



CHAPTER I
Introduction

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1.1 About this Report

The Compliance Audit Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the audit by the Accountant General (Audit-II), Odisha relating to 15 Government Departments. The Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

1.2 Profile of Audited Entities

The 15 departments are headed at the Secretariat by Additional Chief Secretaries/Principal Secretaries/Commissioner-cum-Secretaries who are assisted by Commissioners/Directors and subordinate officers under them. The details of expenditures incurred by these 15 Departments in the past five years from 2018-23 are detailed below:

Table 1.1: Trend of expenditure

(₹ in crore)

Sl. No.	Name of the Department	2018-19	2019-20	2020-21	2021-22	2022-23	Total
1	Commerce and Transport	294.00	521.21	636.05	751.78	1,231.96	3,435
2	Energy	2,146.36	2,431.76	1,845.59	3,632.38	3,433.71	13,489.80
3	Forest, Environment and Climate Change	779.52	822.96	930.56	1,755.87	1,962.59	6,251.50
4	Handlooms, Textiles and Handicrafts	155.82	147.70	172.04	134.37	282.47	892.40
5	Home	4,847.31	4,855.60	4,588.15	5,307.94	5,976.80	25,575.80
6	Housing and Urban Development	4,536.50	5,257.05	4,802.67	5,616.05	7,035.60	27,247.87
7	Industries	295.39	250.04	92.24	363.95	892.03	1,893.65
8	Law	320.39	359.42	400.40	417.31	534.78	2,032.3
9	MSME	157.09	151.42	249.97	349.55	178.50	1,086.53
10	Odia Language, Literature and Culture	131.12	157.65	123.48	189.33	192.96	794.54
11	Public Enterprises	12.88	8.45	8.29	9.01	9.69	48.32
12	Science and Technology	63.31	69.98	98.35	135.95	89.97	457.56
13	Steel and Mines	100.59	101.21	163.48	110.41	147.00	622.69
14	Tourism	191.79	205.26	367.46	497.08	539.51	1801.1
15	Works	4,352.76	5,620.88	5,711.65	6,108.57	7,832.45	29,626.31
	Total	18,384.83	20,960.59	20,190.38	25,379.55	30,340.02	1,15,255.37
	Total Expenditure of GoO	1,04,097.94	1,14,491.00	1,08,063.73	1,95,723.37	2,23,676.36	7,46,052.40
	Expenditure of the above departments as a percentage of total expenditure	17.66	18.31	18.68	12.97	13.56	15.45

(Source: Appropriation Accounts for the years 2018-19 to 2022-23)

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General is derived from Articles 149 and 151 of the Constitution of India and the CAG's Duties, Powers and Conditions of Services (DPC) Act, 1971. The CAG conducts audit of expenditure of the departments of Government of Odisha under Section 13¹ of the CAG's DPC Act. The CAG is the sole auditor in respect of autonomous bodies which are audited under Sections 19(3)² and 20(1)³ of the CAG's DPC Act. In addition, the CAG also conducts audit of other autonomous bodies under Section 14⁴ of the CAG's DPC Act.

1.4 Planning and conduct of audit

The primary purpose of this Report is to bring the significant results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus contributing to better governance.

The audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Actions taken on the previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment.

Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department/ field offices after completion of audit. They are requested to furnish replies to the audit observations within one month of receipts of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

The total audit universe was 1,329 units under 15 departments, out of which 355 units were audited during 2022-23. This includes 12 out of 23 Autonomous Bodies under the control of these departments which qualified for conduct of audit under Sections 14, 19(2), 19(3) and 20(1) of the CAG's DPC Act, 1971.

¹ 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.

² Audit of the accounts of Corporations (not being Companies), established by or under law made by the State Legislature, at the request of the Governor

³ Audit of accounts of anybody or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

⁴ Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of anybody or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in financial year is not less than ₹one crore

1.5 Draft paragraphs and Performance Audit/ Compliance Audit

Twenty four draft Paragraphs, one Subject Specific Compliance Audit, one information technology audit and one performance audit reports were forwarded to the Additional Chief Secretary/Principal Secretaries of the Department concerned between May 2023 and March 2024, with the request to send their responses. Government replies to 17 Draft Paragraphs were received. The replies have been suitably incorporated in the Audit Report.

1.6 Follow-up action on Audit Reports

With a view to ensure accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Finance Department directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of the PAC, relating to the Paragraphs contained in the Audit Reports, within four months. We reviewed the outstanding ATNs on the Paragraphs included in the Audit Reports of the CAG relating to the Departments under the Audit purview of this office and found that two recommendations pertaining to the Audit Paragraphs discussed by the PAC were pending as on 31 March 2023.

1.7 Outstanding replies to Inspection Reports

On behalf of the CAG, the Accountant General conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2023 were reviewed and it was noted that 21,397 paragraphs relating to 4,433 IRs remained outstanding at the end of June 2023 as detailed in *Appendix-I*. Of these, 2,025 IRs containing 6,802 paragraphs are outstanding for more than 10 years. Even first replies from the Heads of Offices, which were to be furnished within one month, have not been received in respect of 447 IRs issued up to March 2023, though it was pursued through Apex Committee meetings and the Departmental Monitoring Committee meetings.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies was indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.