CHAPTER - VII

Introduction

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7.1   About this part of the Report

This part of the Report of the Comptroller and Auditor General of India (CAG) on Economic sector of Government of Odisha relates to observations arising from Compliance audit of Government Departments.

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.

The primary purpose of the Report is to bring to the notice of the State Legislature significant results of Audit. The audit findings are expected to enable the executive to take timely corrective action. This would help in framing policies and directives that will lead to improved management of the organisations, thus contributing to better governance.

This chapter provides the audited entity's profile, the planning and extent of audit. Chapter VIII deals with findings of Compliance Audit of various departments.

7.2   Audited Entity's Profile

There are 39 departments in the State at the Secretariat level headed by Additional Chief Secretaries/ Principal Secretaries/ Commissioner-cum-Secretaries. They are assisted by Directors and subordinate Officers. Out of 39, 12 departments are dealt with in Economic Sector Audit. This part of the Report includes the results of audit of four[80] departments.

7.3   Authority for Audit

The authority for Audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Services) Act (DPC Act), 1971. The CAG conducts audit of expenditure of the departments of Government of Odisha under section[81] 13 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 issued by the CAG.

7.4   Planning and conduct of Audit

Audit process started with the risk assessment of the Department/ Organisation as a whole and that of each unit. The assessment was based on expenditure incurred, criticality/ complexity of activities and level of delegated financial powers and assessment of internal controls. Previous audit findings were also considered in this exercise wherever necessary. Based on this risk assessment,

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[80]   Departments of Cooperation, Forest & Environment, Water Resources and Works
[81]   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

the frequency and extent of audit were decided. An Annual Audit Plan was formulated to conduct audit on the basis of such risk assessment. After completion of audit of each unit, Inspection Reports (IRs) containing audit findings were issued to the Heads of the entities. The entities were requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Wherever replies were received, audit findings were either settled or further action for compliance was advised. The important audit observations included in the IRs were processed for inclusion in the Audit Reports.

7.5 Response to Audit

A review of IRs issued up to March 2019 pertaining to 12 departments showed that 9,828 paragraphs relating to 2,981 IRs were outstanding at the end of June 2019. Of these, 1,131 IRs containing 2,488 paragraphs were outstanding for more than 10 years. Even first replies from the Heads of Offices, which was to be furnished within one month, have not been received in respect of 347 IRs issued up to March 2019, though it was pursued through Apex Committee meetings, Departmental monitoring committee meetings and also Audit Committee meetings.