

## OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Orissa for the year 2004-2005 and three others comprising seven reviews and 22 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit findings is given below:

### Financial position of the State Government

Revenue deficit witnessed a decline since 2001-2002 and the ratio of revenue deficit to fiscal deficit also decreased from 58 *per cent* in 2000-2001 to 38 *per cent* in 2004-2005. Nevertheless, the revenue expenditure as percentage of total expenditure was 91 *per cent* in 2004-2005 and the proportion of developmental expenditure in total expenditure was on the decline from 56 *per cent* in 2000-2001 to 50 *per cent* in 2004-2005. Interest payment increased by 46 *per cent* during 2000-2005 primarily due to continued reliance on borrowings for financing the deficit.

Fiscal liabilities as ratio to GSDP increased marginally from 61.74 *per cent* in 2000-01 to 62.62 *per cent* in 2004-05 and stood at 3.05 times of its revenue receipts and 6.54 times of its own resources comprising its own tax and non tax revenue

Against the budget provision of Rs.1869.73 lakh under three grants, the expenditure was Rs.2863.68 lakh. The excess was mainly due to payment of loan of Rs.1390.91 lakh to Orissa State Cooperative Bank for conversion of short term loan to medium term loan requiring regularisation under Article 205 of the Constitution of India.

### Implementation of Acts and Rules relating to consumer protection

The basic objective of protecting the rights of the consumers by providing speedy and inexpensive redressal of their grievances through implementation of the Consumer Protection Act, 1986 remained largely unachieved due to failure of the Department in creating awareness among the people about the consumer rights and procedure for filing cases, delayed disposal of the cases by the State Commission and District Forums coupled with inadequate

monitoring. Functioning of the district forums were also handicapped by infrastructural deficiencies.

The State Consumer Protection Council had not been reconstituted since April 2001 and the Councils at the district level had not been constituted as of June 2005 which had affected the protection and promotion of consumers' interest in the State.

### **Orissa Health Systems Development Project**

To overcome the constraints existing in the health care system in the State, the State Government launched (September 1998), the Orissa Health Systems Development Project with financial assistance from the International Development Association (IDA) with a long term goal of ensuring improvement in performance of health care system. The Project scheduled to be completed by March 2004 was lagging behind schedule due to slow spending, delayed construction of buildings, under utilisation of equipment and instruments, shortage of medical and paramedical staff and inadequate training.

### **Construction of Rural Roads**

Despite emphasis in the plan periods for establishing "all weather" village road communication and providing resources by GoI and GoO under different schemes, the objective remained unfulfilled due to lack of a consolidated plan for prioritisation and selection of roads to achieve connectivity.

Several roads and bridge projects remained incomplete due to lack of monitoring during execution and frequent changes in designs. As of March 2005, 55 per cent of the total road length still remained in metal and earthen track that too with many missing links.

### **Indian Systems of Medicine and Homoeopathy**

The poor infrastructure in hospitals and dispensaries, non revision of norms of medicine and diet, shortage of staff in dispensaries, inadequate supply of medicines and equipment to dispensaries stood in the way of providing quality health care services through Indian Systems of Medicine and Homoeopathy (ISMH).

Vacancy in the teaching staff of the medical colleges affected the standard of education. In the absence of Drug Testing Laboratory in the State for testing of homoeopathic and ayurvedic medicines, the quality and standard of ISMH drugs could not be ensured. Maintenance of herbal gardens was not effective.

### **Functioning of the Western Orissa Development Council**

Failure of the Western Orissa Development Council to formulate long term action plans due to non-assessment of the regional imbalances, incurring large part of expenditure on repair and maintenance of existing assets, slow pace of execution of works despite availability of resources, lack of monitoring and supervision indicated deficient governance in the Council's activities.

## Internal Control Mechanism in Finance Department

Budgetary and expenditure controls, cash management and monitoring mechanism were deficient in the department. The basic checks such as proper maintenance of cash books, submission of reports and returns were not followed properly. Supervisory control by carrying out periodic inspection of treasuries by the Director of Treasuries and Inspection was inadequate. Follow up of audit objections raised by the Local Fund Auditors was not being done. Internal Audit System expected to bring failures in internal control measures to the notice of the senior management was non-existent in the department.

Besides the above, audit of financial transactions, subjected to test-check in various departments of the Government and their field functionaries revealed instances of losses or bad spending of about Rs. 40 crore as mentioned below:

Loss of Rs. 73.55 lakh was noticed in School and Mass Education Department and infructuous and wasteful expenditure amounted to Rs.91 lakh in Information and Public Relations Department (Rs. 55 lakh) and Agriculture Department (Rs. 36 lakh).

Avoidable extra cost, unfruitful expenditure and undue benefit to contractor amounted to Rs 23.09 crore in Water Resources (Rs 14.61 crore), Works (Rs 8.22 crore) and Health Family Welfare Departments (Rs 26 lakh).

There were instances of blockage of funds and idle investments of Rs 6.22 crore in Home (Rs 3 crore), Water Resources (Rs 1.61 crore), Agriculture (Rs 78 lakh) and Higher Education Departments (Rs 83 lakh) besides irregular expenditure of Rs 6.47 crore in Finance, Information Technology and Panchayati Raj Departments.

Failure of the Chief Engineer, Works and the Government to finalise tenders within the validity period, resulted in avoidable extra cost of Rs.5.98 crore.

*(Paragraph 4.4.1 and 4.4.2)*

Payment of advance to the Orissa Industrial infrastructure Development Corporation without watching its utilisation led to blockage of rupees three crore for two years.

*(Paragraph 4.5.1)*

Excess printing of 12.65 lakh Nationalised Text books by the Director, Text Book Production and Marketing without due assessment caused loss of Rs.73.55 lakh.

*(Paragraph 4.1.1)*

Failure of the CE, Rengali Left Bank Canal to reject the inadmissible claim of a contractor abinitio resulted in extra expenditure of Rs.0.71 crore on price escalation and non-imposition of penalty of Rs.1.21 crore.

*(Paragraph 4.3.1)*