

# Chapter 1

## Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Odisha relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments and Autonomous Bodies.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings 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, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable Rules, Laws, Regulations and various orders and instructions issued by the competent authorities are being complied-with.

Performance audit examines the extent to which the objectives of an organisation, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides the auditee profile, the planning and extent of audit, a synopsis of the significant audit observations and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of Performance Audits and Chapter 3 deals with Compliance Audit of various departments and Autonomous Bodies.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

### 1.2 Auditee profile

There were 38 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Commissioner-cum-Secretaries, assisted by Directors and Sub-ordinate Officers. All the offices of these departments including 216 Autonomous Bodies were under the audit jurisdiction of the Accountant General (Civil Audit) and Accountant General (Commercial, Works and Receipt Audit).

The comparative position of expenditure incurred by the Government of Odisha during 2010-11 and in preceding two years is given in **Table 1.1**.

**Table 1.1: Comparative position of expenditure**

**(Rupees in crore)**

Particulars	2008-09			2009-10			2010-11		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
<b>Revenue Expenditure</b>									
General Services	52.92	6908.95	6961.87	80.83	9204.32	9285.15	78.77	9858.00	9936.77
Social Services	2598.00	5686.41	8284.41	3236.51	6601.70	9838.21	4249.09	7672.92	11922.01
Economic Services	2657.11	2893.97	5551.08	2297.75	3464.65	5762.40	3064.81	4012.75	7077.56
Grants-in-aid	--	392.76	392.76	--	405.82	405.82	--	431.61	431.61
<b>Total</b>	<b>5308.03</b>	<b>15882.09</b>	<b>21190.12</b>	<b>5615.09</b>	<b>19676.49</b>	<b>25291.58</b>	<b>7392.67</b>	<b>21975.28</b>	<b>29367.95</b>
<b>Capital Expenditure</b>									
Capital Outlay	3570.63	208.54	3779.17	3256.76	391.12	3647.88	4156.51	128.59	4285.10
Loans and Advances disbursed	55.50	155.47	210.97	23.98	88.50	112.48	205.67	109.02	314.69
Repayment of Public Debt	#	#	1492.61	#	#	1488.69	#	#	2083.58
Public Account disbursement	#	#	10895.52	#	#	9849.43	#	#	11407.85
<b>Total</b>	<b>3626.13</b>	<b>364.01</b>	<b>16378.27</b>	<b>3280.74</b>	<b>479.62</b>	<b>15098.48</b>	<b>4362.18</b>	<b>237.61</b>	<b>18091.22</b>
<b>Grand Total</b>	<b>8934.16</b>	<b>16246.10</b>	<b>37568.39</b>	<b>8895.83</b>	<b>20156.11</b>	<b>40390.06</b>	<b>11754.85</b>	<b>22212.89</b>	<b>47459.17</b>

# Figures for plan and non plan not available in the Finance Accounts

(Source: Finance Accounts of the respective years)

### **1.3 Authority for audit**

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act 1971. C&AG conducts audit of expenditure of the departments of Government of Odisha under section 13<sup>1</sup> of the C&AG's (DPC) Act 1971. C&AG is the sole auditor in respect of 32 Autonomous Bodies<sup>2</sup> which are audited under section 20 (1) of the said Act. In addition, C&AG also conducts audit of 184 other Autonomous Bodies substantially funded by the State Government. C&AG's audit jurisdiction also covers the Urban Local Bodies and Panchayati Raj Institutions. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the C&AG.

### **1.4 Organisational Structure of the Accountant General (Civil Audit) and Accountant General (CW&RA), Odisha**

Under the directives of the C&AG, the expenditure audit of 33 out of 38 departments of the State Government and the Autonomous Bodies financed by

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts

<sup>2</sup> 30 District Legal Services authorities, one State Legal Services Authority and one Odisha Forestry Sector Development Corporation.

the State Government are conducted by the office of the Accountant General (Civil Audit). Audit of remaining five Departments<sup>3</sup> are conducted by the office of the Accountant General (CW&RA). The audit of Urban Local Bodies and Panchayati Raj Institutions is being conducted by Senior Deputy Accountant General (Local Bodies Audit and Accounts) under the supervision of Accountant General (Civil Audit).

## **1.5 Planning and conduct of audit**

Audit process starts with the risk assessment of the Department / Organisation as a whole and that of each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports which are submitted to the Governor of Odisha under Article 151 of the Constitution of India.

During 2010-11, 8617 party-days were used for Compliance Audit of 1380 out of 5043 units of various departments / organisations / local bodies / autonomous bodies and 1007 party-days were utilised for Performance Audits in which 175 units were partly covered. The audit plan covered those units / entities which were vulnerable to significant risks as per our assessment.

## **1.6 Significant observations of performance audits**

This report contains four Performance Audits. The focus has been auditing the specific programmes / schemes and offering suitable recommendations, with the intentions to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

### ***1.6.1 Acquisition and allotment of land***

Performance Audit of 'Acquisition and allotment of land' revealed that area under cultivation was reduced by 1.17 lakh hectares during 2005-10 while land put to non-agricultural use increased by 2.99 lakh hectares in the State during the same period. The Revenue and Disaster Management Department provided 50276.887 acres of land including 33355.127 acres (66.34 per cent)

<sup>3</sup> Works, Water Resources, Rural Development and Housing and Urban Development Department (Public Health Engineering Wing), Forest and Environment.

of acquired private land to 107 promoters / companies for setting up of industries in 16 districts.

Our scrutiny in six districts in respect of promoters / companies / Public Private Partnership Projects (PPPs) leaves enough doubt regarding fulfillment of the “public purpose” clause as defined in the Land Acquisition (LA) Act in all these cases as in none of the case, cost of compensation was even partially borne by the Government. The Department misused the emergency provision under Section 17 (4) in many cases depriving the likely land-losers of the opportunity to be heard.

Neither any land-use policy was framed nor any scale for assessing the requirement of land for different industries of different capacity was prescribed (November 2011). There were delays in finalising land acquisition proceedings and payment of compensation to the land-losers.

Fixing of market value of land on lower side by Land Acquisition Officers (LAOs) / Special LAOs tended to help the land buyers, most often industries, at the cost of land-losers, most often farmers. Under assessment of compensation by ₹ 224.29 crore was noticed in 35 instances of acquisition of 4003.481 acres of land (value: ₹ 591.47 crore) for 10 entrepreneurs / industries and one autonomous body due to erroneous fixation of market value of land. The LAOs/Special LAOs ignored highest sales statistics close to the date of publication of notice in many instances while same was not considered in many other instances. There was under-assessment of additional compensation by ₹ 9.76 crore in 18 LA cases in six districts test checked by us. Compensation towards cost of standing trees was not paid for years. Right to property was restricted in 18 villages of Kalahandi district since 2004 due to imposition of ban by the Collector on sale of land on the ground of expected expansion of an industry. In four LA cases, the compensation awards were not finalised within the statutory period of two years from the date of publication of declaration and land acquisition proceedings lapsed.

In seven instances, though advance possession of 1105.98 acres of land valuing ₹ 7.89 crore was given 10 to 45 years earlier to three central Government establishments, yet lease cases applied had not been finalised leading to extension of undue benefit to such possessors besides non-realisation of Government dues. No time limit was also prescribed for finalisation of lease cases.

We also noticed that 1141.979 acres of Government land (approximate present market value: ₹ 567.31 crore) and 4151.24 acres of acquired private land (approximate present market value: ₹ 2064.67 crore) remained unutilised by the entrepreneurs after expiry of prescribed period and no action was taken to resume the land to the Government or returning the same to the original land-losers, most often farmers.

Misutilisation of allotted land for other purposes was also noticed. Action for prevention of encroachment by Tahasildars was poor and deficient resulting in 1.51 lakh acres of Government land remaining under encroachment (November 2011).

*(Paragraph 2.1)*

### **1.6.2 Scheme for Modernisation of Police Force in the State**

Performance audit of 'Modernisation of Police Force' (MPF) scheme in the State revealed that long term planning to derive optimal benefit from the scheme was not made and annual plans prepared were just a wish-list of various items projected to be purchased rather than being outcome-based. District wise priorities were not considered by obtaining feedback from concerned Superintendents of Police while preparing the plans.

Planning was largely top driven instead of being bottom up. As a result, these plans failed to establish linkages between various independent activities like procurement of weapons and availability of trained personnel, purchase of vehicles and recruitment of drivers and improving operational efficiency by augmenting the facilities at the State Forensic Science Laboratory, improving investigation, intelligence gathering and human resource development by simultaneously ensuring adequate staffing of trained personnel in these activities (like weaponry, mobility, forensic tests etc.). While a high 55 *per cent* of total allocation was utilised on construction of buildings, only 11.5 *per cent* was spent on important activities like communication, computerisation and forensic science which were, however, crucial to improving the operational efficiency and effectiveness of the State Police in dealing with left wing extremism (LWE) activities which was on the rise in the State. Though addressing LWE activities effectively was one of the key objectives of the State police in recent times, key performance indicators for measuring the operational efficiency of the police force was neither prescribed nor even attempted in the AAPs. Absence of key performance indicators as well as Perspective Plan made all purchases adhoc and intuitive rather than scientific.

Sophisticated weapons worth ₹ 14.80 crore were retained at the central arms store at Cuttack without issuing it to the field units, despite large scale shortages of such weapons up to 61 *per cent* in eight test checked districts, on the ground that trained manpower was not available. The shortage of trained manpower to handle sophisticated weapons was 78 *per cent* in the test checked districts.

Despite utilisation of ₹ 7.36 crore on computerisation and communication, police networking and crime data sharing and transmission remained unachieved as the system could not be made operational. Though there was shortage of 1288 vehicles including 423 heavy vehicles, 626 vehicles were issued to training and other establishments for non-operational work. Besides, such shortage was further compounded due to non-availability of drivers for 1343 vehicles (47 *per cent*).

Though ₹ 211.69 crore was released to Odisha State Police Housing and Welfare Corporation (OSPHWC) for execution of 620 residential and non-residential buildings during 2004-11, yet 50 buildings completed during 2009-11 at a cost of ₹ 14.30 crore were not handed over to the user organisations due to want of electrification and non-deployment of police forces; work in respect of 76 buildings were not even started due to non-finalisation of site. Three buildings constructed at a cost of ₹ 1.18 crore were left unused after four to 14 months of being handed over in two test checked districts. No agreement was executed by the Home Department with the OSPHWC stipulating time of completion, quality control and safeguarding the interest of the Government in case of time and cost over-run in case of various infrastructural development works entrusted to it though the same were awarded to it without tender. Due to commencing construction work on a forest land without obtaining forest clearance, ₹ 46.60 lakh incurred on the project 'construction of Indian Reserve Battalion (IRBN) building, Koraput' rendered unfruitful as the work was stopped (January 2008) at the instance of Forest Department. Interest of ₹ 11.38 crore earned on unspent scheme funds was retained by the OSPHWC and the Corporation was in the process of adjusting it, against extra expenditure incurred on MPF works beyond the administratively approved cost. SLEC did not take any step for refund of this amount by the Corporation. Inflated utilisation certificates for ₹ 90.06 crore were furnished to the Government of India (GoI) without actual utilisation even as the money was actually lying in the bank account of OSPHWC and five other executing agencies.

There was eight to 25 month delay in sending analysis reports of forensic tests to police mainly due to shortage of required manpower at State Forensic Science Laboratory. The State has shortage of 43108 home guards (73 per cent) in the State.

During 2004-2010, overall acquittal rate (1.72 per cent) in cases filed by police was greater than four times of the conviction rate (0.47 per cent). This raises doubts about the quality of investigation even when average number of crimes investigated worked out to be 52 per PS / OP / BH per annum (one case per week) and 11 per Assistant Sub-Inspector /Sub-Inspector per annum (about one case per month), which appears to be very low.

Left wing extremism attacks were on the rise from 2008 onwards. As the striking capability of State police force did not increase effectively to counter these attacks, despite various interventions through the scheme, casualties resulting from LWE had also gone up. Factors affecting the efficiency and striking capabilities of State police was found by us to be large scale vacancies, inadequate training, and inadequate mobility support. But these were not appropriately factored in while preparing the Annual Action Plans. The problems were exacerbated by the absence of a Perspective Plan with a definite vision and well researched strategies for improving the operational efficiencies of the State police.

Though high lead time in procurement and below average responsiveness in construction and up-gradation activities were adversely reported in the impact

analysis survey report (January - March 2010) of Bureau of Police Research and Development (BPRD), yet the issues remained largely unaddressed.

The State Level Empowering Committee (SLEC) headed by the Chief Secretary, which was supposed to monitor the implementation of the scheme and give requisite directions to address critical bottlenecks in the implementation of the scheme, was found wanting in exercising requisite oversight.

*(Paragraph 2.2)*

### **1.6.3 Performance Audit of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)**

Performance Audit of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched by the Government of India (GoI) in December 2005 for planned development of 63 identified cities of the country including Bhubaneswar and Puri of Odisha revealed that there was inadequate planning in prioritising the projects included in the City Development Plans (CDPs).

While Project Implementation Units (PIUs) to provide technical support to manage, co-ordinate and implement were not set up in the Urban Local Bodies (ULBs), the Mission's crucial positions in the Programme Management Unit (PMU) at State Level outsourced to Academic Staff College of India remained vacant for years.

The State level as well as ULB level reforms agreed to in the Memorandum of Agreement with the GoI were not implemented in true spirit. The Government went back on its decision (November 2006) for transferring all functions listed in Twelfth Schedule of the Constitution of India to ULBs along with concerned officials on deputation. All functions along with fund and functionaries had not been devolved (November 2011). Community Participation Law empowering Area Sabhas / Ward Councils to be involved in planning and monitoring of developmental activities had not been enacted. Functions like urban planning, regulation of land use, roads and bridges and water supply were yet to be devolved upon the ULBs. Odisha Municipal Accounting Manual prepared through a reputed consultant in line with National Municipal Accounting Manual and vetted by the Comptroller and Auditor General of India since May 2008 was yet to be acted upon by the State Government. Provisions of Odisha Municipal Act had not been amended paving way for maintenance of accounts on double entry accrual based system, though it was the first mandatory ULB level reform to be complied with.

Spending efficiency was poor in all components except for City Bus Service. Second installment of funds could not be availed for water supply and drain projects as of November 2011, when only four months of the mission period was left. For low spending and slow implementation of reform agenda, the State could avail only ₹ 613.78 crore (45 per cent) out of the sanctioned

project cost of ₹ 1365.91 crore (March 2011). Mission funds were not managed properly and there were unauthorised diversion and misutilisation of funds, parking of funds in non-interest bearing accounts and incurring of expenditure on inadmissible components, short / delayed release of ULB share and delay in release of funds to ULBs.

Programme management was deficient and ineffective. It was characterised by low pace of execution of infrastructural development works as well as dwelling units for urban poor, delay in engagement of consultancy and monitoring agencies and undue delay in placing requisition for land acquisition.

Error signals pointed out by Independent Review and Monitoring Agency (IRMA) was not followed up while a Third Party Inspection and Monitoring Agency (TPIMA) was engaged only in March 2011 and whose report on inspection had not been received (November 2011). Instructions flowing from review meetings conducted on all the projects by various senior functionaries of the State Government were seldom attended to on priority.

*(Paragraph 2.3)*

#### **1.6.4 Construction of major Roads and Bridges**

State Highways (SH) - 3687 km and Major District Roads (MDR) - 4057 km and Other District Roads (ODR) - 6813 km which are the important feeders to the National Highways criss-crossing the State. These roads are constructed and improved by the Works Department with funds provided by Government of India (GoI), State Plan/Non-plan and with loans from NABARD through Rural Infrastructure Development Fund (RIDF). We conducted a performance audit of two major roads Naranpur-Duburi (Centrally sponsored project with 50:50 cost sharing between GoI and State Government) and Cuttack-Paradeep (funded by GoI, State Plan and deposits from Odisha Mining Corporation and Paradeep Port Trust) and 42 out of 161 projects covering 19 incomplete/completed bridges and 371 km of MDRs/ODRs financed from RIDF loan.

The objective of providing smooth riding surface on Naranpur-Duburi and Cuttack-Paradeep roads by October 2010/July 2009 for facilitating mining activities and transportation of goods to the Paradeep Port was not achieved due to default in execution by the contractor and non-obtaining of forest clearance.

Under the 166 projects implemented with NABARD loan, improvement of 1,807 km roads and 41 bridges were targeted for completion with investment of ₹ 1683.53 crore (RIDF loan of ₹ 1324.17 crore and State share ₹ 359.36 crore) during 2006-11, of which, 397 km roads and 10 bridges were completed with expenditure of ₹ 275.98 crore as of March 2011. The remaining projects were in progress with expenditure of ₹ 527.39 crore. The non-achievement of the targets was attributed to revision of designs during execution, non-acquisition of land and default in execution by the contractors.

Institutional strengthening action plan (ISAP) approved in 2008 with the objective of developing a State wide perspective plan for expanding and strengthening road network in the State was implemented only to the extent of outsourcing technical assistance service for establishing an assets management service. With this limited action only and without translating broad plan parameters into actionable goals, ISAP had remained practically dormant as of February 2012.

The CE prioritised the projects at his level without obtaining appropriate inputs from the EEs who were primarily responsible for the implementation of the projects. Consequently, selection of the road stretches for improvement without considering the missing links led to five projects either being stopped midway or all-weather communication not getting established.

For three projects (two major roads and one bridge project), the CE adopted varied agreement formats as different from the codified F<sub>2</sub> item rate format of the State Government. The concurrence of the Finance and Law Departments, though mandatory, was not obtained for this deviation for two projects. In the other project concurrence of only Finance Department was obtained and approval of the Law Department was not obtained. Despite departure from standardised agreement formats and conditions which facilitated extra benefit to the contractors, competitiveness of the bids was not enhanced.

The total excess payment/undue benefit to contractors and extra expenditure and unfruitful expenditure on implementation of the two roads and NABARD assisted projects was ₹ 407.48 crore.

*(Paragraph 2.4)*

## **1.7 Significant audit observations of compliance audit**

Audit observed several significant deficiencies in critical areas which had adverse impact on effective functioning of the Government Departments / Organisations. Key audit findings of compliance issues reported are as under:

In violation of Government instructions, in six districts, eight Land Acquisition Officers (LAOs) failed to deposit establishment charges of ₹ 21.55 crore in Government account and 10 LAOs kept advance land acquisition compensation money of ₹ 2016.69 crore in bank accounts instead of depositing the same into Civil Deposits under Government Account. Instances of diversion and misutilisation of establishment contingencies (₹ 35.68 lakh), non accountal of accrued interest (₹ 11.24 crore) in cash books and unauthorised retention of interest (₹ 14.33 crore) earned by LAOs outside the Government account were also noticed. Besides, Fees of ₹ 68.02 lakh received in respect of incidental charges for allotment of Government land were utilised for miscellaneous purposes under Jagatsinghpur Collectorate reflecting poor and non-transparent management of these funds.

*(Paragraph 3.1)*

Material valuing ₹ 308.08 crore were procured by the Executive Engineers (EEs) for Rural Piped Water Supply Schemes deviating rules and executive instructions.

*(Paragraph 3.2)*

During 2005-11, there was curtailment of Central assistance to the tune of ₹ 190.72 crore due to low spending of the available scheme funds by the implementing agencies of Panchayati Raj Departments in respect of two centrally sponsored / central plan schemes .

*(Paragraph 3.3)*

Security Deposit of contractors amounting to ₹ 119.87 crore kept outside the Public Account of Government of Odisha.

*(Paragraph 3.4)*

Executive Engineer, Bhubaneswar (R&B) Division No.I drew ₹ 15.87 crore from the treasury without immediate requirement to avoid lapse of budget and retained the amount in civil deposits in disregard of the financial rules.

*(Paragraph 3.5)*

Water Resources Department allotted 35 works to OCC during 2008-11, without following tender process, at a negotiated cost of ₹ 278.17 crore including 15 *per cent* overhead charges on estimate prepared at market rates (₹ 249.79 crore) as against an estimated cost of ₹ 224.89 crore as per the Schedule of Rates (SoR) which were already been loaded with 10 *per cent* overhead charges. This resulted in avoidable loss of ₹ 53.28 crore to the State exchequer and undue benefit to OCC to this extent. Besides, though OCC had to execute the works departmentally, yet it subcontracted the works.

*(Paragraph 3.6)*

Non-completion of Minor Irrigation Projects due to non-acquisition of land resulted in blockage of funds of ₹ 3.43 crore without yielding the desired benefit of providing irrigation

*(Paragraph 3.7)*

Non-completion of the Urban Water Supply Systems due to Departmental lapses and default in execution by the contractors led to blockage of funds of ₹ 14.02 crore.

*(Paragraph 3.8)*

Non-realisation of ₹ 7.29 crore towards Wildlife Management Plan Fund.

*(Paragraph 3.9)*

Non-realisation of Net Present Value (NPV) of ₹ 6.40 crore for diversion of forest land.

*(Paragraph 3.10)*

Due to repeated non-observance of codal provisions and prescribed accounting procedure by the Project Administrators of five Integrated Tribal Development Agencies, advances for ₹ 6.56 crore remained outstanding for periods up to 15 years without adjustment or recovery / recoupment from those who had been given the advances.

*(Paragraph 3.11)*

The Project Administrators of three ITDAs (Balliguda, Koraput and Thuamul Rampur) constructed 45 hostel buildings meant for Scheduled Tribe girl students at a cost of ₹ 3.43 crore without ensuring provision of mandatory basic amenities like toilet, water supply, sanitation and electricity connection. 14 buildings were not handed over and were lying unused upto three years while 31 such buildings (including six buildings not officially handed over) were housing 5866 boarders despite absence of such amenities.

*(Paragraph 3.12)*

Construction of building for the Biju Patnaik Sanskriti Bhavan at Berhampur could not be started even after seven years of the foundation stone being laid by the Chief Minister due to initial failure of the Director, Culture to inspect and survey the site properly leading to blockage of ₹ 1.35 crore. Similarly, expenditure of ₹ 78.62 lakh incurred by IDCO on construction of building for Kalamandal at Bhubaneswar was found to be wasteful as the land on which construction of building was carried out, did not actually belong to the Government as revealed later.

*(Paragraph 3.13)*

## **1.8 Response of the departments to draft paragraphs**

As per the instructions issued (20 May 1967) by the Finance Department and provisions of C&AG's Regulation on Audit and Accounts 2007, the departments are required to send their response to the draft audit paragraphs proposed to be included in C&AG's Audit Report within six weeks. The draft paragraphs are forwarded to the Secretaries of the concerned departments drawing their attention to the audit findings and requesting them to send their response within six weeks. Draft paragraphs and Performance Audit Reports proposed for inclusion in this Report were forwarded to the Secretaries concerned between June 2011 and December 2011 through letters addressed to them demi-officially. Concerned departments did not send replies in respect of eight out of 17 paragraphs featured in this report. The response of the concerned departments received in respect of nine paragraphs has been suitably incorporated in the report.

## **1.9 Follow up action on earlier Audit Reports**

Serious irregularities noticed in audit are included in the Audit Reports of the Comptroller and Auditor General of India (C&AG) that are presented to the State Legislature. According to the Finance Department instructions (December 1993), the Administrative Departments are required to furnish the explanatory notes on the transaction paragraphs, reviews / performance audits etc., included in the Audit Reports within three months of their presentation to

the State Legislature. Regulations on Audit and Accounts 2007 issued by the Comptroller and Auditor General of India outlines (Regulation 212) the manner in which the Departments should furnish replies to the Public Accounts Committee (PAC). The explanatory notes of the Departmental Secretaries to such Audit Report paragraphs / Performance Audits should carry the approval of the Secretary and state among others the action taken to fix responsibility on the individuals responsible for loss, failure, infructuous expenditure etc., the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any. In the Apex Committee meeting (5 May 2011) the Chief Secretary instructed that Action Taken Notes on outstanding PAC Recommendations and compliance on audit paragraphs of C&AG Reports were to be submitted within two months.

However, in respect of Audit Reports from the year 1997-98 to 2009-10, 17 out of 38 departments, which were commented upon, did not submit explanatory notes in respect of 74 individual paragraphs and 25 reviews / Performance Audits as of September 2011. The departments largely responsible for non-submission of explanatory notes were Water Resources, Health and Family Welfare, Works, Panchayati Raj, Forest & Environment, followed by Fisheries & Animal Resources, School & Mass Education etc. Similarly, out of 1353 recommendations relating to Audit Report (Civil) made by the PAC from the first Report of 10<sup>th</sup> Assembly (1990-95) to 40<sup>th</sup> Report of 13<sup>th</sup> Assembly (2004-09) final action on 185 recommendations were awaited. The departments largely responsible for non-submission of ATNs were Water Resources, Rural Development, Health & Family Welfare, Law, General Administration followed by Revenue and Disaster Management and other departments. Despite formation of Departmental Monitoring Committee in all the departments of the Government to monitor the follow up action on Audit Reports and recommendations of the PAC 22 departments out of 38 departments of the State Government did not send any proceedings whatsoever for the year 2010-11.

### ***Lack of response to Audit***

In addition, we conduct periodical inspection of Government Departments and their field offices as per the provisions of Section 13 and 18 of C&AG's DPC Act, 1971 following the procedure laid down in the Regulations on Audit and Accounts, 2007. Inspection Reports (IRs) containing our audit comments / opinions are issued to the audited entities and copies of the same are also sent to their Heads of Offices for taking remedial action. IRs issued upto March 2011 pertaining to 3854 offices of 35 Departments showed that 37869 paragraphs relating to 12623 IRs were outstanding at the end of June 2011. Of these, 3833 IRs containing 9499 paragraphs had not been settled for more than 10 years. Even the first reply from the Heads of Offices which was to be furnished within four weeks was not received in respect of 2047 IRs issued upto March 2011. *The major five defaulters were Panchayati Raj, Health and Family Welfare, Women and Child Development, Water Resources and School and Mass Education Departments.*

Apart from the above standing mechanism, Triangular Committee (TC) meetings, consisting of representatives of the administrative departments, the office of the Accountant General (Civil Audit) / (Commercial, Works and Revenue Audit) and Financial Advisors of the respective Departments are also being held for speedy settlement of the outstanding IRs and paragraphs after detailed deliberation and verification of records in support of the actions taken to address the audit observations. Accordingly, 106 TC meetings were held during 2010-11 at different district headquarters in which a total of 648 IRs and 3525 paragraphs relating to 704 offices of 15 departments could be settled. However, we observed that this mechanism may have slowed down the standing mechanism prescribed for sending replies to Audit which was *four weeks* from the date of receipt of such IR as *there were incidences of offices not even furnishing the first reply to an audit paragraph / observation in the regular course within prescribed four weeks but waiting until the sitting of a Triangular Committee meeting for furnishing a reply.*

### **1.10 Recommendations**

This report contains specific recommendations on a number of issues involving non observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The State Government is impressed to take cognizance of these recommendations in a time bound manner.