and Climate Change Department of Odisha. It includes 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.

Performance Audit on Assessment of Plantation Activities undertaken by the Forest, Environment and Climate Change Department of Odisha

The State of Odisha follows the National Forest Policy, 1988 and is mandated to manage, conserve and protect forest and wildlife resources in the State through afforestation and regeneration of degraded forest lands. The forest cover in the State is assessed as 51,619 sq. km, which is 33.15 *per cent* of State's geographical area as per India State of Forest Report 2019.

This Performance Audit of "Assessment of Plantation Activities" covering the period from 2013-14 to 2017-18 revealed that;

The acute shortfall in achievement of plantation targets during the period indicated fixation of unrealistic targets. Due to non-availability of data regarding degraded forest land and vacant revenue land, the planning procedure for plantations was limited to only instant data provided by field staff on a piece- meal manner. The long term planning and fixation of annual target could not be achieved due to lack of coordinated planning among Ranges, Divisions and Forest Headquarters. Required data relating to various plantation schemes, such as scheme wise annual target and achievement, allotment and expenditure, survival percentage were neither maintained at Government nor at PCCF (O&HoFF) level.

It was necessary for the State to formulate their own State Forest Policy (SFP), in line with National Forest Policy, by considering local geo-climatic conditions. Failure to evolve SFP resulted in inadequate planning in enhancement of green cover in the State. Forest Divisions were working without approved Working Plans/ Working Schemes.

Maintenance of plantation journals lacked due care by the field functionaries as the details of plantations like pre and post planting data, complete year wise expenditure with abstract, Range Officer's (ROs) quarterly inspections, authentication by the in-charge of plantation (Forester/ Forest Guard) and ROs were not incorporated due to which Audit could not authenticate the execution of plantations.

Sal species is the principal indigenous species of Odisha but Teak was planted as major species, thereby affecting the originality of the vegetation and biodiversity.

There was no coordination at the level of Divisional Forest Officers (DFOs) and District Rural Development Authorities (DRDAs) in planning the plantation projects executed under MGNREGS in a division. Neither the DFOs nor the Department had the information on total job card holders available in a division which affected the plantation execution.

The department incurred unfruitful expenditure worth ₹13.17 crore as 191 out of 485 plantations were not successful. The reasons of failure were improper selection of plantation sites in dense forest and delay in submission of plantation project proposals by Divisional Forest Officers.

Survival of plantations executed under MGNREGS was adversely affected due to non-release of funds from second year onwards for maintenance operations.

Target for Compensatory afforestation programmes under CAMPA was not achieved within the stipulated period of three years and hence, could not compensate the forest cover against the diversion of forest land.

Audit team and forest officers physically verified 41 plantations and found 20 failed plantations and seven partially successful plantations with unfruitful expenditure of ₹2.67 crore.

Aerial survey of the plantation sites using UAVs revealed concentration of plantation activities in easily accessibvle areas like land along the pathways, leaving the degraded patches in the middle of dense forest unplanted. Even though few Teak species survived, the quality of growth in respect of height attained was not up to the mark. It was observed that soil moisture conservation activity like digging staggered trenches were either not taken up or have been executed inefficiently *i.e.* trenches were not dug perpendicular to the terrain slope. Hence, the plantations were failed plantations with unfruitful expenditure of ₹68.36 lakh.

Irregular release of funds in one instalment during 1st year of bamboo plantation without ensuring the survival percentage in violation of norms of guidelines was noticed.

Although planting of seedlings was actually not taken up in the Aided Natural Regeneration (ANR) without gap plantation but the cost norm provided for watch and ward during the entire regeneration period of four years. This inappropriate provision led to avoidable expenditure of ₹63.19 crore.

Though the various components of plantation works of Block plantations and Urban plantations were similar, the provision of man days for urban plantations was fixed unreasonably higher which led to avoidable extra expenditure of ₹39.80 crore.

Excess expenditure incurred under different components or outside the cost norms led to avoidable/ wasteful expenditure of ₹99 lakh.

Irregular allotment of funds for fencing and 3rd year maintenance under Urban Tree Plantation led to irregular expenditure of ₹14.82 crore.

Financial procedures were not followed as ₹69.12 lakh was spent towards watering charges without inviting tenders.

Avenue plantations were completely damaged due to widening of roads and funds for such damages was not raised against User Agencies (UAs) to compensate the damaged plantations due to lack of coordination and inefficient monitoring.

Bamboo plantations were executed inside forests having canopy cover of more than 40 *per cent*. The growth of clumps was not optimum in such sites because of poor light availability and as a result the sites failed.

The variation in performance of different plantations was attributed to variation in site quality, species taken and level of management. Selection of wrong sites and poor management had resulted in the failure of plantations in 251 sites, as found in Audit.

Inspection and monitoring by field level officers, in particular the Range Officers, was deficient compared to prescribed norms.

Required database relating to various plantation schemes, such as scheme wise annual target and achievement, allotment and expenditure, survival percentage were neither maintained at Government nor at PCCF (O & HoFF) level. The data maintained at PCCF (O & HoFF) and Division level lacked integrity. There were no concurrent evaluation of plantation schemes and undue delay in 3rd party evaluation of plantations.

(Paragraph 2.1)

III. Significant Audit Observations on Compliance Audit

Unfruitful expenditure on embankment work

In a work of raising and strengthening of embankment at a cost of ₹17.40 crore without construction of sluice over Sapuanallah left with a gap between the embankments deprived seven villages protection from ingress of flood water and crop damage. The earmarked fund for construction of sluice costing ₹1.91 crore was diverted for widening of the embankment. Thus, the objective of flood protection to the ayacut of seven villages remained unachieved, rendering expenditure of ₹17.40 crore unfruitful including irregular expenditure of ₹1.91 crore on widening of the embankment.

(Paragraph 3.1)

Inadmissible price escalation payment to contractors

The Honorable High Court of Odisha quashed the price variation/escalation orders for payment/adjustment of escalation charge on materials, labour and POL. In violation to the above orders, two Executive Engineers paid ₹90.12 crore towards price variation to contractors.

(Paragraph 3.2)

Undue benefit to a Corporation

Contrary to the Finance Department order, the department allowed 15 *per cent* supervision charges of ₹42.15 crore on the value of a work against the admissible rate of 10 *per cent* (₹23.58 crore) which led to excess payment liability of ₹18.57 crore.

(Paragraph 3.3)

Unfruitful expenditure

The Executive Engineer did not ensure the availability of land by proper survey and failed to assess the area of private land to be acquired during preparation of Detailed Project Report. As the private land owners opposed the construction of embankment in their own land the work was abandoned midway and the flood protection to the nearby villages could not be ensured despite expenditure of ₹9.87 crore. Thus, the above expenditure remained unfruitful.

(Paragraph 3.4)

Inflated estimate led to undue benefit to contractor

Adoption of higher capacity of crane of 80 tons instead of the actual requirement of 35 tons capacity crane for lifting of armoury stone boulders of not less than one MT inflated the estimated cost of 10 works resulting in undue benefit to the contractors of ₹7.72 crore

(Paragraph 3.5)

Avoidable extra expenditure due to laying excess thickness pavement

Adoption of higher vehicle damage factor than prescribed in Indian Roads Congress specifications increased the provision of unwarranted excess pavement layers such as Granular Sub-base, Wet Mix Macadam, Bituminous Macadam and Semi Dense Bituminous Concrete on the road surface. This resulted an avoidable extra expenditure of ₹8.11 crore by laying of excess thickness in the pavement.

(Paragraph 3.6)

Wasteful Expenditure

Identification of the site for toll plaza within 2.5 km from the Sorada Notified Area Council (Urban area) was contrary to the provisions of NH Fee (Determination of Rates and collection) Rules, 2008. As the toll Plaza was within the vicinity of Urban area, no fee had been collected (March 2020) rendering the entire expenditure of ₹2.98 crore on the toll plaza wasteful. Besides, there was also a loss of ₹2.89 crore towards Annual Potential Collection from September 2018 to July 2021 at the rate of ₹99.10 lakh per year as estimated by the Project Director.

(Paragraph 3.7)

Utilisation of GSB material instead of slag in the sub-base led to extra expenditure

IRC-37 specifies the use of slag as sub-base of the road which was cheaper compared to the stone products. Slag was available free of cost at Rourkela Steel Plant site and the Executive Engineer, Rourkela (R&B) division utilised such slag in execution of similar works earlier. Despite availability and economical costs of slag, the EE did not consider slag for sub-base in the estimates and instead opted for GSB material (stone product), for three road works, deviating from the OPWD code and IRC-37. This resulted in extra expenditure of ₹2.12 crore.

(Paragraph 3.8)

Failure of internal control mechanism led to non-recovery of advance

The Executive Engineer had sanctioned and paid an advance of ₹8.22 crore in four instalments between June 2014 and June 2015 to the contractor for mobilising equipment. The principal along with interest up to January 2021 amounting to ₹11.21 crore was to be recovered from the contractor. Of the total advance paid and interest accrued, though the EE effected the recovery of ₹9.05 crore, yet, the balance advance along with the interest for delay in recovery amounting to ₹2.16 crore had not yet been recovered from the corresponding Running Account (RA) bills.

(Paragraph 3.9)

PART-B

IV. Summary of Financial Performance of State Public Sector Enterprises

Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit.

(Paragraph 4.1.1)

Number of SPSEs

As on 31 March 2020, there were 82 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG consisting of 63 Government Companies, three Statutory Corporations and 16 Government Controlled Other Companies. Of these, summary of financial performance of 46 SPSEs is covered in this report.

(Paragraph 4.1.3)

Contribution to Economy of the State

The 46 SPSEs registered a turnover of ₹24850.36 crore in 2019-20. The turnover relative to the Gross State Domestic Product (GSDP) of Odisha was 4.66 *per cent*.

(Paragraph 4.1.4)

Investment in Government Companies, Corporations and Government Controlled Other Companies

As on 31 March 2020, the investment (Equity and Long Term Loans) in 33 SPSEs was ₹18,702.36 crore. During 2019-20, the total equity holding at face value in these 33 SPSEs registered a net increase of ₹72.03 crore due to conversion of state government dues to equity share capital of ₹72.03 crore in one SPSE. The total long term loans outstanding in 10 SPSEs out of 33 Government Companies and Corporations as on 31 March 2020 was ₹13,182.57 crore. As on 31 March 2020, equity in 13 government controlled other companies was ₹887.09 crore.

(Paragraphs 4.2, 4.2.1, 4.2.2.1 and 4.2.3)

Return from the Government Companies and Corporations

The profit earned by 24 Government Companies and Corporations increased to ₹1,686.08 crore in 2019-20 from ₹1,174.30 crore by 22 Government Companies and Corporations in 2018-19. The Return on Equity (ROE) of the 24 SPSEs was 12.51 *per cent* in 2019-20 as compared to 9.77 *per cent* in 22 SPSEs in 2018-19. Seven Government companies and Corporations incurred loss of ₹304.52 crore in 2019-20. Out of 13 Government controlled other companies, eight companies earned profit of ₹4.65 crore and three companies incurred losses of₹24.41 crore during the year 2019-20.

As on 31 March 2020, out of 33 there were 11 Government companies and corporations with accumulated losses of ₹5,778.34 crore. Net worth of seven out of 11 SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these seven SPSEs was (-) ₹4,301.47 crore against total equity investment of ₹1,216.11 crore in these SPSEs as on 31 March 2020.

(Paragraphs 4.3.1, 4.3.2 and 4.3.3)

V. Oversight role of CAG

Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

(Paragraphs 5.1 and 5.4.2)

Timeliness in preparation of accounts by Government SPSEs and Government controlled other SPSEs

Accounts for the year 2019-20 were due from 66 Government SPSEs and 16 Government Controlled Other SPSEs. A total of 7 Government SPSEs and 4 Government Controlled Other SPSEs submitted their accounts for audit by CAG on or before 30 September 2020. Accounts of 59 Government SPSEs and 12 Government Controlled Other SPSEs were in arrears.

Accounts of one Statutory Corporation i.e. Odisha State Warehousing Corporation for the years 2018-19 and 2019-20 and the other i.e. Odisha State Financial Corporation for the year 2019-20 were awaited as on 30 September 2020.

(Paragraph 5.3.2)

VI. Compliance Audit Observations

Compliance audit observations included in this chapter highlight deficiencies in management of SPSEs with financial implications. The irregularities pointed out are as briefed below:

- Odisha Mining Corporation Limited estimated cost of production of bauxite on lower side for which the company sustained loss of revenue of ₹61.07 crore.

(Paragraph 6.1)

- Odisha Mining Corporation Limited in violation of provisions of gratuity act paid excess wages of ₹5.31 crore in lieu of gratuity and leave salary towards engagement of security agencies.

(Paragraph 6.2)

- Odisha Construction Corporation Limited under estimated the annual income for advance income tax payment which resulted in avoidable payment of penal interest of ₹3.57 crore.

(Paragraph 6.3)

- Undue favour to the Contractor by reimbursement of ₹2.45 crore towards fictitious supply of cement by Odisha Construction Corporation Limited.

(Paragraph 6.4)