

## Chapter 1: Overview

### 1.1 Introduction

This Report covers matters arising out of the Compliance Audit of some State Government Departments and their Autonomous Bodies. 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 comprises the following five chapters:

- **Chapter 1** contains the profile of the Auditee Departments with a brief profile of the receipt/ expenditure for the last five years, the authority for Audit, planning and conduct of Audit, response of the Government to various Audit products, namely Inspection Reports, Detailed Compliance Audit Paragraphs, follow up action on Audit Reports, *etc.*
- **Chapter 2** of this Report contains observations relating to Detailed Compliance Audit on Implementation of Biju Setu Yojana.
- **Chapter 3** contains observations relating to Detailed Compliance Audit on Functioning of Working Women's Hostels in the State.
- **Chapter 4** contains observations relating to Detailed Compliance Audit on Functioning of Child Care Institutions in the State.
- **Chapter 5** contains observations relating to Detailed Compliance Audit on Execution of Construction Projects by Odisha Construction Corporation Limited.

#### 1.1.1 Profile of the Auditee Departments and Audit Universe

As per the Budget documents of the State, the Government of Odisha releases 43 grants related to various departments. The Audit universe under the office of the Principal Accountant General (Audit-I), Odisha (PAG), comprises 12,432 units related to 24 Grants and 24 Departments. The audit purview of the Office also includes 144 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 and Auditor General's (CAG's) DPC (Duties, Powers and Conditions of Service) Act, 1971. List of Departments and Autonomous Bodies/ Authorities/ Corporations under the audit jurisdiction of the office of the Principal Accountant General (Audit-I), Odisha is shown in **Appendix 1.1**.

Trend of expenditure in major Departments under the audit jurisdiction of the Office of the PAG (Audit-I), Odisha during 2016-21 is shown in **Table 1.1**.

**Table 1.1: Trend of expenditure of major Departments**

(₹ in crore)

Sl. No.	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
1	Co-operation	1,646.25	887.00	1,435.06	1,572.39	1,690.49
2	Skill Development and Technical Education	548.98	618.45	592.08	704.47	681.50
3	Finance	7,213.97	10,520.15	12,351.26	16,438.34	16,260.98
4	Health and Family Welfare	4,817.09	4,928.42	5,800.46	6,378.67	7,923.25
5	Higher Education	1,973.94	1,792.21	2,009.55	2,069.42	2,181.59
6	Water Resources	7,749.65	8,834.70	7,495.25	6,127.89	5,384.69
7	Panchayati Raj and Drinking Water	8,345.96	9,302.11	15,426.37	16,856.22	15,595.04
8	Planning and Convergence	785.32	992.12	987.37	707.84	991.76
9	Revenue and Disaster Management	3,291.03	1,992.70	931.75	1,013.64	973.95
10	Rural Development	7,276.61	7,392.33	7,289.79	3,325.78	3,880.11
11	School and Mass Education	9,774.15	12,058.59	14,161.88	15,292.46	15,123.72
12	ST and SC Development, Minorities and Backward Classes Welfare	2,542.57	2,851.83	3,220.68	2,764.93	2,779.80
13	Women and Child Development & Mission Shakti	2,109.05	2,266.84	3,163.51	3,229.68	3,398.29

(Source: Appropriation Accounts of Government of Odisha for 2016-17 to 2020-21)

## 1.2 Mandate 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 13 of the CAG's DPC Act. CAG is the sole auditor in respect of Autonomous Bodies, which are audited under sections 19 (2), 19 (3) and 20 (1) of the DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14 of DPC Act. Section 16 of the CAG's DPC Act authorises the CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union territory having a legislative Assembly. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

### 1.2.1 Planning and conduct of Audit

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

Inspection Reports are issued to the heads of units after completion of audit. Based on 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. Detailed Compliance Audit Paragraphs are prepared on issues of significance and selection of issues is done following the analogy explained above.

Formal replies furnished by Departments 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.

### 1.2.2 Lack of response of Government to Audit

#### *Response of the Government to Inspection Reports*

Principal Accountant General (Audit-I), Odisha, 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 PAG (Audit I).

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 facts within three weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to Audit within two months of preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides above, the Finance Department of Government of Odisha has also issued instructions from time to time for prompt response by the executive to IRs issued by the PAG to ensure timely corrective action in compliance with the prescribed rules and procedures and also to ensure accountability for the deficiencies, lapses, *etc.*, observed during audits.

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

The status of IRs issued up to March 2021 relating to 12,432 offices under 24

departments showed that 50,769 paragraphs relating to 12,265 IRs remained outstanding. Department-wise and year-wise break-up of the outstanding IRs and Paragraphs are detailed in *Appendix 1.2*.

The unsettled IRs contained 982 paragraphs involving serious irregularities like theft, defalcation, misappropriation, *etc.*, of Government money, loss of revenue and shortages, losses not recovered/ written off amounting to ₹ 2,091.29 crore. The Department-wise and nature-wise analysis of the outstanding paragraphs of serious nature are showed in *Appendix 1.3*.

Audit Committees, comprising representatives of the respective administrative Departments, Finance Department and Audit, held 19 meetings in respect of nine<sup>1</sup> out of 24 Departments under Office of the PAG (Audit-I) for expeditious settlement of outstanding IRs/ Paragraphs. Audit Committee meetings were not held for the remaining 15 Departments<sup>2</sup>. Of the nine Departments where Audit Committee meetings were held during April 2020 to March 2021, 689 paragraphs and 91 IRs 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/ paragraphs as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/ overpayments, *etc.*, in a time-bound manner and (iii) holding at least one meeting of each Audit Committee every quarter.

### **1.2.3 Response of the Departments to Detailed Compliance Audit Paragraphs**

Regulations on Audit and Accounts, 2020 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within the specified period.

Government of Odisha in the Finance Department, in its order dated August 2021, directed all the Departments to submit their responses to proposed Draft Audit Paragraphs within four weeks.

Draft Paragraphs and Detailed Compliance Audit Paragraphs are forwarded to the Principal Secretaries/ Secretaries of the concerned Departments as well as to the Finance Department, drawing attention to the audit findings and requesting them to send 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 and Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Between December 2021 and February 2022, four Detailed Compliance Audit Paragraphs proposed for inclusion in this Report were forwarded to the

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<sup>1</sup> Health and Family Welfare, Excise, Panchayati Raj and Drinking Water, Rural Development, Water Resources, School & Mass Education, Fisheries and Animal Resources Development, Co-operation and Food Supplies & Consumer Welfare

<sup>2</sup> Revenue and Disaster Management, Electronics & Information Technology, ST&SC Development, Social Security and Empowerment of Persons with Disabilities, Women and Child Development, Finance, Planning & Convergence, Higher Education, Skill Development and Technical Education, Sports & Youth Services, Agriculture and Farmers Empowerment, Labour & Employees' State Insurance, General Administration and Public Grievance, Information and Public Relations, and Parliamentary Affairs

Principal Secretaries/ Secretaries of the concerned Departments and to the Finance Department through Official/ Demi-official letters addressed to them by name. The concerned Departments had not sent replies to any of the Detailed Compliance Audit Paragraphs featuring in the present Audit Report.

Responses of Departments as well as the replies to initial audit memos, wherever received, have been suitably incorporated in the Report.

#### **1.2.4 Follow up on Audit Reports**

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 2018-19 showed that replies relating to 51 paragraphs involving 11 Departments remained outstanding as of September 2021 (**Appendix 1.4**). Out of 588 paragraphs pertaining to the years 2007-08 to 2018-19, 190 paragraphs were selected for discussion by the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU).

As stipulated in the Rules of Procedure of the PAC and COPU, Administrative Departments were required to take suitable action on recommendations made by these Committees in the Reports presented by them to the State Legislature. Comments on the action taken or proposed to be taken on those recommendations were to be submitted within a period of four months.

Action Taken Notes on 29 paragraphs contained in four Reports of the PAC, presented to the Legislatures between 2018-19 and 2020-21 had not been submitted by three Departments to the Legislative Assembly as of September 2021. These Reports of the PAC had recommended action related to recovery, disciplinary action, *etc.* A few significant cases are elaborated in **Appendix 1.5**.

### **1.3 Significant Audit Observations in this Report**

The present Report contains four Detailed Compliance Audit Paragraphs. The significant observations therein are presented in brief in the following paragraphs:

#### **1.3.1 Implementation of Biju Setu Yojana**

In October 2011, the Government of Odisha (GoO) in the Rural Development (RD) Department launched Biju Setu Yojana (BSY) for construction of new bridges in rural areas to provide all-weather connectivity in rural areas. The primary objective of BSY is to bridge missing links so as to provide effective road network across the length and breadth of the State. Detailed Compliance Audit of the Implementation of BSY revealed the following deficiencies:

- The utilisation efficiency of the budgeted amount during 2017-21 ranged between 76 and 98 *per cent*. However, there was still scope for increasing spending efficiency by avoiding delays in completion of bridge projects by timely finalisation of tenders, timely settlement of land issues, avoiding revision of drawings and designs by conducting proper survey and investigations, *etc.*

- There was no documentation available to show that any overarching survey/ study had been carried out by the RD Department to identify missing links in the State and prioritise the same under the shelf of projects to be covered as part of BSY, based on population served or flood prone and backward areas. Instead, projects had been selected on a random basis, without any long-term plan in place, based on recommendations of Hon'ble MLAs/ MPs.
- Works on 48 bridge projects remained incomplete after incurring expenditure of ₹ 184.84 crore due to non-acquisition of land required for the bridge or for approach roads to the bridge.
- In 82 bridge projects, provision for manual excavation instead of mechanical excavation resulted in extra expenditure of ₹ 4.82 crore.
- In 19 bridge projects, provision to source stone material from distant quarries resulted in avoidable expenditure of ₹ 1.87 crore.
- In 40 bridge projects, non-provision for use of excavated earth resulted in avoidable expenditure of ₹ 2.15 crore.
- A High Level bridge over river Suktel on Tamia Mudalsar road in the district of Bolangir was completed in September 2015 with an expenditure of ₹ 7.58 crore. Due to execution of very poor and porous concrete in the deck, cracks were developed in Span-4 of the bridge and was recommended for demolition. The bridge collapsed (April 2020) while dismantling work was going on and caused two casualties.
- The field officers of Rural Works Division and independent State Quality Monitors (SQM) form the first and second-tier quality assurance mechanism, respectively. SQM did not inspect 105 (96.33 *per cent*) bridge works due to which the two-tier mechanism, envisaged in the guidelines to ensure quality of bridge works, failed to work.

### **1.3.2 Functioning of Working Women's Hostels in the State**

Government of India (GoI) introduced the "Scheme for Working Women's Hostel" as well as issued guidelines thereunder in 1972-73 to promote availability of safe and conveniently located accommodation for working women, with day care facility for their children, in urban, semi urban or even rural areas. Under the scheme, GoI provided financial assistance to States for construction of new Working Women's Hostels (WWH) or expansion of existing ones. Detailed Compliance Audit of functioning of WWHs revealed the following:

- There were 36 WWHs with combined bed strength of 2,622 in the State as of March 2021. Of this, only 12 WWHs with bed strength of 859 (32.76 *per cent*) were functional.
- Women and Child Development Department released ₹ 44.19 crore, between February 2014 and November 2020 for construction of eight WWHs of which only five WWHs had been completed as of November 2021. However, none of the completed WWHs were made functional as of November 2021.

- During 2016-21 the average percentage of occupancy in WWHs was only 42 *per cent*. The reason for low occupancy can be attributed to the fact that most of the WWHs were constructed long back (between 1974 and 2014) and in absence of regular repair and maintenance of these buildings, there were fewer takers for these hostels. Further, low occupancy in WWHs was also attributable to absence of modern amenities/ basic facilities and lack of awareness as no public advertisements or awareness campaigns were undertaken by the State to make women, aware of the existence of such facilities.
- Lack of inspection and monitoring on the part of the District Social Welfare Officers (DSWOs) of the concerned districts was noted in Audit. The DSWOs did not participate in the management of the WWHs, although they were one the constituent members of the Hostel Management Committees.

### 1.3.3 Functioning of Child Care Institutions in the State

GoI enacted the Juvenile Justice (Care and Protection of Children) Act, 2000 (JJ Act), amended in 2006, which, *inter alia*, provides for constitution of Child Protection Units at both State and District levels. A centrally sponsored scheme *viz.*, Integrated Child Protection Scheme (ICPS) was introduced in 2009 which aimed at building a protective environment for children in difficult circumstances, as well as other vulnerable children, through Government-Civil Society Partnership. A Detailed Compliance Audit of Functioning of Child Care Institutions (CCI) in Odisha revealed the following:

- The percentage of utilisation of available funds was continually decreasing from 70.47 *per cent* in 2016-17 to 31.60 *per cent* in 2020-21.
- Baseline surveys for identification of vulnerable children and their institutionalisation were not conducted by seven out of eight test checked districts. Further, only two *per cent* of the vulnerable children identified in the surveys were put in CCIs. However, the criteria used for selecting children for institutionalisation were not shared with Audit.
- Inadequacies in physical infrastructures *viz.*, dormitories, dining halls, kitchen, open space, *etc.*, were noticed. Security measures in the CCIs, particularly, perimeter security walls were not proper. Escape of children from CCIs through broken perimeter wall was noted in Audit.
- Out of the 3,181 children (boys: 1,695 and girls: 1,486) in the CCIs of the eight test checked districts, only 48 children (1.51 *per cent*) were identified for foster care and of these, only 11 (23 *per cent*) were actually placed under such care.
- Although the State Level Monitoring Committee had been formed, the Department had not developed State specific indicators against which the implementation of the ICPS scheme could be evaluated. Further, no information was made available to Audit on the number of review meetings conducted by the Committee and on whether annual review

of the implementation of ICPS at the level of the Chief Secretary had been conducted during the period 2016-17 to 2020-21.

#### **1.3.4 Execution of Construction Projects by Odisha Construction Corporation Limited**

Odisha Construction Corporation Limited (OCCL) is a wholly owned Company of Government of Odisha (GoO) under the administrative control of the Department of Water Resources (DoWR). The main objective of the Company is construction and development of works such as dams, spillways, hydraulic gates, barrages, reservoirs, canals, *etc.* OCCL executes construction contracts allotted to the Company or by participating in the tendering process of various Departments of GoO, including DoWR.

A Detailed Compliance Audit on Execution of Construction Projects by the Company revealed the following:

- OCCL had neither prepared any three-year Corporate Plan nor Annual Plans for submission to the DoWR. In the absence of such plans, there was a high risk that the Company did not have a clear cut, well documented strategy in place to achieve its aims and objectives *vis-à-vis* the mandate assigned to it when it was set up by the administrative department.
- During the last five years *i.e.*, from 2016-21, OCCL did not achieve turnover targets in three years, *i.e.*, 2017-18, 2018-19 and 2020-21. The actual turnover decreased by 52 *per cent* from ₹874 crore in 2016-17 to ₹422 crore in 2020-21.
- Cost estimates of the projects were not prepared as per the Schedule of Rates. Due to inflated cost of dredger and pipelines in the estimates, undue benefit of ₹ 7.72 crore was extended to the contractor in case of one project, “Removal of Shoal in the upstream side of Mahanadi Barrage”.
- The company incurred avoidable expenditure of ₹ 4.74 crore due to adoption of excess hire charges of machineries for compaction of earth in six test checked projects.
- Undue benefit of ₹ 5.61 crore was extended to job workers in two projects due to payment of inadmissible conveyance charges on stones issued from the worksite itself.
- Advances of ₹ 3.66 crore relating to 138 works remained outstanding against suppliers for more than 12 months. Further, advances of ₹ 1.10 crore pertained to seven defunct works, where chances of recovery were remote.
- Advances amounting to ₹ 3.53 crore against 446 staff/ officers (both on deputation and own staff) were lying outstanding as of March 2021. Of this, a sum of ₹ 3.34 crore was outstanding against 333 staff/ officers who had expired, left service, retired *etc.*