

OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Orissa for the year 2005-06 and three others comprising six reviews and 31 paragraphs dealing with the result of performance audit of selected programmes, internal control system as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Cooperation department is given below:

Financial position of the State Government

The revenue expenditure as percentage of total expenditure was 92 *per cent* in 2005-06. Despite achieving revenue surplus (Rs 481 crore) during 2005-06, the decline in plan, capital and developmental expenditure continued to persist during 2001-06. Plan expenditure declined from 24 *per cent* of total expenditure in 2001-02 to 21 *per cent* in 2005-06. Similarly, capital expenditure declined from 8 *per cent* in 2001-02 to 7 *per cent* in 2005-06. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 3968 crore in 2001-02 to Rs 276 crore in 2005-06. This was, however, achieved with compression of capital and developmental expenditure.

Interest payments increased by 30 *per cent* from Rs 2835 crore in 2001-02 to Rs 3697 crore in 2005-06 primarily due to adjustment of interest payable for the previous years on State Provident Fund.

Fiscal liabilities as ratio to GSDP though decreased from 66 *per cent* in 2001-02 to 61 *per cent* in 2005-06, yet it was 2.73 times of revenue receipts and 5.9 times of its own resources comprising own tax and non tax revenue.

Against the total budget provision of Rs.21032.99 crore including supplementary provision, expenditure of Rs.16053.20 crore was incurred during 2005-06. The overall savings of Rs.4979.79 crore was the net result of savings of Rs.4979.84 crore in 38 grants and four appropriations offset by excess of Rs.0.05 crore in 2 grants. The excess relating to two grants require regularisation under Article 205 of the Constitution of India.

Persistent savings ranging from 11 to 100 *per cent* occurred in 22 grants/appropriation over a period of three years.

Sampoorna Grameen Rozgar Yojana

Sampoorna Grameen Rozgar Yojana (SGRY) intended to provide wage employment as well as food security to BPL households failed to deliver the desired result mainly due to weak financial and food grains management. Misutilisation of scheme funds (Rs 4.47 crore), doubtful utilisation, shortage and pilferage of food grains (Rs 5.99 crore) and issue of rice (Subsidies: Rs 29.21 crore) to contractors long after completion of work were some of the major deficiencies noticed in audit. Though the scheme prohibited engagement of contractors for execution of works, 4318 works worth Rs 40.08 crore were executed through contractors in the guise of Village Labour Leaders. There was irregular expenditure of Rs 10.77 crore on inadmissible items of work under individual beneficiary oriented programme meant for SCs and STs living below the poverty line. Man days generation was hypothetically arrived at without linking to the actual generation as per the Muster rolls. Muster rolls, as basic records hardly provided any assurance on transparency and reliability. Due to execution of a large number of material intensive works instead of labour intensive ones, generation of additional wage employment in rural areas was severely affected. There was no dedicated monitoring mechanism at the State level to review and evaluate the extent of successful implementation of the scheme.

Integrated Child Development Services (ICDS) Scheme

The Integrated Child Development Services (ICDS) scheme being implemented in the State failed to achieve the objectives of providing basic services in critical areas like nutrition, health check up and education to pre school children and expectant and lactating mothers. The planning for implementation of the programme was grossly inadequate. Low spending by the Department led to curtailment of central assistance of Rs 35.48 crore. Number of Anganwadi centres, the focal point of delivery of services under the scheme fell short of norm and the centres, which were in operation did not have the basic facilities of safe drinking water, toilets etc. Large scale vacancies among field functionaries seriously affected the services. Supply of supplementary nutrition was not up to the prescribed standard. Severe malnourishment among children persisted at around five *per cent* throughout the period during 2001-06. Health check up and referral services were ineffective due to absence of coordination between the Woman and Child Development and Health and Family Welfare Departments.

Sarva Shiksha Abhiyan

The objective of the SSA to bring back all the children in schools remained largely unachieved as even after four years of the implementation of the scheme, 6.03 lakh children in the 6-14 years age group remained out of school. There were under utilisation of funds due to non-release as well as delay in release of funds to the State Implementing Society. The expenditure incurred was only 34 *per cent* of the approved annual work plans budgets during 2001-05. The required community participation at cluster, block and district level planning was absent. The SIS failed to maintain the norm of 40:1 pupil teacher ratio, which was 43:1 due to vacancy in the posts of 7648 teachers. The norm

of one UP school for every two primary schools was not maintained, as there was shortfall of 640 UP schools in the State. As many as 12829 habitations remained unserved i.e. without primary schools or Education Guarantee Scheme centres within one kilometre. The strategy taken for coverage of special focus groups (girls and SC/ST/urban deprived children) was not adequate. A good number of children with special needs were left without aids and appliances support. Though fund was not a constraint, the implementation of the civil works programme was very slow, resulting in majority of the schools running without basic infrastructure. Core committees for monitoring the implementation of the scheme at the school and village level were not constituted.

Rural Water Supply Schemes

The objective of the Rural Water Supply Schemes to provide potable water to all rural habitations of the State remained unfulfilled. Out of 74021 wells targeted during the period 2001-06, 65680 wells were constructed. Of these, 27316 tube wells were found to be discharging water with high iron/fluoride/chloride contents. Several Piped Water Supply Schemes remained incomplete for one to 14 years due to failure of water sources, deviations during execution, constraints of funds etc. There was a general disregard to the Government's instructions regarding testing the quality of water through trial bores before installation of tube wells. Periodical testing and monitoring of water quality was non-existent. As a result, water quality of about 40 thousand sources in 28016 habitations was unsafe for drinking. While the people in 15 *per cent* of the rural habitations did not have access to minimum needed quantity of water, water provided in 87 *per cent* of the habitations was either unsafe or untested even once. Due to non-supply of safe drinking water, 5.80 lakh people in the State were affected by water borne diseases during 2002-05.

Oil seeds production programme

Implementation of Oilseeds Production Programme (OPP)/Integrated Scheme of Oil Seeds, Pulses, Oil Palm and Maize (ISOPOM) had deficiencies in the State due to short release of funds by the State Government. The supply of certified seeds to the farmers was a meager 10 *per cent* of the target and procurement and sale of old varieties of subsidised TL seeds was found to be extensive in operation. Out of the total expenditure of Rs 19.79 crore during 2001-06 under the programme, subsidy of Rs 10.65 crore was paid on procurement and sale of old varieties of TL seeds. The seed replacement with quality seeds in the State was far below the norms prescribed by the GOI. The planned infrastructure development was grossly neglected at the implementation stage. The oil seed production was much less than the targets fixed for sale by the State Government due to low achievement in seed multiplication ratio and negligible coverage of area under SVS for production of certified oil seeds. The scheme had little impact on the overall production of oil seeds in the State.

Project Tiger

The annual plan of operations for the Project Tiger was prepared on ad-hoc basis. Low budgetary provision and low spending of GOI assistance led to curtailment of GOI assistance. Relocation of families from core areas was way behind the target. Illegal trades and offences had gone unabated. The method of tiger estimation was not reliable. The guidelines issued by the Government for regulating the tourism activities were not followed up. Thus, the main objective of the Project Tiger to protect the wild life and mitigate deleterious human impact was not achieved.

Internal Control system in Cooperation Department

Internal control mechanism in Cooperation Department suffered from several deficiencies. Budgetary and expenditure controls were not effective as evidenced by persistent savings against budget provisions and non-observance of financial discipline in cash management. Operational controls too were ineffective as there were shortfalls in carrying out statutory audits and inspections of co-operative institutions and slow follow up on realisation of dues relating to surcharge cases. Administrative controls were slack, which resulted in dislocations in functioning of the Cooperative Tribunal due to vacancy in the posts of member judge and tardy finalisation of vigilance cases. The internal audit of the department meant for appraising the level of compliance to the departmental rules and procedures and statutory provisions was ineffective.

Transaction Audit findings

Audit of financial transactions, subjected to test-check in various departments of the Government and their field functionaries showed instances of losses, excess payment, unfruitful expenditure of about Rs 111 crore as mentioned below:

Misappropriation of Rs 1.68 crore was noticed in Water Resources Department and infructuous and wasteful expenditure amounted to Rs 0.46 crore in Forest and Environment Department.

Avoidable extra cost, unfruitful expenditure and undue benefit to contractors amounted to Rs 90.11 crore in Rural Development (Rs 28.99 crore), Works (Rs 6.41 crore), Water Resources (Rs 48.08 crore), School and Mass Education (Rs 1.54 crore), Higher Education (Rs 1.30 crore), Housing and Urban Development (Rs 1.14 crore), Cooperation (Rs 2.22 crore) and Panchayati Raj (Rs 43 lakh) Departments.

There were instances of blockage of funds and idle investments of Rs 13.84 crore in Women and Child Development (Rs 4.68 crore), Cooperation (Rs 2.86 crore), Industries (Rs 1.79 crore), Tourism (Rs 1.26 crore), Rural Development (Rs 1.07 crore), Culture (Rs 1.35 crore) and Information and Public Relations (Rs 83 lakh) Departments. Besides, there was irregular expenditure of Rs 4.64 crore in Water Resources

(Rs 2.69 crore), Revenue (Rs 0.99 crore) and Higher Education (Rs 0.96 crore) Departments. Some of the above audit observations are listed below.

Subsidised rice for 1345 MT valuing Rs 1.68 crore received under Food for Work Programme was misappropriated by an Assistant Engineer of Minor Irrigation Division, Sambalpur.

(Paragraph 4.1.1)

Failure to penalise a defaulting contractor by the Executive Engineer (EE), OECF Division No. I, Badajhara and non-initiation of suitable action to recover the outstanding dues led to loss and non-recovery of Rs 34.44 crore.

(Paragraph 4.3.6)

Construction of a cold storage taken up by the Orissa State Cooperative Marketing Federation (Markfed) remained incomplete after incurring expenditure of Rs 2.22 crore in the tribal district of Rayagada and the objective of facilitating the income growth for the tribal people through marketing of tamarind remained unfulfilled for over five years.

(Paragraph 4.4.1)

Item rate of Water Bound Macadam (WBM) under the Pradhan Mantri Gram Sadak Yojana (PMGSY) in the Rural Development Department was computed incorrectly resulting in an undue benefit of Rs 16.07 crore to contractors. Besides, there was excess payment of Rs 11.27 crore to the contractors due to wrong computation of item rate of Granular Sub Base (GSB).

(Paragraphs 4.3.1 and 4.3.2)

Undue financial benefit of Rs 4.39 crore was extended to M/s Orissa Bridge and Construction Corporation by overloading the cement concrete rates with inadmissible items.

(Paragraph 4.3.4)

Commencement of work by the Executive Engineer (EE) Mahanadi-Chitrotpala Island Irrigation (MCII) Division No. II, Cuttack in Water Resources Department without acquiring the required land resulted in an unfruitful expenditure of Rs 7.89 crore.

(Paragraph 4.4.2)

Procurement and installation of Paddy Cleaners and Weighing and bagging machines in the RMCs by the Orissa State Agriculture Marketing Board without ascertaining farmers requirement was not put to use and led to idle expenditure of Rs 1.86 crore. Besides, there was irregular investment of Rupees one crore by the Board in a bank.

(Paragraph 4.5.2)