

# **CHAPTER I**

## **Introduction**



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### 1.1 About this Report

The Compliance Audit Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the Audit by Accountant General (Audit - II), Odisha relating to 15 Government Departments. There are 114 Urban Local Bodies under the control of Housing and Urban Development Department. The compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

### 1.2 Profile of Audited Entities

The 15 departments are headed at the Secretariat by Additional Chief Secretaries/ Principal Secretaries/ Commissioner-cum-Secretaries who are assisted by Commissioners/ Directors and subordinate officers under them. The details of expenditures incurred by these 15 Departments in the past five years from 2017-22 are detailed below:

**Table No. 1.1: Trend of expenditure**

(₹ in crore)

Sl. No.	Name of the Department	2017-18	2018-19	2019-20	2020-21	2021-22	Total
1	Commerce & Transport	469.73	294.00	521.21	636.05	751.78	2,672.77
2	Energy	2,306.43	2,146.36	2,431.76	1,845.59	3,632.38	12,362.52
3	Forest, Environment and Climate Change	615.48	779.52	822.96	930.56	1,755.87	4,904.39
4	Handlooms, Textiles & Handicrafts	137.10	155.82	147.70	172.04	134.37	747.03
5	Home	4120.78	4847.31	4855.60	4,588.15	5,307.94	23,719.78
6	Housing & Urban Development	4682.45	4536.50	5257.05	4,802.67	5,616.05	24,894.72
7	Industries	257.36	295.39	250.04	92.24	363.95	1,258.98
8	Law	249.59	320.39	359.42	400.40	417.31	1,747.11
9	MSME	149.11	157.09	151.42	249.97	349.55	1,057.14
10	Odia Language, Literature & Culture	0.00	131.12	157.65	123.48	189.33	601.58
11	Public Enterprises	8.99	12.88	8.45	8.29	9.02	47.63
12	Science & Technology	59.64	63.31	69.98	98.35	135.95	427.23
13	Steel & Mines	84.33	100.59	101.21	163.48	110.41	560.02
14	Tourism	273.00	191.79	205.26	367.46	497.08	1,534.59
15	Works	4,564.14	4,352.76	5,620.88	5,711.65	6,108.57	26,358.00
	<b>Total</b>	<b>17978.13</b>	<b>18384.83</b>	<b>20960.59</b>	<b>20,190.38</b>	<b>25,379.56</b>	<b>1,02,893.49</b>
	<b>Total Expenditure of GoO</b>	<b>88,325.00</b>	<b>1,04,097.94</b>	<b>1,14,491.00</b>	<b>1,08,063.73</b>	<b>1,95,723.37</b>	<b>6,10,701.04</b>
	<b>Expenditure of above departments as a percentage of total expenditure</b>	<b>20.35</b>	<b>17.66</b>	<b>18.31</b>	<b>18.68</b>	<b>12.97</b>	<b>16.85</b>

(Source: Appropriation Accounts for the years 2017-18 to 2021-22)

### **1.3 Authority for Audit**

The authority for audit by the Comptroller and Auditor General is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Services) Act (CAG's DPC Act), 1971. The CAG conducts audit of expenditure of the departments of Government of Odisha under Section 13<sup>1</sup> of the CAG's DPC Act, 1971. The CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Section 19(3)<sup>2</sup> and 20(1)<sup>3</sup> of the CAG's DPC Act. In addition, the CAG also conducts audit of other Autonomous Bodies, under Section 14<sup>4</sup> of CAG's DPC Act, which are substantially funded by the State Government.

### **1.4 Planning and Conduct of Audit**

The primary purpose of this Report is to bring the significant results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment.

Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department/ field offices after completion of audit. The Departments are requested to furnish replies to the audit observations within one month of receipts of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

The total audit universe was 1,325 units of 15 departments. Out of which 298 units were audited during 2020-22. In addition, 13 out of 23 Autonomous

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<sup>1</sup> 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.

<sup>2</sup> Audit of the accounts of Corporations (not being Companies), established by or under law made by the State Legislature, at the request of the Governor

<sup>3</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

<sup>4</sup> Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of anybody or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in financial year is not less than ₹ one crore.

Bodies under the control of these departments which qualified for conduct of audit under sections 14, 19 (2), 19 (3) and 20 (1) of the CAG's DPC Act, 1971 were also audited during 2020-22.

### **1.5 Draft paragraphs and Compliance Audit**

Twenty six draft Paragraphs and five Detailed Compliance Audits on Package for Farmers' Welfare "Krushak Assistance for Livelihood and Income Augmentation", "Application of Environmental Laws in Sundargarh District", "State Compensatory Afforestation Fund Management and Planning Authority", "Construction of North-South Corridor – Biju Expressway", and "Odisha State Road Project" were forwarded, to the Additional Chief Secretary/ Principal Secretaries of the Department concerned between January 2022 and January 2023, with the request to send their responses. Government replies to 16 Draft Paragraphs and five Detailed Compliance Audits were received. The replies have been suitably incorporated in the Audit Report.

### **1.6 Follow-up action on Audit Reports**

With a view to ensure accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Finance Department directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC, relating to the Paragraphs contained in the Audit Reports, within four months. We reviewed the outstanding ATNs on the Paragraphs included in the Reports of the Comptroller and Auditor General of India relating to the Departments under the Audit purview of this office and found that recommendations pertaining to the Audit Paragraphs discussed by PAC were not pending as on 31 March 2022.

### **1.7 Outstanding replies to Inspection Reports**

On behalf of the CAG, the Accountant General conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2022 were reviewed and found that 18,309 paragraphs relating to 3,796 IRs remained outstanding at the end of June 2022 (*Appendix - I*). Of these, 1,584 IRs containing 5,787 paragraphs are outstanding for more than 10 years. Even first replies from the Heads of Offices, which was to be furnished within one month, had not been received in respect of 358 IRs issued up to March 2022, though it was pursued through Apex Committee meetings and the Departmental monitoring committee meetings.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.