OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the State Government for the year 2002-2003. The next three chapters comprise four reviews, two long paragraphs and 35 paragraphs on individual transactions based on the audit of selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented in this overview.

1. An overview of the Finances of the State Government

Large Revenue and Fiscal Deficits year after year indicated continued macro imbalances in the State. The deficits, however, declined in the current year mainly due to more receipts from Government of India coupled with low growth in revenue expenditure.

Revenue receipts of the State increased from Rs.4554 crore in 1998-99 to Rs.8439 crore in 2002-03. The increase was substantial during 2002-03 mainly due to higher Central transfer and receipt of more interest and dividends from the PSUs.

Revenue expenditure accounted for 88 *per cent* of the total expenditure. During 2002-03, revenue expenditure grew by 1.35 *per cent* against the average annual growth of 12.50 *per cent* during past five years. The low growth in the current year was mainly due to less maintenance expenditure under Public Works, less transfer to Calamity Relief Fund and lower growth in interest payment.

The interest payments increased at an average annual growth of 23 *per cent* from Rs.1485 crore in 1998-99 to Rs.2886 crore in 2002-03 due to continued reliance on borrowings. The increase in the current year was, however, marginal (1.80 *per cent*) mainly due to lower rate of interest on GPF and GOI loans.

Capital expenditure declined from 11.82 *per cent* in 1998-99 to 9.69 *per cent* in 2002-03. There was also a decline in the share of developmental expenditure during the period.

At the end of 2002-03, the total investment in statutory corporations, Government companies etc. worked out to Rs.1519.39 crore. Use of high cost borrowing for investments, which yield very little, indicates an implicit subsidy.

(Paragraphs 1.1 to 1.11)

2. Allocative priorities and appropriation

Against the total budget provision of Rs.22913 crore including supplementary provision, expenditure of Rs.21278 crore was incurred during 2002-03. The overall savings of Rs.1636 crore was the net result of saving of Rs.3705 crore in 37 grants and 2 appropriations offset by excess of Rs.2069 crore in 3 grants and 2 appropriations. The excess relating to 3 grants and 2 appropriations requires regularisation under Article 205 of the Constitution of India.

Expenditure was inflated to the extent of Rs.317.11 crore, as monies were drawn and deposited into Personal Ledger Accounts or Civil Deposits without any expenditure.

Persistent savings ranging from 12 to 100 *per cent* occurred in 20 grants over a period of three years.

Advance from the Contingency Fund aggregating Rs.94.66 crore remained un-recouped for periods of 1 to over 15 years.

(Paragraphs 2.2 to 2.7)

3. Functioning of Utkal University

Very large amounts of money received by the Post Graduate Departments and other units such as the, Distance and Continuing Education, Law College etc. were retained by these units without depositing them into the General Fund of the University. The result was uncontrolled decentralisation of authority and dilution of responsibility in respect of receipts and expenditure. There was hardly any control over such expenditure by the Comptroller of Finance, the Vice-Chancellor or the Syndicate.

The main centralised cash book was not maintained up to 1999-2000. The accounts were inaccurate and incomplete in as much as they did not capture all receipts and expenditure. The budget head-wise actual figures of receipts and expenditure of any particular year were reflected only in the budget of the second subsequent year.

The Post Graduate Departments collected seminar fees of Rs.25.73 lakh from the students at the rate of Rs.2000 to Rs.5000 per student per annum without any authority and did not keep any proper account thereof. There was lack of transparency in the system of incurring expenditure on examinations. Payment of Rs.1.92 crore was made to the printers of question papers and computer firms in cash. The rate was fixed arbitrarily without inviting quotations or obtaining approval of the Syndicate. Lakhs of rupees advanced to the Controller of Examinations were deposited to his personal bank account.

Excess payment of Rs.1.82 crore was made to the staff towards medical allowance contravening conditions of the Block Grant given by the State Government. There was less realisation of Rs.3.39 crore from the staff towards electricity and water charges. The advances outstanding with the staff, colleges, supplier firms etc. amounted to Rs.21.41 crore as of 31 March 2003. No records were maintained to watch the recovery.

OSPHWC was unduly favoured by being entrusted with works of UGC assisted projects though the guidelines of UGC stipulated execution of such works only through PWD/CPWD. Rupees 10.23 lakh were advanced to this organisation during 1996-97 for construction of Symposium/Seminar building before selection of site. The construction of building was taken up in July 2003.

An amount of Rs.1.08 crore was advanced to the warden of the PG Hostel for construction and repair of building and purchase of equipment while there was a Development Officer for such activity. Moreover, the payment was made without any requirement. The relevant account was not produced to audit.

The UGC grant of Rs.1.35 crore meant for Campus Development was spent on repair works not covered under the programme. Similarly, UGC grant of Rs.21.40 lakh meant for procurement of equipment was utilised on procurement of furniture and fixtures.

(Paragraph 3.1)

4. Review on Implementation of Drugs and Cosmetics Act, 1940

Review of the implementation of the Drugs and Cosmetics Act, 1940 in the State during 1998-2003 revealed several deficiencies in the enforcement of the provisions of the Act. Though not permitted under the Act, conditional licences were issued to drug manufacturers, medicine shops, blood banks and manufacturers of large volume parenterals. Some of these establishments were allowed to run without valid licences.

Inspection of the licensees' premises was highly inadequate, the shortfall with reference to the prescribed norms ranging between 73 and 84 *per cent* in the allopathic sector, 97 and cent *per cent* in the homoeopathic sector and 63 and 79 *per cent* in the ayurvedic sector.

No drug samples were drawn for testing in the homoeopathic and the ayurvedic sectors due to the absence of any testing laboratory in the State. The Central Government funds received for purchase of equipment for such testing laboratories were lying unutilised. The State Drug Testing and Research Laboratory at Bhubaneswar failed to test all types of allopathic drugs due to lack of infrastructure and reference standards.

Effective steps were not taken by the State Drug Control Organisation in allopathic sector to recall 419 batches of drugs of non-standard quality from the market and to prosecute the offenders as per the Act/Rules. The DC failed to take action against a manufacturer who supplied 143 lakh tablets of anti TB drug of non-standard quality for use in Hospitals/Dispensaries due to conflicting results of test reports by the State and the Central Drug Testing Laboratories.

No prosecution could be launched against the manufacturers and suppliers who supplied 365 batches of non-standard drugs to Government Hospitals/Dispensaries under the Central Purchase System owing to the failure on the part of the concerned Drug Inspectors to collect statutory samples.

There were several instances of sub-standard drugs being allowed to be marketed owing to failure to undertake tests or to get the test results in time.

(Paragraph 3.2)

5. Prevention and Control of Fire

Fire prevention and related safety measures are an integral part of town planning and building construction. Fire services are the first responder to save life and property from fire accidents. Though the Orissa Fire Service Act has been enacted in December 1993, penalty could not be imposed on defaulters who violated fire safety measures as the necessary Rules were not framed. Because of non-framing of rules, adherence to fire safety norms by the builders and occupiers of high rise buildings and other fire prone premises could not be ensured.

LPG bottling plants and storage houses, which are major fire hazards were not at all inspected from fire safety point of view.

Incidence of fire and loss of human lives were on the rise despite opening of 39 new fire stations. Two fire stations were opened at places which did not satisfy the relevant criteria. One district headquarters did not have a fire station.

While the fire service in the State had not gone for the much needed upgradation of communication system estimated to cost Rs.23.60 lakh, as much as Rs.7.74 crore were spent for procurement of vehicles which were in excess of requirement and for which even drivers were not available. Fourteen new fire stations were not provided with telephones.

A highly specialised sky-lift for fire fighting and rescue in high rise buildings purchased for Rs.2.72 crore in April 1999 was never put to use. In fact, it is of quite doubtful utility because of low electric lines and lack of movement space around high rise buildings. Similarly, three rescue tenders costing Rs.24.34 lakh and purchased during 1986-89 were never utilised, not even during the Super-cyclone of October 1999.

The utilisation of capacity of the training institute was very poor during the period under review.

(Paragraph 3.3)

6. Accelerated Irrigation Benefit Programme (AIBP)

AIBP was launched during 1996-97 with the objective of accelerating the completion of ongoing irrigation/multipurpose projects on which substantial investments had already been made and which were beyond the resource capacity of the State Government. A review of the programme revealed serious failure of expenditure control and wide spread mismanagement of funds involving significant excess/undue payments to contractors and extra, unauthorised and wasteful expenditure amounting to Rs.329.45 crore which was 32 *per cent* of the total expenditure of Rs.1040.25 crore during 1996-2003. Additional irrigation potential of 1.83 lakh ha. was to be created under the programme through completion of six Major Irrigation Projects (under progress) and four Major, one Medium and twenty-two Minor Irrigation Projects (all new) between 1996 and 2003 with estimated cost of Rs.1018.25 crore. Only 0.48 lakh ha. of additional irrigation potential could be created.

Abandonment of the Subarnarekha Irrigation Project and uncertainty in completion of Right Bank Canal of Rengali Irrigation Project rendered an expenditure of Rs.478.03 crore wasteful.

Excess payment, undue benefits to contractors and extra expenditure amounting to Rs.14.90 crore was incurred in execution of canal works of Upper Indravati Irrigation Project.

Non-acceptance of lowest valid tender and extension of undue benefits to contractors led to wasteful expenditure of Rs.6.93 crore in gate works of Naraj Barrage Irrigation Project.

Expenditure of Rs.3.94 crore was incurred by diverting funds for activities beyond the scope of AIBP.

Extension of undue benefits to contractors and extra expenditure in the canal works of Upper Kolab Irrigation Project led to wasteful expenditure of Rs.3.30 crore.

Construction of roads on the canal embankment of Potteru Irrigation Project with unwarranted higher specification resulted in extra expenditure of Rs.1.45 crore.

(Paragraph 3.4)

7. Welfare of the Handicapped

The Persons with Disabilities (PWD) Act, 1995 whose objective is the welfare of the handicapped, extends certain statutory safeguards to the disabled. But the State Government did not frame the Rules under PWD Act thereby hampering the implementation of the Act nor was a full time Commissioner for the PWD appointed. The State Co-ordination Committee, the apex co-ordinating and directing body in the State for implementing the Act never met since its constitution in 1997. Consequently, the State Executive Committee could not function adequately.

The shortcomings include shortfall in the training of Government Medical Officers in disability management and poor implementation of the scheme of integrated education for the disabled children. Timely release of funds by the Government of India could not be ensured owing to delay on the part of the State Government in submission of utilisation certificates and budget proposals. Jobs were not identified and specific points in the 80 point roster for recruitment by the State Government were not earmarked for PWDs. During 1998-99 and 1999-2000, budget provision of Rs.23.27 lakh made for supply of aids and appliances to the PWD was allowed to lapse which would have sufficed for around 1900 disabled persons. Rs.1.45 crore received from the National Handicapped and Finance Development Corporation was misutilised by the Mahila Vikas Samabaya Nigam by investing the same in banks instead of advancing loans to disabled beneficiaries. The amount of Rs.3.79 crore received by the Women and Child Development Department during 1999-2003 from the Government of India for implementation of the national programme for rehabilitation of PWDs remained mostly unutilised.

The School for the Blind run by the State Government (SME Department) is without the services of any headmaster and three teachers, out of the sanctioned strength of 14 teachers. In the School for the Deaf, also run by the SME Department, there is no group hearing aid and only 40 individual hearing aids for 130 students.

(Paragraph 3.5)

8. Execution of works by Orissa Bridge and Construction Corporation (OBCC)

Despite preferential treatments from Government by way of huge advances and price preference in open bidding, the OBCC incurred losses in successive years due to poor operational performance.

As against 82 works taken up, the Corporation could complete only 18 works as of 2002-03. Thirteen works remained incomplete even after lapse of four to fifteen years rendering the expenditure of Rs.28.69 crore unfruitful. Abandonment of works led to extra liability of Rs.4.67 crore. As of March 2003, advances of Rs.155.65 crore remained outstanding.

The Corporation unauthorisedly retained Government revenue of Rs.3.01 crore and sustained loss of Rs.51.15 lakh on idle wages of staff deployed for collection of toll.

(Paragraph 3.6)

9. Fraudulent drawal/misappropriation/embezzlement/losses

Twenty three Collectors failed to obtain accounts for the advances and the paid vouchers amounting to Rs.4.35 crore. The period of pendency in adjustment ranged upto 47 years. Paid vouchers of Rs.59 lakh could not be produced to Audit.

(Paragraph 4.1.1)

Negligence of Executive Engineer by acceptance of forged Bank Guarantee at the time of drawal of agreement and failure to secure the advances resulted in loss of Rs.50.69 lakh.

(Paragraph 4.1.4)

10. Infructuous/Wasteful expenditure and overpayment

The Oil Palm Development Programme involving oil palm plantation and oil extraction failed as dejected farmers destroyed 1656 hectares of plantation due to lack of oil extraction facility. This led to loss of Rs.2.86 crore.

(Paragraph 4.2.1)

Improper preconstruction survey and defective execution of work led to water loss in the reservoir resulting in wasteful expenditure of Rs.7.40 crore apart from depriving irrigation facilities to beneficiaries.

(Paragraph 4.2.2)

Failure of the Executive Engineer to comply with the conditions for acquisition of forest land before execution of work led to stoppage of work and resultant nugatory expenditure of Rs.5.38 crore.

(Paragraph 4.2.3)

Delayed finalisation of the drawings and award of work before finalisation of the drawings by the Executive Engineer led to avoidable extra expenditure of Rs.2.31 crore.

(Paragraph 4.2.4)

Failure of the CE to observe pre-qualification criteria for a bid led to an extra liability of Rs.1.99 crore on retender.

(Paragraph 4.2.5)

Laying of upstream blanket before filling earth in cut-off trench disregarding the technical advice of the Geologist resulted in wasteful expenditure of Rs.1.61 crore.

(Paragraph 4.2.6)

Failure of the CE in approving the bridge designs without taking into account the site condition and the hydraulic particulars led to wasteful expenditure of Rs.89.44 lakh besides extra liability of Rs.83.21 lakh.

(Paragraph 4.2.7)

Unjustified provision for overhead charges on material component in the Schedule of Rate (Electrical) led to overpayment of Rs.50.40 lakh to 65 contractors.

(Paragraph 4.2.8)

11. Violation of contractual obligations/undue favour to contractors

Unrealistic preparation of estimates by Executive Engineers inflated cost of works resulting undue financial benefit of Rs.5.48 crore to National Highway contractors.

(Paragraph 4.3.1)

Construction of wooden foot bridge for transportation of materials by the contractor during construction of High Level Bridge led to extension of undue benefit of Rs.80.87 lakh.

(Paragraph 4.3.4)

12. Idle investment/idle establishment/blockage of funds

Bridge works remained incomplete for periods ranging from three to eight years due to lack of pursuance by the Executive Engineers leading to idle investment of Rs.3.46 crore.

(Paragraph 4.4.1)

Failure of the Executive Engineer to include the tender condition for hiring of available departmental machines by contractors led to loss of revenue of Rs.2.65 crore.

(Paragraph 4.4.2)

Unauthorised retention of Rs.1.54 crore in the shape of lapsed bank drafts and in current accounts of banks by the Director of Sports for 1 to 15 years led to loss of interest of Rs.37.78 lakh.

(Paragraph 4.4.3)

Construction of two patrol boats to safeguard the interests of the traditional fishermen was not completed even after nine years.

(Paragraph 4.4.4)

Construction work of panthasala and the administrative buildings meant for providing support service to the water sports complex at Barkul adjacent to Chilika lake remained incomplete for nearly a decade involving unproductive investment of Rs.90.09 lakh.

(Paragraph 4.4.5)

Placement of fertiliser transport subsidy of Rs.64.36 lakh with OAIC by the DAFP in disregard of the provisions of Agriculture Policy led to unauthorised payment of subsidy of Rs.34.84 lakh besides utilisation of the remaining Rs.29.52 lakh for other purposes.

(Paragraph 4.4.6)

13. Regulatory issues and other points

NCDC assistance of Rs.21.66 lakh meant for primary fishermen's co-operative societies were misutilised for unauthorised purposes. The OSFCF failed to recover loan installments and interest thereon amounting to Rs.1.11 crore from the societies due to improper documentation of loans.

(Paragraph 4.5.1)

Six Collectors unauthorisedly kept land acquisition advance of Rs.35.46 crore in banks and utilised the interest of Rs.70 lakh earned on such bank deposits for contingent expenditure without authority.

(Paragraph 4.5.2)

Printing of the District Census Hand Book 1991 in the departmental press could not be completed even by September 2003 due to delay in commencement of printing and purchase of a faulty offset printing machine.

(Paragraph 4.5.3)

Failure of three Inspectors of Schools to exercise necessary checks led to irregular payment of grants-in-aid of Rs.62.67 lakh to 14 Integral Schools as the schools utilised the same for payment of honorarium to voluntary workers instead of salary to teachers.

(Paragraph 4.5.4)

Eleven RTOs used receipts on account of motor vehicle tax towards contingent expenditure contravening codal provisions and undermining legislative control over Government expenditure.

(Paragraph 4.5.5)

14. Internal Audit System

The audit set-up in the State has four separate organisations namely Cadre Audit, Local Fund Audit, Efficiency Audit and Gram Panchayat Audit. Common Cadre Audit was separate for each department and undertakes audit of subordinate offices of the concerned department. Efficiency Audit conducts selected evaluation studies. Local Fund Audit conducts audit of the accounts of Local Bodies, both rural and urban. The audit of Gram Panchayats is done by Gram Panchayat Audit unit.

There was no manual of internal audit. The on site supervision of such audit was inadequate. There was enormous delay in issue of audit reports. The compliance to audit reports was either lacking or delayed. The follow up of audit reports too was poor. Thus, though the internal audit was undertaken, it should improve in terms of efficiency and effectiveness.

(Paragraph 5.1)