

Chapter 1

Introduction

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1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of Odisha relates to matters arising from Performance Audit of Construction and Maintenance of Government Buildings and Compliance Audit of Government Departments/Autonomous Bodies.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial 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 organisation, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides the audited entity's profile, the planning and extent of audit and a synopsis of the significant audit observations. Chapter 2 of this Report deals with the findings of Performance Audit and Chapter 3 deals with Compliance Audit of various departments.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2012-13 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

1.2 Audited entity's profile

There were 38 departments in the State at the Secretariat level headed by Additional Chief Secretaries / Principal Secretaries / Commissioner-cum-Secretaries, assisted by Directors and Sub-ordinate Officers. Of these, 17 Departments including PSUs / Autonomous bodies coming under these Departments are under the audit jurisdiction of the Principal Accountant General (Economic and Revenue Sector Audit).

1.3 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, 1971. The CAG conducts audit of expenditure of the departments of Government of Odisha under section 13¹ 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.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Department / Organisation as a whole and that of each unit based on expenditure incurred, criticality / complexity of activities, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) 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 are received, audit findings are either settled or further action for compliance is advised. The important audit observations made in these Inspection Reports/Performance Audit are processed for inclusion in the Audit Reports which are submitted to the Governor of Odisha under Article 151 of the Constitution of India.

1.5 Significant observations on Performance Audit

This Report contains one Performance Audit. The focus has been on the audit of specific programmes/schemes/activities and offering 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:

1.5.1 Performance Audit of Construction and Maintenance of Government Buildings

Performance Audit conducted for the period 2008-13 revealed that there were instances where residential and non-residential buildings were taken up for construction without administrative approval, proper selection of site, shifting of utility services etc. As a result some projects either did not commence or stopped mid way.

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

Expenditure efficiency of Department was poor as only 71 per cent of Budget provision could be spent over five years due to delay in finalisation of site/administrative approval/finalisation of tender and slow progress of work.

Budgetary and financial controls were ineffective as supplementary provisions through re-appropriation were found to be unwarranted.

Works remained incomplete due to default in execution by contractor, delay/non-finalisation of sites, non-shifting of utility services, non-finalisation of drawing and designs etc. There were cases of delay in acceptance of tender, non recovery of penalty for abandonment of work and non realisation of liquidated damage.

Monitoring was not adequate. There were cases of diversion of funds and idle investment. Lack of regular inspection of buildings resulted in failure to prevent damage to buildings before their life span. Data base of buildings constructed was not prepared. Buildings were not handed over to user departments after completion of construction in some cases.

(Paragraph 2.1)

1.6 Significant Audit observation on Compliance Audit

1.6.1 Utilisation of Water Resources

DoWR is to evolve streamlined procedure in respect of allocation and utilisation of water for irrigation, domestic purpose and industrial use. Target for providing 35 per cent irrigation facilities was not achieved for 152 blocks and supply of minimum drinking water was not assured in 95 urban local bodies. Failure to follow Odisha Irrigation Act 1959 and Odisha Irrigation Rules 1961 led to non collection of water rate of ₹ 9503.31 crore.

(Paragraph 3.1)

1.6.2 Loss of revenue due to non-recovery of royalty

The Executive Engineer, Telengiri Head Works Division did not recover royalty charges of ₹ 2.53 crore on earth from the bills of contractor for Construction of Earth Dam of Telengiri Irrigation Project despite decision of Tender Committee.

(Paragraph 3.2)

1.6.3 *Extra cost due to non-finalisation of tender within the validity period*

A tender for the Rehabilitation Extension and Modernisation of Gohira Irrigation Sub Project package I (Reach II) from 2475 to 22350 meter of Gohira Left Main Canal under Orissa Integrated Agriculture and Water Management Investment Programme could not be finalized even after extension of validity for 150 days over the initial validity period of 120 days. This resulted in extra cost of ₹ 1.29 crore.

(Paragraph 3.3)

1.6.4 *Extra cost due to inflated estimate*

In construction of Anandpur Barrage across river Baitarani including Left and Right Head Regulators (Civil works), transportation charges of cement were adopted in the estimate from a distant place inflating the estimated cost by ₹ 4.47 crore resulting in undue benefit to contractors by ₹ 3.05 crore.

(Paragraph 3.4)

1.6.5 *Loss of revenue and undue benefit to contractors*

In construction of structured systems in the command area of Loknathpur distributaries and in Raibol distributaries under Rengali Irrigation Project (RIP), the Executive Engineers did not deduct royalty from the contractors on burrow earth leading to loss of revenue of ₹ 1.24 crore and undue financial benefit to contractors to that extent.

(Paragraph 3.5)

1.6.6 *Undue benefit to Contractors*

In construction work of Jambhira Main Canal from 37.50 to 63.755 km, against usable earth of 5.67 lakh cum available from the cutting reaches, the EE had utilised only 2.21 lakh cum. Additional quantity of 3.45 lakh cum was transported from burrow area resulting in extra expenditure of ₹ 2.05 crore.

(Paragraph 3.6)

1.6.7 *Implementation of Watershed Development Programme*

Audit of Watershed Development project, taken up through various Centrally Sponsored/State Plan Schemes, revealed that ridge to valley strategy was not adopted in some projects and selection of project plan was made in ineligible land. Due to inadequate provision of funds, there was slow progress in project implementation and the watersheds remained incomplete.

Scheme funds were released to the Watershed Committees (WCs) with delay ranging from 16 days to 32 months. There was loss of central assistance of ₹ 82.54 crore due to slow progress in implementation of programmes. None of the completed projects was handed over to WCs for maintenance. Total unproductive and avoidable expenditure on implementation of the projects was ₹ 394.56 crore.

(Paragraph 3.7)

1.6.8 Procurement and supply of Agricultural Implements and Equipment

Audit of Farm Mechanisation revealed that the Agriculture Department issued Utilisation certificate for ₹ 143.80 crore although the amount remained unspent.

During 2011-12 and 2012-13 percentage of women farmer beneficiaries were only five and six *per cent* against 30 *per cent* as per guidelines.

There were cases where subsidy was released without weigh bridge certificate violating the instructions of State Level Technical Committee.

(Paragraph 3.8)

1.6.9 Avoidable expenditure due to non execution of work departmentally

In Chilka Development Authority, execution of dredging work was done through the contractor despite availability of its own dredger and non execution of work departmentally resulted in avoidable expenditure of ₹ 1.62 crore towards contractors profit and hire charges of dredger.

(Paragraph 3.9)

1.6.10 Non-realisation of Net Present Value

In 11 forest divisions, ₹ 24.77 crore towards NPV due for realisation at revised rate from 10 user agencies for diversion of 1348 hectare of forest land used for non-forestry purpose was not realised.

(Paragraph 3.10)

1.6.11 Project on South-North Road Corridor

Road stretches were taken up for improvement in a fragmented manner. Though scheduled for completion by March 2014, only 33 *per cent* of work was completed (March 2013). Shortfall in achievement was due to default in execution by contractors. Non adherence to the agreement conditions and deficiencies in management of contracts caused loss to the Government. Inaccuracies and discrepancies in items rates resulted in undue benefit to the contractors.

(Paragraph 3.11)

1.6.12 Unfruitful Expenditure

In construction of fly over at Rajmahal junction, the under pass provided for 60 meters was executed for a length of 39 meter beneath the fly over at a cost of ₹ 3.65 crore. The under pass could not be put to use and filled up with sand as construction of entire length of under pass was not taken up resulting in unfruitful expenditure.

(Paragraph 3.12)