Chapter 1: Overview

1.1 Introduction

This Report covers matters, arising out of the audit of some State Government Departments and one Autonomous Body. 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.

1.2 Structure of the Report

The Report has been organised in following chapters:

Chapter 1: Overview containing significant audit observations included in this Audit Report.

Chapter 2: Performance Audit Report on "Welfare of Building and Other Construction Workers in the State".

Chapter 3: Detailed Compliance Audits on (i) Construction and functioning of ST Girls' Hostels in the State (ii) Implementation of Integrated Financial Management System and (iii) Department's Oversight on GST Payments and Returns Filing for the Financial year 2017-18.

Chapter 4: Compliance Audit paragraphs.

1.3 Significant Audit Observations in this Report

The significant audit observations are presented in brief, in the following paragraphs:

1.3.1 Performance Audit on Welfare of Building and Other Construction Workers in the State

The Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and Building and Other Construction Workers Welfare Cess Act, 1996, to regulate the employment and conditions of service of the building and other construction workers and levy and collection of cess, respectively. Government of Odisha constituted (January 2004) the Orissa Building and Other Construction Workers' Welfare Board (the Board), under the Labour and Employees' State Insurance (L&ESI) Department, to collect Cess at the rate of one *per cent* of the cost of construction and utilise the same, for the welfare of the building and other construction (BOC) workers. A Performance Audit was conducted with the broad objective of assessing efficiency in the collection and utilisation of labour cess. The major audit findings are as follows:

- Government Departments were primary defaulters, in registering themselves with the Board, as Establishments/ Employers. Resultantly, the contractors of the works and the BOC workers, engaged by them, had not been registered with the Board.

- The Board had assessed the number of the BOC workers as about 41.70 lakh, as of July 2020, against which, 36.74 lakh BOC workers, had been registered with the Board, as of March 2022.
- In the five sampled districts, out of 38,023 migrant BOC workers, who had returned to the State, during the period of lockdown imposed on account of the Covid-19 pandemic, only 3,457 returnee migrants had been registered with the Board.
- In case of 399 sampled BOC works, cess, amounting to ₹ 67.12 lakh, had not been collected. Also, cess amounting to ₹ 5.72 crore, received through demand drafts and cheques, in regard to 418 works, had not been encashed and the instruments had also not been revalidated. Four Development Authorities had not remitted cess, amounting to ₹ 13.97 crore, collected from the executants of the works awarded by them, during FYs 2017-18 to 2021-22.
- The Board had utilised ₹ 2,301.29 crore (80 *per cent*), out of the available balance of ₹ 2,875.85 crore, during FYs 2017-18 to 2021-22. Of the total utilisation, a sum of ₹ 28.09 crore, had been incurred as Administrative expenses and the balance amount of ₹ 2,273.20 crore, had been utilised for welfare schemes.
- The Board was executing various welfare schemes for BOC workers, through different departments of the State Government. However, it was not monitoring the progress of utilisation of the funds released by it, nor was it monitoring the progress in the implementation of the scheme.
- Although the Cess fund was intended to be used for activities specific to the welfare of the BOC workers, it was noticed that the Cess fund was being utilised for other purposes as well.
- The administration of the Cess fund was poor, as the annual accounts of the Board had remained in arrears, since FY 2014-15; income tax returns were not being filed, *etc.* Further, the internal control system of the Board was very weak.

1.3.2 Construction and functioning of ST Girls' Hostels in the State

With the objectives of: (i) encouraging higher enrolment and retention, as well as reducing the dropout rate of Scheduled Tribe (ST) students in educational institutions (ii) achieving substantial increase in female literacy among the ST population and (iii) empowering ST women by educating them, the Government of Odisha undertook construction of hostel complexes in Block headquarters and other prominent locations. A Detailed Compliance Audit revealed the following:

- The SSD Department had sanctioned ₹ 857.15 crore, for construction of 1,524 Scheduled Tribes Girls Hostel (STGHs), during FYs 2007-08 to 2020-21. Of these, 1,471 STGHs were functional and 53 STGHs were non-functional, as of March 2022.

- From the 53 non-functional STGHs, construction of 13 STGHs, sanctioned during FY 2009-10 to FY 2020-21, had remained incomplete. The SSD Department, the sanctioning authority of funds, had not followed-up the matter of construction of STGHs, for sorting out constraints, despite lapse of 1 to 12 years. Consequently, a sum of ₹ 5.32 crore, spent on these works, had not yielded any benefits.
- 16 STGHs, which had been sanctioned during FYs 2009-10 to 2020-21, and the buildings for which had been completed at a cost of ₹ 10.98 crore, had not been handed over to the authorities of the targeted schools, for their use, due to non-construction of boundary walls.
- Nine STGHs, which had been declared as completed, after incurring a cost of ₹ 6.87 crore and had been handed over between December 2012 and August 2020, had not been put to use, due to reasons, such as, damaged toilets, non-completion of flooring and electrification, defunct water supply system, *etc*.
- During Joint Physical Inspection of 69 STGHs, along with the officials of the ITDAs concerned, Audit noticed that:
    - The available spaces of living rooms, in six STGHs, were less than the norms, with the shortages against the norms fixed by CPWD, ranging from 51.05 to 78.40 *per cent* of the norms. As a result, cots, along with bed-linens for every boarder, could not be placed in the living rooms. The boarders were compelled to share cots for seating and sleeping.
    - In 18 STGHs, purified drinking water supply facility was not available for the boarders. In 10 STGHs, the supplied water purifiers had been non-functional, for periods ranging from three to nine months and, in one STGH, the same had not been installed since six months, from the date of its receipt.
    - In 26 STGHs, there were shortages (ranging from one to eight), in the number of toilets required.
    - In three STGHs, there was no piped water supply. The girls had to fetch water from the bore well, for meeting their daily requirements.
    - Kitchen spaces and dining spaces were not available in 39 and 41 STGHs, respectively.
    - Thus, decent living conditions had not been provided to these girl students.
- In most of the STGHs, which required repair and maintenance, the requisite proposals, in this regard had not been forwarded, by the ITDAs, to the SSD Department, for sanction of funds for the purpose.
- Critical staff, such as Hostel Superintendents, Wardens, Cook-*cum*-Attendants, Sanitary workers, Watch and Ward staff, *etc*., were found

to be absent or inadequate. In the absence of Cook-*cum*-Attendants, the girl students were cooking food for themselves, at four STGHs.

- 34 STGHs had not been visited by the Medical Officers/ Mobile Health Units, for health check-ups of the boarders, during FY 2019-20. Inspections by Project Administrator of ITDA, DWO and Assistant DWO, were not adequate and the shortfalls, in this regard, ranged from 74 to 93 *per cent*.

1.3.3 Implementation of Integrated Financial Management System

Integrated Financial Management System (IFMS) of Government of Odisha is a software application to facilitate single source of truth for the entire financial management cycle - from budget to accounts of the State Government. Detailed Compliance Audit of IFMS revealed the following:

- The Project Management Unit, Project e-Mission Team and the Project Steering Committee had not met at their prescribed periodicity. These Committees had also not adopted best practices for project monitoring in the form of key controls, to effectively keep track of material risks faced by the project.
- Key provisions related to exit management of the software development and maintenance partner in the IFMS 1.0 contract, had not been enforced, resulting in undue and excessive dependence on the existing contractor and potential reduction in the number of bidders for IFMS 2.0.
- Four types of Sanction Orders: (i) Unutilised Leave Salary (ii) Reimbursement of Claims of Medicine (iii) Stipend and Scholarship and (iv) Travelling Allowance, had not been implemented in IFMS.
- The Heads of Accounts, under which amounts of expenditure could be sanctioned, had not been mapped with the permissible Heads of Accounts, for that kind of expenditure. As a result, Sanction Orders of type Grants in Aid, had been generated with Capital Section Heads of Account, resulting in violation of Indian Government Accounting Standard 2.
- For Sanction Order of type “General Type of Expenditure under different Schemes”, there were no data validation controls implemented in IFMS. This resulted in material risk of error/ fraud in payments, since even beneficiary details for payment to be effected, could be filled in as free text.
- There were no validation controls in IFMS to enforce linkage of a Bill, at the time of preparation and prior to submission, to an underlying and valid Sanction Order. This was a major and severe internal control failure, as it resulted in key checks, not being exercised prior to incurring expenditure by the State Government.

- IFMS did not track the balance amount available to be drawn against each Sanction Order, especially in cases where multiple Bills had been drawn against the same underlying Sanction Order.
- Challans in IFMS could be generated, without any actual cash remittances into Government Account.
- Master data on Works contractors and Works ID are being maintained on a separate application named Works Accounts Management Information System (WAMIS). For the purpose of payments, instead of communicating details of the payment beneficiary through the WAMIS-IFMS interface, such details are being communicated in offline mode. Also, such payment beneficiary details are being entered into IFMS by a single user, without having segregated roles for maker and checker in place. Hence, there was a material risk that changes to payment beneficiary details, such as Name, Bank Account number, IFSC, Mobile number, PAN number, *etc*. could be changed by the single user, without oversight or visibility by any other senior Officer.
- Among the support functionalities for IFMS, there were instances of non-compliance with requirements for Disaster Recovery. Against the contractual provision requirement of conducting Disaster Recovery Drills once in six months, DR Drills had been conducted only twice, during the five-year period from FYs 2017-18 to 2021-22.

1.3.4 Department's oversight on GST payments and returns filing for the year 2017-18

The Government of India introduced the Goods and Services Tax (GST) Act, 2017 with effect from 01 July 2017. A Subject Specific Compliance Audit revealed that:

- There was mismatch in input tax credit, taxable turnover and tax liability of ₹3,805.41 crore, in regard to 264 taxpayers, selected for Centralised Audit.
- There were deviations in utilisation of input tax credit amounting to ₹ 38.33 crore, mismatch in discharge of tax liability, amounting to ₹71.91 crore, non- reversal of ITC of ₹2.78 crore, irregular disclosure of Non-GST/Zero rated supply turnover of ₹10.78 crore.

1.3.5 Other Compliance Audit observations

The Excise Department notified (May 2020) levy of Special Covid Fee (SCF), at the rate of 50 *per cent* of the Maximum Retail Price, on all Foreign Made Foreign Liquor, Indian Made Foreign Liquor, Beer, Wine and Ready to Drink beverages, sold in the State, with effect from 24 March 2020. This notification was issued, in view of the expected loss of excise revenue, on account of the two months' shutdown, as a response to the Covid-19 pandemic.

Audit scrutinised Sales Registers of 1,270 liquor shops and found that Government had suffered revenue loss of ₹ 75.70 crore, due to manipulation of manually maintained Sales Registers, by retail shops, to show lesser quantity of unsold stock of liquors, to avoid SCF. Audit found that:

- Brand-wise and size-wise sale registers had not been maintained by the retail shops. The Excise officers-in-charge of the retail shops had not enforced maintenance of such data.
- In 716 Sales Registers, there were significant corrections, over-writing and changes made to the entries. This included 28 Sales Registers, where wholescale replacement/ insertion of fresh pages, or presumably heavily over-written/ corrected pages having been replaced entirely, were found. The impact of such manipulations was that the closing balances, recorded as of 24 March 2020, were negligible, in these cases and consequential loss of SCF.
- Physical verification of stock at the retail shops was stated to have been carried out on 25 May 2020 and SCF was realised on the basis of the physical stock, available on that date. The closing balances, from the manually maintained Sale Registers, as on 24 March 2020 had, however, not been collected, prior to the reopening of the retailers. Thus, the Sales Registers, had not been thoroughly examined and verified by the Excise Officers, prior to levy of SCF.
- In view of improper maintenance of Sales Register and absence of oversight by the Excise authorities, some of the test-checked liquor shops, were indulged in the following acts, to show lesser quantity of unsold stock of liquor:
    - Some of the liquor shops had even recorded the sale of liquor, on the date of the Janata Curfew, imposed on 22 March 2020, in response to Covid-19, as well on the dates, when the shops had been directed to remain shut.
    - One retailer *i.e.* Link Road-3 OFF Shop, Cuttack, had recorded sales of 1,923 liquor bottles with non-existent dates, such as 30 and 31 February 2020, which had also been accepted by the Excise Officer-in-Charge.
    - Nine retailers had recorded severely abnormal high liquor sales of more than 20,000 bottles in one day.
- Due to this irregular reporting of excess sales, through manipulation of the Sales Registers, there had been an estimated loss of ₹ 75.07 crore, towards levy and collection of SCF.

(Paragraph 4.1)

- Non-imposition of Excise Duty on the quantity of blended spirit reported as bottling wastage, in excess of the permissible wastage quantity, resulted in loss of revenue, amounting to ₹ 3.91 crore.

(Paragraph 4.2)

- Amount due towards application fees and Annual Composite Label Registration fees had not been collected from suppliers, as per the rates prescribed in the Annual Excise Policy, resulting short-realisation of revenue, amounting to ₹ 1.48 crore.

(Paragraph 4.3)