

Chapter I: Overview of General and Social Sector

1.1 Introduction

This Report covers matters arising out of the audit of State Government Departments and Autonomous Bodies under the General and Social Sectors. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. The findings of audit 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 contributing to better governance.

The Report has been organised in two chapters as under:

- Chapter I contains the Profile of the General and Social Sector with a brief analysis of the expenditure of the Departments under the General and Social Sectors for the last five years, the authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products, namely Inspection reports, Draft Paragraphs, etc., and follow up action on Audit Reports.
- Chapter II contains significant observations arising out of Compliance Audit of various Departments and their functionaries and includes Compliance Audit of “Development by Western Odisha Development Council” and “Development and popularisation of Renewable Energy in the State”.

1.2 Profile of the General and Social Sector and Audit Universe

As per the Budget Publication, the Government of Odisha releases 42 grants related to its various departments. The audit universe under General and Social Sector of the office of the Accountant General (General & Social Sector Audit), Odisha, comprises 12064 units of various levels related to 24 Grants. It also includes 151 bodies/ authorities which are either substantially financed from the Consolidated Fund of the State or audit of which has been entrusted by the Government under various sections of the Comptroller & Auditor General’s (CAG’s) DPC (Duties, Powers and Conditions of Service) Act, 1971 under these two sectors. List of the Departments, autonomous bodies and companies under the audit jurisdiction of the office of the Accountant General (General & Social Sector Audit), Odisha is shown in *Appendix 1.1*.

Summary of expenditure in major Departments under the audit jurisdiction of the office of the Accountant General (General & Social Sector Audit), Odisha during 2013-18 is shown in *Table 1.1*.

Table 1.1: Summary of expenditure of the Departments under the Audit jurisdiction of Accountant General (General and Social Sector Audit), Odisha

(₹ in crore)

Sl. No.	Name of the Department	2013-14	2014-15	2015-16	2016-17	2017-18
1	Odia Language Literature & Culture	161.92	239.02	213.02	209.69	274.07

Sl. No.	Name of the Department	2013-14	2014-15	2015-16	2016-17	2017-18
2	Electronics & Information Technology	78.96	95.34	110.83	111.25	99.19
3	Finance	6777.61	7072.85	6719.98	7213.97	1982.43
4	Food Supplies and Consumer Welfare	1359.77	1529.39	1269.43	1081.54	988.59
5	General Administration and Public Grievance	188.45	275.61	236.71	241.38	316.40
6	Health & Family Welfare	1985.14	3222.00	3724.14	4817.09	4928.42
7	Higher Education	1459.31	1875.81	1944.62	1973.94	1792.21
8	Home	2827.32	3206.36	3379.99	3585.35	4198.73
9	Housing & Urban Development	2493.94	2340.72	2721.88	3075.76	4683.27
10	Labour & Employees' State Insurance	69.91	197.65	221.96	96.35	136.48
11	Law	183.14	232.51	285.16	238.95	279.98
12	Panchayati Raj and Drinking Water	3335.05	4821.45	7652.22	8345.96	9302.14
13	Planning & Convergence	1190.23	1062.61	764.06	785.32	992.12
14	Revenue & Disaster Management	3553.14	2267.65	3257.10	3291.03	1992.70
15	Rural Development	1989.58	3838.99	6609.27	7276.61	7392.33
16	School & Mass Education	6716.75	7886.68	9049.63	9774.15	12058.59
17	Social Security & Empowerment of Persons with Disabilities#	0	0	0	1746.13	1914.79
18	Sports & Youth Services	57.72	64.31	85.15	102.82	250.39
19	ST & SC Development, Minorities & Backward Classes Welfare	1819.47	1944.80	2508.60	2542.57	2851.83
20	Women & Child Development & Mission Shakti	4113.84	3558.80	3812.51	2109.05	2266.84
		40361.25	45732.55	54566.26	58618.91	58701.50

(Source: Appropriation Accounts of Government of Odisha for 2013-14 to 2017-18)

Came into being w.e.f July 2015. Allotment under separate Grant was made from 2016-17 onwards.

1.3 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of State Government Departments under Section 13¹ of the CAG's DPC Act. CAG is the sole auditor in respect of Autonomous Bodies, which are audited under Section 19 (2) and 19 (3)² of the DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the

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

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest

Government under Section 14³ of the DPC Act and Local Bodies under Section 20 (1) of the Act. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and Auditing Standards by the Indian Audit & Accounts Department.

1.4 Planning and conduct of audit

Performance Audit and Compliance Audit is conducted as per the Annual Audit Plan (AAP). Units for Compliance Audit are selected on the basis of risk assessment of the Apex unit, Audit Unit and Implementing Agencies involving matters of financial significance, social relevance, internal control systems, past instances of defalcation, misappropriation, embezzlement, *etc.* as well as findings in previous Audit Reports.

Inspection Reports are issued to the heads of Units after completion of audit. Based on the replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as Draft Paragraphs for inclusion in the Audit Report.

Formal replies furnished by Departments as well as views expressed by the Heads of Departments in Exit Conferences are carefully considered while finalising the materials for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

1.5 Lack of response of Government to audit

1.5.1 Response of the Government to Inspection Reports

Accountant General (General & Social Sector Audit), Odisha, (AG) conducts audit of Government Departments to check for compliance to rules and regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. After these audits, Inspection Reports (IRs) are issued to the Heads of Offices inspected with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the Office of the AG.

As per the Regulations on Audit & Accounts, 2007, the Officer in charge of the audited entity shall send the reply⁴ to an Inspection Report (IR) within four weeks of its receipt. On intimation of any serious irregularity by Audit, the Government shall undertake *prima facie* verification of facts and send a preliminary report to Audit confirming or denying the facts within six weeks of receipt of intimation. Where the fact of major irregularity is not denied by

³ Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, *etc.*, and substantially financed by Government, are audited under Section 14

⁴ Even if it is not feasible to furnish the final replies to some of the observations in the audit note or inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished

the Government in the preliminary report, the Government shall further send a detailed report to Audit within three months of preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides the above, Finance Department of Government of Odisha had also issued instructions (December 2006)⁵ for prompt response by the executive to IRs issued by the AG to ensure timely corrective action in compliance with the prescribed rules and procedures and to ensure accountability for the deficiencies, lapses, *etc.*, observed during inspections.

A six monthly report showing the pendency of IRs is sent to the Principal Secretary/ Secretary of the respective departments to facilitate monitoring and settlement of outstanding audit observations in the pending IRs.

Inspection Reports issued up to March 2018 relating to 3,204 offices under 24 departments showed that 47,425 paragraphs relating to 9,997 IRs had remained outstanding up to the end of June 2018. It was observed that replies were received only in case of 107⁶ out of 420 IRs issued during the period from April 2017 to March 2018 relating to 19 departments.

Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in *Appendix 1.2*.

The unsettled IRs contained 905 paragraphs involving serious irregularities like theft, defalcation, misappropriation, *etc.*, of Government money, loss of revenue and shortages, losses not recovered/ written off amounting ₹ 964.34 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature is showed in *Appendix 1.3*.

Triangular Committees (TC), comprising the representatives of the respective administrative department, Finance Department and Audit, held meeting in respect of 14 out of 24 Departments under the General and Social Sector for expeditious settlement of outstanding Inspection Reports/ Paragraphs. Triangular Committee meeting were not held for the remaining 10 Departments⁷. Of the 14 Departments where TC meetings were held during April 2017 to March 2018, 2283 paragraphs and 332 Inspection Reports were settled.

It is recommended that Government should ensure that a procedure is put in place for (i) action against officials failing to send replies to IRs/ paras as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/

⁵ Hand book of instructions for speedy settlement of Audit objections, scrutiny of CAG Reports and initiation of action thereon, Public Accounts Committee- Procedure and work programme

⁶ Electronics & Information Technology: 1, Finance: 1, Food Supplies & Consumer Welfare: 1, General Administration & Public Grievance: 1, Health & Family Welfare: 17, Higher Education: 15, Home: 24, Housing & Urban Development: 14, Panchayati Raj & Drinking Water: 8, Planning & Convergence: 4, Revenue & Disaster Management: 15, Rural Development: 1, School & Mass Education: 2, Science & Technology: 1, ST & SC Development, Minorities & Backward Classes Welfare: 1 and Sports & Youth Services: 1

⁷ Odia Language Literature & Culture, Electronics & Information Technology, General Administration & Public Grievance, Information & Public Relations, Labour & Employees' State Insurance, Parliamentary Affairs, Public Enterprises, Science & Technology, Social Security & Empowerment of Persons with Disabilities and Sports & Youth Services

overpayments, *etc.*, in a time-bound manner and (iii) holding at least one meeting of each Audit Committee every quarter.

1.5.2 Impairment to Audit scope

Section 18(1) (b) of the DPC Act stipulates that the CAG has the authority in connection with the performance of his duties under the said Act to requisition any accounts, books, papers and other documents which deal with or form the basis of or otherwise relevant to the transactions to which his duties in respect of audit extends. The provision has been further amplified by Regulation 181 of the Regulations on Audit and Accounts, 2007 which provides that every Department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by Audit are made available to it in time. Further, section 7A of Information Technology (Amendment) Act, 2008 provides that where in any law for the time being in force, there is a provision for audit of documents, records or information, that provision shall also be applicable for audit of documents, records or information processed and maintained in electronic form.

Despite such clear provisions, there were instances of non-production of records to audit which restricted the effectiveness of Audit. Out of 1296 units under various Departments audited during February 2017 to July 2018, 35 audited entities under seven⁸ Departments did not provide the vouchers relating to transactions involving ₹ 17.03 crore though sought for while conducting audit scrutiny as detailed in *Appendix 1.4*.

1.6 Response of the Departments to Draft Audit Paragraphs

Regulations on Audit & Accounts, 2007 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India should be sent within six weeks.

Draft Paragraphs are forwarded to the Principal Secretaries/ Secretaries of the concerned Departments drawing attention to the audit findings and requesting them to send their response within prescribed time frame. It is also brought to their personal attention that in view of the likely inclusion of such paragraphs in the Audit Reports of the Comptroller & Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Draft Paragraphs proposed for inclusion in this Report were forwarded to the Secretaries of the concerned Departments between February and October 2018 through Demi-Official letters. The concerned Departments/ Directorates did not send replies to 7 out of 8 Draft Paragraphs featured in Audit Report.

The responses of concerned Directorates/ Departments as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

⁸ 1. Panchayati Raj & Drinking Water (13 entities), 2. Higher Education (6 entities), 3. Health & Family Welfare (4 entities), 4. ST & SC Development, Minorities & Backward Classes Welfare (3 entities), 5. Odia Language Literature & Culture (1 entity), 6. Revenue & Disaster Management (3 entities) and 7. Home (4 entities)

1.7 Follow-up on Audit Reports

Audit Reports for the year 2015-16, which were submitted to the Governor in January 2017 (Local Bodies) and March 2017 (General and Social Sector), were laid on the floor of the State Legislature in September 2017. A mechanism to ensure promptness in tabling of Audit Reports should be put in place.

After tabling of the Reports of the C&AG of India in the State Legislature, the State Government Departments are required to submit *suo motu* replies to the audit observations within three months. Review of outstanding replies on paragraphs included in the CAG's Reports on the General and Social Sector and Local Bodies on the Government of Odisha up to 2016-17 showed that replies on one paragraph pertaining to the period 2016-17 (pertaining to Local Bodies Report) involving one Department (Housing and Urban Development) remained outstanding as of September 2018. Out of 194 paragraphs pertaining to 2007-08 to 2016-17, 115 paragraphs were selected for discussion by the PAC while remaining 79 paragraphs have not been selected.

As stipulated in the Rules of Procedure of the PAC, Administrative Departments were required to take suitable action on the recommendations made in the Reports of PAC presented to the State Legislature and submit comments on the action taken or proposed to be taken on those recommendations within four months.

Action Taken Notes on 89 paras contained in two Reports⁹ of the PAC, presented to the Legislatures had not been submitted by 12¹⁰ departments to the Assembly Secretariat as of September 2018. These two Reports of the PAC had suggested recovery, disciplinary action, *etc.* A few significant cases are elaborated in *Appendix 1.5*.

Action taken by administrative Departments on the recommendations of the PAC were, however, found to be inadequate and wanting.

⁹ 16 th PAC Report 2018-19 and 17 th PAC Report 2018-19

¹⁰ Finance (2), Health & Family Welfare (14), Higher Education (2), Home (10), Housing & Urban Development (16), Law (3), Panchayati Raj & Drinking Water (2), Revenue & Disaster Management (12), Rural Development (20), ST & SC Development, Minorities & Backward Classes Welfare (1), School & Mass Education (6), Science and Technology (1)