

OVERVIEW

This Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Orissa for the year 2006-07 and three others comprising five reviews and 38 paragraphs dealing with the results 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 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 Revenue and Disaster Management Department are given below:

Financial position of the State Government

The fiscal position of the State viewed in terms of key fiscal parameters indicates a consistent improvement over the period 2001-07. The revenue surplus during the last two years and a consistent decline in fiscal deficit during 2001-06 and a situation of fiscal surplus during the current year are the pointers towards fiscal consolidation and the stability of the State. Moreover, actual values of various fiscal variables vis-a-vis the projections made by the State Government in its FRBM Act 2005 and in its Fiscal Correction Path as well as in its Medium Term Fiscal Plan also indicate that in case of most of these variables, the State has achieved the targets well ahead of the time lines indicated in documents. However, although the fiscal parameters indicate the improvement in the fiscal health of the State but the expenditure pattern depicts a grim position as revenue expenditure still accounted for 90 *per cent* leaving little room for enhancing the level of capital expenditure in the State. Despite significant improvement in fiscal position of the State and declining ratio of fiscal liabilities to the revenue receipts of the State, 33 *per cent* of the liabilities still had no asset backup as on 31st March 2007.

Performance of Integrated Tribal Development Agencies

Integrated Tribal Development Agencies (ITDAs) were set up to implement schemes for socio-economic development of the tribal population in the State. The ITDAs did not have a complete list of Scheduled Tribe families living below the poverty line (BPL). Long term area specific micro-planning was also absent. Delayed release of funds resulted in carry over of unspent balances. Irregular retention of scheme funds in Personal Ledger (PL) Accounts in the 11 test checked ITDAs contributed to loss of interest of

Rs 9.21 crore. Special Central Assistance (SCA) funds of Rs 14.11 crore were diverted for works not incidental to income generation. Rupees 7.14 crore was diverted for establishment expenditure and purchase of vehicles though not permissible as per Government of India (GOI) instructions. Under income generation activities, inadmissible subsidy of Rs 2.32 crore was extended to beneficiaries on distribution of agriculture implements, milch cows, goats etc in excess of the prescribed norms under SCA guidelines. Excess expenditure of Rs 19.34 crore was also incurred on 1068 land based projects under SCA (IGS) which eroded the resources for income generating activities. In Rayagada and Koraput ITDAs, there was unfruitful expenditure of Rs 4.25 crore incurred out of Additional Central Assistance (RLTAP) on raising only shade trees without coffee plantations under phase-I and II. All the 11 test checked vocational training centres were closed during 2004-05 for want of funds due to non-receipt from Government of India because of pending utilisation certificates. Primary School Hostels lacked minimum amenities. Number of meetings by the District Level Monitoring Committee and Project Level Committee were small indicating inadequate involvement and concern towards monitoring.

Administration of Jails

Performance audit of administration of jails of the State showed that GOI funds of Rs 32.20 crore under 'Modernisation of prisons' were retained in civil deposits up to 17 months and there was delay in release of State share up to 24 months. Seven new sub-jails and 15 additional wards in the existing jails constructed for 3440 prisoners at a cost of Rs 19.74 crore were not used for periods upto 13 years. Prison escape and entry of prohibited articles to jails increased and 47 out of 77 prisoners escaped during 2002-07 were not recaptured. Thirty prisoners released on parole and furloughs were not brought back to jails for periods from two to five years. Regular doctors were not available in 52 out of 70 jails of the State. Equitable wages for prisoners were not fixed. Mentally ill prisoners were not sent to psychiatric hospitals / mental asylums despite instructions of the Government. New Sub-jails constructed / under construction did not conform to the specifications prescribed in Orissa Jail Manual and Model Prison Manual. Rehabilitation measures were not adequate.

NABARD Assisted Medium and Minor Irrigation Projects

The objective of augmenting the irrigation potential remained unfulfilled despite availing loan assistance from National Bank for Agriculture and Rural Development (NABARD). The Department could only complete 50 *per cent* of the projects with investment of Rs 316.92 crore and the achievement of irrigation potential created was 45 *per cent* of the target as of March 2007. There was cost escalation of Rs 58.31 crore in four Medium and 10 MI projects due to time-overrun caused by faulty estimates, improper planning in execution, execution of projects without acquisition of private / forest land and

inadequate monitoring. Extra expenditure of Rs 33.68 crore was incurred due to irregular adoption of Schedule of Rates of Water Resources Department, improper planning in execution, award of works to the Orissa Construction Corporation without tender in excess over estimated cost, execution of work in deviation from approved design, left over works through other agencies and irregular adoption of lead charges. Besides, instances of undue financial benefits to contractors aggregating Rs 6.23 crore were also noticed.

IT Systems of Orissa Primary Education Programme Authority (OPEPA)

The performance audit of different IT systems developed by the OPEPA disclosed deficiencies in the System Development planning when adhoc and arbitrary approaches were adopted. There were various rounds for the collection and feeding of data in a computerised system but each was marred by the improper planning which resulted in the incomplete capture of information. The systems developed also had deficient application controls leading to incorrect data in the database.

The controls on the input through the ICR could not be exercised leading to incorrect inputs into the database. The use of the ICR technology itself was not justifiable as it was a costly alternative and was adopted on incorrect basis. More than 24 lakh records pertaining to child less household were collected and input into the system leading to excess expenditure. The adoption of ICR technology led to development of an unreliable, inconsistent and erroneous database of children at a cost of Rs 5.05 crore during OCC-2005. The CTSVU-2006 system developed at a cost of Rs 2.76 crore to rebuild the database of OCC-2005 also failed due to defective software, absence of supervision and monitoring.

The implementation of EPIS and the GIS remained incomplete due to faulty planning after incurring expenditure of Rs 2.64 crore.

Internal Control system in Revenue and Disaster Management Department

The budgetary and expenditure controls as envisaged in the Orissa Budget Manual were not adhered to leading to persistent savings against budgeted provisions, surrenders not conforming to the final savings and rush of expenditure in the last quarter of the financial years. There were delays in disposal of mutation cases due to non-adherence to the provisions of the mutation manual by the tehsildars. The Inspector General of Registration had not issued any internal control parameters for computerised system to be followed by the registration offices. Due to lukewarm approach of the tehsildars and non constitution of working committees at tehsil level, status of 3.81 lakh acres of Bhoodan land was yet to be determined for distribution to beneficiaries for a long time. Benchmark valuation guidelines of the districts could not be finalised in all districts due to inefficient functioning of the

committee at the tehsil and district levels and absence of monitoring at the State level. Administrative controls were weak, as the vigilance cases were not timely pursued. Internal audit was ineffective as number of audit reports were pending for issue. Large number of undervaluation cases involving Rs 23.49 crore detected by the internal audit of the department were yet to be settled.

Transaction Audit findings

Audit of financial transactions, subjected to test-check in various departments of the Government and their field functionaries showed instances of misappropriations, losses, excess payment, unfruitful expenditure of about Rs 139 crore as mentioned below:

Misappropriation of Rs 6.54 crore was noticed in Water Resources Department. Besides, there were instances of misutilisation of Government funds and loss of Rs 5.38 crore in Revenue and Disaster (Rs 2.69 crore), Panchayati Raj (Rs 2.37 crore) and Agriculture (Rs 32 lakh) Departments.

Avoidable extra cost, unfruitful expenditure and undue benefit to contractors amounting to Rs 116.22 crore was noticed in Rural Development (Rs 42.47 crore), Water Resources (Rs 32.53 crore), Works (Rs 29.13 crore), Co-operation (Rs 6.91 crore), Revenue and Disaster (Rs 4.64 crore), Health and Family Welfare (Rs 4.88 crore) and Industries (Rs 30 lakh) Departments.

There were instances of blockage of funds and idle investments of Rs 10.47 crore in Health and Family Welfare (Rs 5.02 crore), School and Mass Education (Rs 3.64 crore) and Agriculture (Rs 1.81 crore) Departments.

Some of the important audit observations are listed below.

Subsidised rice of 4185.57 MT was issued under Food for Work (FFW) programme to contractors without sanctioned estimates, agreements and work orders resulting in misappropriation of Rs 4.94 crore in Puri Irrigation Division.

(Paragraph 4.1.1)

Misappropriation of subsidised rice for Rs 1.39 crore and excess payment of Rs 21.20 lakh due to non-deduction of settlement allowance from earthwork and non-recovery of cost of empty rice bags for construction of Gobkund cut double embankment under the FFW programme in Puri Irrigation Division were noticed.

(Paragraph 4.1.2)

Deficiencies and lapses in implementation of Special IAY scheme by the BDO, Barachana resulted in misuse of funds and other irregularities to the tune of Rs 2.37 crore.

(Paragraph 4.1.3)

Failure to enforce the conditions of the contracts by Orissa State Disaster Mitigation Authority (OSDMA) and Executive Engineer, Jagatsinghpur, R&B

Division in the work “repair and reconstruction of the Purijena-Kothi-Ersama-Naubelari road” led to loss of Rs 1.91 crore and non-realisation of penalty of Rs 77.74 lakh from the contractors.

(Paragraph 4.1.4)

Non-completion of the restoration works of Kandarpur Machhagaon road executed by Executive Engineer, Jagatsinghpur (R&B) Division through Orissa Bridge & Construction Corporation led to extra cost of Rs 12.51 crore and avoidable maintenance cost of Rs 53.55 lakh.

(Paragraph 4.2.1)

Due to continuation of Orissa State Cooperative Bank as an intermediate agency handling NABARD finance notwithstanding Parliament’s amendment authorising such abolition, the farmers in the State had to bear avoidable interest burden of Rs 4.06 crore and the State had to provide subvention of Rs 2.85 crore to its apex co-operative bank with no value addition to the banking services.

(Paragraph 4.4.1)

Roads constructed by 15 Rural Works divisions at a cost of Rs 42.47 crore under Pradhan Mantri Gram Sadak Yojana did not provide all weather connectivity to the targeted habitations due to non-construction of bridges.

(Paragraph 4.4.5)

Unauthorised issue of works advance and payment at higher rates for cement concrete items by the Executive Engineer, Left Canal Division III, Dharamgarh for construction of cross drainage structure of Golamunda distributary across river Tel near Dharamgarh led to excess payment of Rs 10.79 crore to the Orissa Construction Corporation.

(Paragraph 4.4.6)

Machines and equipment worth Rs 5.02 crore procured by the Director of Health Services for eight Regional Diagnostic Centres remained idle due to non-enforcement of purchase conditions and absence of appropriate manpower and accessories.

(Paragraph 4.5.1)