

## Chapter 2

### Performance Audits

This chapter contains the findings of performance audits on Backward Region Grant Fund (2.1), Land Acquisition and Management (2.2), Pradhan Mantri Gram Sadak Yojana (2.3) and IT Audit of Student Academic Management System (2.4).

### **PANCHAYATI RAJ AND PLANNING AND CO-ORDINATION DEPARTMENTS**

#### **2.1 Backward Region Grant Fund Programme**

##### **Executive summary**

Backward Region Grant Fund Programme (BRGF) was launched by the Government of India (GoI) in 2006-07 to redress regional imbalances in development of 19 backward districts of the State. The programme also includes five districts of the State already covered under Backward District Initiative Programme (BDI) under Rastriya Sam Vikas Yojana (RSVY) which was implemented during 2003-06 and was subsumed with BRGF from April 2006. During 2006-10, ₹ 733.23 crore was received under BRGF by the State Government for 19 backward districts of which ₹ 611.38 crore was spent up to 31 March 2010. Besides, under RSVY, ₹ 225 crore was also received from the GoI during 2003-09, of which ₹ 217.05 crore was utilised during 2003-10.

Performance Audit of BRGF programme revealed that the core issue of convergence of all inflow of funds under different schemes/programmes to formulate Integrated District Plan to speed up the development process in backward districts remained unattended. There was total absence of institutional arrangements at Gram Panchayat (GP), Panchayat Samitis (PS) and District Planning Committee (DPC) level to the extent envisaged under the Programme. Despite engagement of Technical Support Institutions (TSIs) for preparation of Annual Action Plans (AAPs) for 2007-08 to 2009-10 in a participatory manner and payment of consultancy fee of ₹ 1.57 crore, there was considerable delay ranging from 128 to 537 days in preparation of AAPs and their submission to the Government of India (GoI). Due to delays, the State was deprived of GoI assistance of ₹ 449.78 crore during 2006-10. The State Government had not yet evolved any guidelines on important issues like social audit and peer review to oversee the performances of Local Bodies (LBs). Government had also not prescribed quality monitoring system, criteria for award of performance incentives, basis for *inter se* allocation of funds within PRIs considering district specific backwardness indicators etc. Annual plans were not prepared in participatory manner and Gram Sabhas in rural areas were hardly consulted and Area Sabhas in urban areas were never consulted during 2006-10. Separate sub-plans for Scheduled Tribes (STs) and Scheduled Castes(SCs) were also not prepared under BRGF. There was delay ranging from 39 to 166 days in transferring funds of ₹ 60.88 crore by the State Government to District Rural Development Agencies (DRDAs) and 21 to 342

days in transferring ₹ 47.25 crore to local bodies. Utilisation certificates for ₹ 17.08 crore due since 31 March 2008, were not submitted to GoI by five RSVY districts. Diversion of ₹ 4.11 crore to other schemes were not recouped.

Programme implementation suffered due to irregular execution of 1822 works at ₹ 34 crore in test checked PSs through middlemen in the guise of Village Labour Leaders (VLLs), utilisation of ₹ 6.39 crore on execution of 165 inadmissible projects, unfruitful expenditure on idle assets and incomplete projects, lack of transparency in tendering and contract management. Contrary to the instructions of State High Level Committee, seven line department executing agencies adjusted ₹ 1.65 crore towards *prorata* supervision charges and had deposited ₹ 73.98 lakh in the State Government accounts. Irregularities in purchase of stores were noticed in number of test checked units. Quality control in execution of works and transparency in payment of wages were not observed in cases of departmental execution. Training for capacity building was inadequate and ₹ 1.04 crore was utilised irregularly under capacity building component on inadmissible items like construction and furnishing of office buildings. Monitoring was inadequate and evaluation of the programme outcome was not done.

### **Good Practice**

*In Ganjam district, the district authorities classified all GPs in 22 blocks under five indices to arrive at the status of backwardness i.e. Percentage of BPL population, relative size of SC and ST population, size of un-irrigated area and distance from towns. Similarly, the planning process sought to provide incentives for GPs to create wage employment for wage seekers as part of the prioritised projects. Based on man-days of employment generated, two GPs of each block were rewarded with ₹ 5 lakh per GP to implement eligible projects under BRGF of their choice.*

#### **2.1.1 Introduction**

Backward Region Grant Fund Programme (BRGF) was launched by the Government of India (GoI) in 2006-07 to redress regional imbalances in development of 250 backward districts of the country including 19 districts<sup>1</sup> of the State. These districts includes five districts<sup>2</sup> of the State already covered under Backward District Initiative Programme (BDI) under Rastriya Sam Vikas Yojana (RSVY) which was implemented during 2003-06 and was subsumed with BRGF from April 2006. Both the schemes aimed at focused development of backward areas by bridging gaps in critical infrastructure as well as other developmental requirements and to mitigate the regional imbalances. However, BRGF in addition, aimed at convergence of existing developmental inflows under various flagship programmes to speed up the development process and had a capacity building component to strengthen Panchayat and Municipality level governance with more appropriate capacity building and provide professional support to local bodies for planning, implementation and monitoring their plans. The guidelines of the Programme (BRGF) were issued by the Government of India (GoI) in January 2007.

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<sup>1</sup> Angul, Baragarh, Balangir, Boudh, Dhenkanal, Deogarh, Ganjam, Gajapati, Jharsuguda, Keonjhar, Koraput, Mayurbhanj, Malkangiri, Nabarangpur, Nuapada, Rayagada, Sambalpur, Subarnapur, Sundargarh

<sup>2</sup> Gajapati, Ganjam, Keonjhar, Mayurbhanj and Sundargarh

### 2.1.2 *Organisational structure*

BRGF was implemented under the overall supervision of Principal Secretary, Panchayati Raj (PR) Department (Nodal Officer) through concerned District Rural Development Agencies (DRDAs). RSVY was implemented in the State under the overall supervision of Additional Development Commissioner-cum-Secretary, Planning and Co-ordination (P&C) Department at the State level and the District Collectors through the DRDAs/District Planning Officers (DPOs) at the district levels. Works under both the programme were executed through the Block Development Officers (BDOs) and line Department Executing Agencies (EAs). In urban areas, the programme was implemented by Urban Local Bodies (ULBs). While District Planning Committees (DPC) constituted under the provisions of the Constitution of India, approve the integrated district plan and monitor the implementation at district level, State level High Power Committee (HPC) headed by the Chief Secretary examines the district plans, formulates policy guidelines and monitor the implementation of the programme.

### 2.1.3 *Audit objectives*

Audit objectives for the Performance Audit of the BRGF programme were to assess:

- the adequacy and effectiveness of planning, monitoring and institutional arrangements;
- effectiveness of financial management;
- effectiveness of programme implementation to achieve the intended objectives;
- adequacy and effectiveness of controls to prevent fraud and corruption.

### 2.1.4 *Scope and methodology of audit*

Performance Audit was conducted during January to June 2010 through test check of records of Panchayati Raj (PR) Department, Planning and Co-ordination (P&C) Department, State Urban Development Agency (SUDA), Poverty and Human Development Monitoring Agency (PHDMA), State Institute of Rural Development (SIRD) at State level and DRDAs/District Planning Offices (DPO) of eight sample districts<sup>3</sup> (40 per cent selected on the basis of Stratified Random Sampling without Replacement Method) as well as 29 blocks, 145 Gram Panchayats (GP) (five under each sample block), 13 Urban Local Bodies<sup>4</sup> and 22 line department executing agencies (*Appendix 2.1*). Period of coverage was 2003-10 for RSVY and 2006-10 for BRGF. Joint physical inspection of 117 assets created under BRGF and RSVY was conducted in the presence of technical representatives of the auditee

<sup>3</sup> Balangir, Boudh, Deogarh, Ganjam, Sambalpur, Subarnapur, Sundargarh and Rayagada

<sup>4</sup> Balangir, Berhampur, Binika, Boudh, Chhatrapur, Deogarh, Gunupur, Patnagarh, Rayagada, Rourkela, Sambalpur, Sonapur, Sundargarh

organisations. Photographs of assets created were also taken, wherever found necessary. Out of total expenditure of ₹ 815.72 crore incurred under both the programmes up to March 2010, ₹ 359.62 crore (44 *per cent*) were covered in performance audit of the programmes. The audit objectives, scope and methodology were discussed with the Principal Secretary, PR Department in an entry level conference on 25 May 2010 and the audit findings were discussed with the Principal Secretary in an exit conference held on 13 December 2010. Replies of the Government received in October 2010 have been incorporated at appropriate places.

**2.1.5 Reason for selection of this topic for Performance Audit**

Mismanagement of developmental funds in backward districts and development not being commensurate with the funds utilised were regular features in the electronic and print media as well as legislative debates. Due to low spending and delay in submission of Annual Plans, GoI did not release full entitlements of districts for 2008-09 and 2009-10 under BRGF. Funds released under RSVY during 2003-06 were also not utilised fully up to March 2010. These prompted Audit to select this topic for Performance Audit.

**Audit Findings**

**2.1.6 Policy framework and Institutional arrangements**

**2.1.6.1 Absence of policy framework and non-issue of guidelines**

Efforts like Performance incentives and monitoring were not given due weightage at policy formulation stage

Despite requirement under BRGF and directions (January 2010) of the GoI, no guidelines were issued by the State Government (July 2010) for:

- *Inter se* allocation of BRGF funds between different levels of Panchayati Raj Institutions (PRIs) considering the backwardness index or level of development and addressing specific district wise priorities;
- Policy for earmarking a reasonable percentage of funds towards performance incentive, based on specified criteria;
- Prescribing a quality monitoring system which should be regularly reviewed by the HPC;
- Manner of conducting Social Audit by Gram Sabha/Ward Sabhas in rural areas and Area Sabhas/Ward Committees in urban areas;
- Making implementing agencies accountable to PRIs and ULBs;
- Conducting peer review of progress by Panchayats themselves and constitution of a Review Committee by the DPC to review such reports.

In reply, the Government stated (October 2010) that these, being recent instructions of GoI, will be implemented from 2010-11. The reply is not tenable as these were the requirements of BRGF guidelines issued in January 2007 and GoI only reiterated the same in January 2010.

### 2.1.7 *Weak institutional arrangements*

#### 2.1.7.1 *District Planning and Monitoring Units not set up*

#### Absence of District Planning and Monitoring Units

To assist the DPCs in planning and monitoring of developmental programmes in the backward districts and act as it's District Secretariat, BRGF provided for setting up of District Planning and Monitoring Units (DPMUs) at each district covered under the scheme. Though PR Department released ₹ 6.65 crore<sup>5</sup> to PHDMA<sup>6</sup> in January 2009 at the request of P&C Department towards one year establishment cost for setting up DPMUs in each of the 19 backward districts with 12 technical experts and six support staff<sup>7</sup>, yet no DPMU was set-up (May 2010). In reply, PHDMA stated (May 2010) that the DPMUs would be set-up in due course and ₹ 4.66 crore out of ₹ 6.65 crore released in January 2009 was available for the purpose. Government stated (October 2010) that order for setting up of DPMUs in all the 30 districts including 19 BRGF districts was issued on 29 June 2010 and these units would be made operational soon. However, no such DPMU became operational as of December 2010.

#### 2.1.7.2 *Professional support staff not posted at Block/GP level*

#### Resource support at block and GP level were not provided

BRGF guidelines required for providing specific staff to GPs i.e. a trained community level person to provide knowledge inputs to the community on agriculture, water management, livestock management, post-harvest management and agri-business, a gender empowerment community leader to undertake activity for female literacy and micro finance and one barefoot engineer to enhance local engineering capacity. Similarly, at the block level, one Panchayat Resource Centre (PRC) was to be set-up with one engineer (for preparation of estimate and monitoring quality of execution), an Accountant (to enforce financial discipline in block and GPs) and a social specialist (to conduct participatory planning by mobilising villagers to attend Gram Sabha/Palli Sabha etc). The guidelines and GoI instructions (March 2007) also permitted utilisation of development grant up to ₹ 45 lakh *per annum* per district for providing adequate number of functionaries at GP level and ₹ 13 lakh<sup>8</sup> out of capacity building component per Panchayat Resources Centre

<sup>5</sup> At ₹ 35 lakh per year per BRGF district

<sup>6</sup> Poverty and Human Development Monitoring Agency

<sup>7</sup> With monthly remuneration of ₹ 2.16 lakh ( one Economist, one GIS Expert, One Regional Planning Expert at ₹ 30,000 per month, one Executive-cum-Accounts Officer at ₹ 20,000 per month, two Economical & Statistical Investigators at ₹ 15,000 per month, four Economical and Statistical Assistants at ₹ 10,000 per month and six Data Entry Operators/Support staff at ₹ 6,000 per month) and ₹ 9.08 lakh to be utilised on other expenses like purchase of computers, furniture, training, data collection and organisation of workshop etc.

<sup>8</sup> Establishment cost: ₹ 10 lakh and recurring cost: ₹ 3 lakh

(PRC) at block level. However, none of the above manpower was provided in any of the 29 test checked blocks and 145 GPs as of June 2010. Thus, there was near total absence of institutional arrangements under BRGF at PRI level to strengthen the planning process and preparation of Annual Plans in a participatory mode. In reply, the Government assured (October 2010) to provide adequate professional support staff to each GP and block of 19 backward districts soon and to have already initiated action in this regard.

### **2.1.7.3 Technical and professional support to ULBs**

Programme guidelines of BRGF {Para 1.6(a)}, *inter alia* required provision of support staff at ULB level through contracting and outsourcing.

- In 13 test checked ULBs, two AEs (Rourkela and Balangir), four computer operators (NAC, Boudh) and 13 JEs were recruited and posted by the ULBs on regular basis on consolidated salary instead of on outsourcing as required.
- In eight<sup>9</sup> out of 13 test checked ULBs, no AE was available and the AE, Public Health (PH) of nearby PH sub-divisions were working on additional charges as Municipal Engineer in addition to their own duties.
- For engagement of one Office Co-ordinator and one Data-Entry Operator (DEO) in each district, ₹ 36.48 lakh under BRGF was placed (March 2010) with 19 District Urban Development Agencies (DUDAs) by State Urban Development Agency (SUDA) instead of providing adequate AE/JE/DEO to ULBs. Further, for maintenance of accounts and audit under BRGF scheme, ₹ 61 lakh was released (March 2010) to 70 ULBs for engagement of Chartered Accountant Firms. However, these arrangements had not been operationalised at ULB levels (June 2010).

**In eight out of 13 test-checked ULBs, regular AEs were not available**

**Instead of providing adequate technical staff to ULBs, SUDA released ₹ 36.48 lakh to DUDAs of 19 backward districts for engaging one Office Coordinator and one DEO**

### **2.1.8 Planning**

#### **2.1.8.1 Non-conducting base line survey**

**Baseline survey to identify causes of backwardness and infrastructure gaps was not done**

BRGF guidelines required each district to undertake a diagnostic study of its backwardness by ensuring professional planning support and conducting a baseline survey. The survey was to identify missing infrastructure gaps and ways to address them over a period of time. GoI permitted (March 2007) utilisation of ₹ 2 lakh *per annum* per BRGF district out of Capacity Building (CB) component for conducting baseline survey and development of a baseline databank. However, no such survey was conducted in all the eight districts test checked (June 2010). Instead, projects recommended by Block Development Officers<sup>10</sup>/district authorities were included in the Annual Action Plans (AAPs) in a routine manner during 2007-08. However, AAPs

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<sup>9</sup> Binika, Boudh, Chhatrapur, Deogarh, Gunupur, Patnagarh, Sonepur, Sundargarh

<sup>10</sup> Test checked BDOs of Balangir, Deogarh, Rayagada, Sambalpur, Subarnapur and Sundargarh districts (excepting BDOs of Boudh and Ganjam districts)

Anticipated outcome was not indicated against the projects included in the Annual plans rendering evaluation more difficult

for 2008-09 and 2009-10 were prepared by engaging Technical Support Institutions (TSIs) yet in none of the eight test checked districts, project wise anticipated outcomes in terms of production, development, employment, income etc. was indicated though required as per GoI guidelines.

### 2.1.8.2 *Absence of Integrated as well as Participatory planning*

BRGF programme envisaged decentralised bottom up planning and to strengthen Gram Sabhas in rural areas and Area Sabhas in urban areas for this purpose. It also required convergence of all developmental inflows under flagship programmes<sup>11</sup> to form an integrated district plan to speed up the development process in backward districts. The participatory plans prepared by Panchayats and Municipalities were to be consolidated into integrated district plan by the District Planning Committees (DPC) and the same would reflect all financial resources available in the district and ensure their optimal use without delay, diversion, duplication and leakages. However, following deficiencies were noticed:

Integrated district plans were not prepared despite payment of ₹ 3.66 crore as technical support fees to TSIs

- Though TSIs were engaged for preparation of district plans for 2007-08 to 2010-11 and ₹ 3.66 crore was already spent on payment of consultancy fees up to 31 March 2010, yet there was no convergence with other programmes. Out of 29 test checked PSs, 13 ULBs and 22 EAs, only one PS (Barkote) has constructed one vented causeway work<sup>12</sup> with estimated cost of ₹ 42.39 lakh in convergence with NREGS.

In planning process, Gram Sabhas in rural areas were hardly consulted and Area Sabhas in urban areas were never consulted. Expected fund flow to the PRIs and ULBs under various sources were also not intimated

- Further, Gram Sabhas in rural areas were hardly consulted<sup>13</sup> and Area Sabhas in urban areas were never consulted during preparation of annual plans. Review of the Gram Sabha Register of 145 test checked GPs revealed that only 20, 45 and 74 GPs of these eight districts were involved in preparation of Annual Action Plans (AAPs) of 2007-08, 2008-09 and 2009-10 respectively under BRGF. The trend is slowly increasing but participation in Gram Sabha meetings was low.
- Nowhere in 13 test checked ULBs, Area Sabhas were involved in the planning process.
- Expected flow of funds under various schemes/programme was not intimated to the PRIs and ULBs to facilitate them to prepare need based plan, despite repeated instructions of the GoI.

<sup>11</sup> National Rural Employment Guarantee Scheme (NREGS), Sarva Siskhya Abhiyan (SSA), Midday Meal (MDM) Programme, Drinking Water Mission, Total Sanitation Campaign (TSC), National Rural Health Mission (NRHM), Integrated Child Development Services (ICDS) and National Urban Renewal Mission

<sup>12</sup> Construction of vented causeway over Balijore Nala on Singuri to Kadapada via Mardung (BRGF : ₹ 29.50 lakh and NREGS: ₹ 12.89 lakh)

<sup>13</sup> 2007-08: 20 GPs (14 per cent), 2008-09: 45 GPs (31 per cent), 2009-10: 74 GPs (51 per cent) out of 145 GPs test checked

Projects with estimated cost of ₹ 6.78 crore under urban sector was included in AAP of 2006-07 and 2007-08 by district authorities in Deogarh without consulting even the Municipal Council

- Identification of projects was largely influenced by the State Government. In 2007-08, construction of Anganwadi centres and laying of cement concrete roads during 2008-09 was as per decisions of the State Government.
- In three districts<sup>14</sup> projects with estimated cost of ₹ 12.23 crore under urban sector were included in the AAPs of 2006-08 by the district authorities without consulting the ULBs and line departments were entrusted with execution of the works.
- In Deogarh district, 95 projects with estimated cost of ₹ 6.78 crore were included in the AAP of 2006-07 and 2007-08 without approval of the Municipal Council (MC) which the MC took exception in its meeting (September 2007) and approved a fresh list which was also not considered by the DRDA/DPC.
- Further, 127 projects with estimated cost of ₹ 6.23 crore proposed by the Executive Officer (EO), Deogarh Municipality without approval of the MC was included in the AAP of 2008-09 and 2009-10. Besides, four works with estimated cost of ₹ 14.66 lakh were executed at the verbal direction of the District authorities. In reply, the EO stated that the proposals were not put up to MCs as there was no such direction from higher authorities. The reply was not tenable as paragraph 1.4 of BRGF programme guidelines provided for identification of BRGF projects by Area Sabhas and Ward Committees for inclusion in the Annual Plans in case of ULBs.

In reply, the Government stated (October 2010) that in the initial years of preparation of integrated district plans in consultative and participatory manner, full participation may not be a reality. It assured to take concerted effort to build and strengthen the capacity of the stakeholders to make the district plans hundred *per cent* consultative and participatory in future.

### **2.1.8.3 Non-preparation of sub-plans for SC/ST**

Separate sub-plan for ST and SCs were not prepared under BRGF in all the eight test checked districts

Paragraph 2.2 of the BRGF guidelines required formation of a separate sub-plan within the AAP of each Panchayat/ULB showing scheme-wise allocation for Scheduled Castes (SCs) and Scheduled Tribes (STs). Funds at-least in proportion of the population of these communities in the Panchayats/ULBs were to be provided under this sub-plan. Amenities such as schools, anganwadi/health centres etc. were to be provided in areas having substantial SC/ST population. However, no such sub-plan was prepared in the Annual Plans of all the eight test checked districts during 2006-10 even though SC/ST population of these districts ranged from 21 *per cent* to 70 *per cent* of the total population as per Census 2001. Out of total AAP provision of ₹ 451.38 crore for 2007-08 to 2009-10 in these districts, provision for ₹ 196.60 crore was required to be earmarked for development of SCs/STs population, which was however, not ensured. In reply, the Government stated (October 2010) that

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<sup>14</sup> Deogarh: ₹ 48 lakh, Raygada: ₹ 9.44 crore, Subarnapur: ₹ 2.31 crore,



district authorities had already been instructed to prepare separate sub-plan for ST/SCs and accordingly some districts have started preparing such sub-plan.

#### 2.1.8.4 *Delayed preparation of Perspective Plan*

Five year Perspective Plan under BRGF was not prepared despite release of ₹ 1.90 crore by the GoI in October 2007

BRGF guidelines (Paragraph 1.3) required preparation of a well conceived participatory District Development Perspective Plan for 2006-12 to address the backwardness issue. For this purpose, GoI released (November 2007) ₹ 1.90 crore at ₹ 10 lakh for each of the 19 Backward districts. However, perspective plan for 2008-13 under BRGF was prepared only in December 2009 through TSIs at a cost of ₹ 2.09 crore and were submitted to GoI on 29 December 2009.

#### 2.1.8.5 *Delayed preparation of Annual Action Plans*

Annual Action Plans under BRGF for 2007-08 to 2009-10 were prepared with delay ranging from 128 to 537 days

To ensure timely flow of funds from GoI, AAPs under BRGF were required to be prepared, approved by the concerned District Planning Committee (DPC) and submitted to the State Government/GoI before commencement of the financial year. Despite engagement of TSIs for preparation of district plans for 2007-08 to 2009-10 in the 19 backward districts and spending ₹ 1.57 crore, there was delay in preparation of AAPs. In the eight test checked districts, there was delay ranging from 128 to 537 days in preparation of AAPs and submission of district plans for 2007-08 to 2009-10 to the GoI. This led to loss of substantial amount of assistance as discussed at paragraph 2.1.9.1. In reply, Government stated (October 2010) that there has been improvement to minimise the delay and while AAP for 2009-10 was prepared in December 2009, AAP for 2010-11 was finalised in May 2010 and that of 2011-12 is expected to be finalised well before 31 March 2011.

#### 2.1.9 *Financial management*

RSVY funds of ₹ 7.95 crore remained unutilised till March 2010 despite release during 2003-07

Against the entitlement of ₹ 225 crore under RSVY<sup>15</sup> for five districts for 2003-06, full amount was released by the State Government during 2003-07. While year-wise expenditure incurred by these districts was not available with the P&C Department, however, as per information furnished by the State Government, ₹ 217.05 crore was utilised as of March 2010 leaving unspent funds of ₹ 7.95 crore even after lapse of three years of release of funds. Utilisation Certificates (UCs) for ₹ 207.92 crore were submitted (June 2010) and UCs for remaining ₹ 17.08 crore due since March 2008 were not submitted (June 2010). Two test checked districts (Ganjam and Sundargarh) utilised ₹ 71.79 crore<sup>16</sup> out of ₹ 90 crore released by the State Government during 2004-07 and submitted UCs for ₹ 84.48 crore. The unspent funds were not merged with BRGF. In reply, Government stated (October 2010) that Collectors have repeatedly been reminded to ensure full utilisation of funds and submission of UCs.

<sup>15</sup> At ₹ 15 crore per district *per annum* for 2003-06

<sup>16</sup> Ganjam: ₹ 44.76 crore and Sundargarh : ₹ 27.03 crore. In Sundargarh, ₹ 17.97 crore remained unutilised as on 31 March 2010 at bank (₹ 36.85 lakh) and in shape of advances with executing agencies (₹ 17.60 crore) as per the trial balance of DRDA

Under BRGF, ₹ 733.23 crore was released by the GoI for 19 BRGF districts during 2007-10. This included ₹ 48.59 crore released in subsequent years for the Plan year 2006-07 in favour of eight districts. Upto March 2010, an amount of ₹ 611.38 crore was utilised as indicated in the Table-2.1.

**Table 2.1: Receipt and utilisation of funds under BRGF during 2006-10**

*(Rupees in crore)*

Year	Accrual basis		Cash/receipt basis					
	Entitlement	Release for the year <sup>17</sup>	Opening balance	Grants received	Other receipts	Total availability	Expenditure/Spending efficiency	Unspent balance
2006-07	209.00	48.59	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	324.67	317.05	0.00	262.72	0.00	262.72	59.98 (23)	202.74
2008-09	324.67	178.10	202.74	246.84	0.27	449.85	191.37 (42.5)	258.48
2009-10	324.67	189.49	258.48	223.67	0.30	482.45	360.03 (75)	122.42
<b>Total</b>	<b>1183.01</b>	<b>733.23</b>		<b>733.23</b>	<b>0.57</b>		<b>611.38</b>	

*(Source: Information furnished by Panchayati Raj Department)*

State's average spending efficiency under BRGF increased from 23 per cent in 2007-08 to 75 per cent in 2009-10

It can be seen from the above table that against the entitlement of ₹ 209 crore for 2006-07 for 19 districts of the State, only ₹ 48.59 crore was released to only eight districts<sup>18</sup> in the subsequent years. Also overall spending efficiency of the State increased from 23 per cent in 2007-08 to 75 per cent in 2009-10 which is a positive trend. However, the average spending efficiency of three out of eight test checked districts<sup>19</sup> remained below the State average of 83.38 per cent.

Review of the financial management under BRGF revealed the following irregularities.

**2.1.9.1 Non-receipt of Central assistance due to delay in submission of district plans and low spending**

As per guidelines, BRGF assistance for 2006-07 to each RSVY district was to be released only on submission of UCs for full amount released under RSVY and for non RSVY districts the same was to be released on submission of the district plans duly approved by the DPC. However from 2007-08, BRGF funds were to be released by the GoI considering spending efficiency, timely submission of integrated district plans duly approved by the DPC and HPC to GoI together with audit reports, utilisation certificates and submission of non-diversion and non-embezzlement certificates. Audit observed that, only eight<sup>20</sup> out of 14 non-RSVY districts of the State could partially comply with the

<sup>17</sup> including amount released in subsequent years for that year

<sup>18</sup> Boudh (₹ 1 crore), Deogarh (₹ 5 crore), Dhenkanal (₹ 11.59 crore), Jharsuguda (₹ 5 crore), Kandhamal (₹ 10 crore), Nuapada (₹ 7.50 crore), Sambalpur (₹ 7.50 crore) and Subarnapur (₹ 1 crore)

<sup>19</sup> Ganjam: 82 per cent, Raygada: 71 per cent, Sundargarh: 81 per cent

<sup>20</sup> Boudh: ₹ 1 crore, Deogarh: ₹ 5 crore, Dhenkanal: ₹ 11.59 crore, Jharsuguda: ₹ 5 crore, Kandhamal: ₹ 10 crore, Nuapada: ₹ 7.50 crore, Sambalpur: ₹ 7.50 crore, Subarnapur: ₹ 1 crore

Due to delay in submission of AAPs and low spending, the State was deprived of additional central assistance of ₹ 449.78 crore during 2007-10

requirements for 2006-07 for which only ₹ 48.59 crore was released against ₹ 190 crore due for 19 districts. Similarly, due to delayed submission of Perspective Plan for Capacity Building in October 2007, Central assistance for 2006-07 under CB component (₹ 19 crore) was not released by GoI. Besides, due to delay in submission of district plans<sup>21</sup>, non-preparation of the AAPs in participatory manner and low spending efficiency, the GoI released only ₹ 684.64 crore<sup>22</sup> for 2007-10 as against the entitlement of ₹ 974.01 crore. The GoI decided in November 2009 not to release any fund against previous year plans. Thus, the State was deprived of GoI assistance of ₹ 449.78 crore under the programme as indicated at *Appendix 2.2*. In reply, the Government stated (October 2010) that GoI has been moved for release of balance funds. The reply is not tenable as GoI has already made a policy decision not to release any fund for previous years' plan.

### 2.1.9.2 Government released funds after considerable delay

RSVY funds of ₹ 90 crore was released to two districts after 61 to 684 days of closing of the concerned financial years. Similarly, ₹ 60.88 crore under BRGF was released by the Government to five DRDAs with 39 to 166 days of delay

The RSVY guidelines provided for release of funds to the concerned DRDA within 15 days of receipt by the State failing which the GoI has to treat the same as loan. However, it was noticed that there were delays ranging from 27 to 76 days in transferring RSVY funds of ₹ 52.50 crore to five RSVY districts during 2003-06. Further, there were delays ranging from 61 to 684 days from the date of closure of concerned financial year, in releasing RSVY funds of ₹ 90 crore by the Government to two test checked districts (Ganjam and Sundargarh) for the plan years 2003-04 to 2005-06 which in turn delayed sanction and execution of projects. While accepting the delay, Government stated (October 2010) that there was no inordinate delay. Besides, under BRGF, ₹ 60.88 crore was released by the State Government to five DRDAs during 2007-09 after a delay of 39 to 166 days of transfer of funds by the GoI to the Consolidated fund of the State. In reply, the Government stated (October 2010) that the State Government had sanctioned and released funds in time. The reply was not tenable since such delay was admitted by the concerned DRDAs and Local Bodies.

### 2.1.9.3 Belated transfer of funds by DRDAs to PRIs and ULBs

BRGF funds of ₹ 47.25 crore was transferred to concerned PRIs and ULBs after 21 to 342 days of delay

BRGF guidelines provided for release of funds by the State Government to the concerned PRIs and ULBs within 15 days of transfer of fund by the GoI to the Consolidated Funds of the State. The GoI further prescribed (June 2009) for payment of a penal interest at RBI Bank Rate<sup>23</sup> for any delay in transfer of funds by the State Government beyond 15 days to the Local Bodies. In three test checked districts<sup>24</sup>, funds of ₹ 47.25 crore were released with delays

<sup>21</sup> District Plans of 2006-07 and 2007-08 approved by the DPCs of eight test checked districts during September to December 2007, that of 2008-09 during August and September 2008 and 2009-10 in October-November 2009

<sup>22</sup> Plan Year 2007-08 to 2009-10: Developmental Grants ₹ 642.37 crore against ₹ 917.01 crore and Capacity Building Grants ₹ 42.27 crore against ₹ 57 crore due

<sup>23</sup> Six per cent per annum

<sup>24</sup> Balangir, Boudh and Deogarh

ranging from 21 to 342 days during 2007-10 of which ₹ 19.18 crore was released after June 2009. The penal interest of ₹ 15.76 lakh payable by the Government to the 17 PRIs and five ULBs of Boudh and Balangir districts had not been transferred to the concerned PRIs/ULBs (July 2010). In reply, the Government stated (October 2010) that in State level review meetings, Project Directors (PD) of DRDAs were being repeatedly reminded to transfer funds to PRIs and ULBs in time. The PD, DRDAs of Boudh and Deogarh admitted the delay and assured to streamline the system to ensure timely release of funds to PRIs and ULBs within the prescribed time frame. None of the PRIs and ULBs, however, demanded the interest due to them on this account.

#### **2.1.9.4 Parking of scheme funds in non-interest bearing accounts**

₹ 33.29 crore under BRGF/RSVY was parked in non-interest bearing accounts with treasuries despite instructions to the contrary

BRGF guidelines provided for maintaining a separate bank account in a Nationalised Bank or a Post Office for BRGF funds. GoI also instructed not to keep any Centrally Sponsored/Central Plan Scheme fund in non-interest bearing account like Personal Ledger Account or Civil Deposit with the treasuries. However, 13 line department executing agencies<sup>25</sup> did not maintain separate cash book and bank account as required and deposited BRGF and RSVY funds of ₹ 33.29 crore with the treasuries under Civil Deposits (Public Works Deposits) and utilised these by drawing from the treasuries, which was irregular. Further, nine ULBs and 13 Executing Agencies did not maintain separate cash books for BRGF/RSVY as required and 13 EAs did not maintain separate Bank Accounts. In reply, Government stated (October 2010) that DRDAs were keeping funds in Savings Bank Accounts. The reply was however, silent about parking of scheme funds by these 13 executing agencies in non-interest bearing accounts.

#### **2.1.9.5 Non-submission of Utilisation Certificates**

UCs for ₹ 17.08 crore under RSVY and ₹ 55.21 crore under BRGF due since 31 March 2008 and March 2010 respectively were not submitted as of June 2010

As per the provisions of Rule 173 of Orissa General Financial Rules, the assistance sanctioned in a year to a grantee was to be utilised by the end of the year and UCs to be submitted by 30 June of the succeeding year. As Rule 212 of Central Government General Financial Rules provides for submission of UCs within 12 months from the closure of the financial year in which the grants were released, the GoI instructed (April 2009) the State Government for submission of UCs for entire grants released up to 2007-08. However, against ₹ 543.74 crore received from GoI up to 31 March 2009 on which UCs were due by 31 March 2010, UCs for only ₹ 488.53 crore were submitted as of 31 March 2010 and for remaining ₹ 55.21 crore UCs were awaited till June 2010. Similarly under RSVY, UCs for ₹ 17.08 crore were not submitted despite becoming due since March 2008.

In reply, State Government stated (October 2010) that balance UCs would be submitted to GoI soon.

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<sup>25</sup> **Rural Works Division**, Berhampur I and II, Boudh, Rourkela, **R&B Division**, Balangir, Berhampur, Bhanjanagar, Rourkela, Sundargarh, **RWSS**: Sundargarh, **MI Division**: Berhampur I and II and **Public Health Division**: Koraput

### 2.1.9.6 *Submission of incorrect UCs and irregular treating of advance as final expenditure and diversion of funds*

Advance of ₹ 9.59 crore lying unspent in bank account of executing agencies were treated as final expenditure and inflated UCs were submitted

₹ 4.11 crore out of ₹ 4.48 crore diverted for other purposes during 2007-10 remained unrecouped as of June 2010

GoI guidelines and instructions required submission of a certificate in support of non-diversion, non-embezzlement and non-treatment of advance as final expenditure while submitting proposal for release of funds. However, it was noticed that five DRDAs<sup>26</sup>, treated advances of ₹ 9.59 crore as final expenditure in their Annual Accounts in respect of 14 test checked PSs/ULBs despite the unspent funds lying in Bank Accounts of the concerned units. The concerned DRDAs had submitted the utilisation certificates to the GoI for entire amounts. Similarly, in 12 test checked PSs<sup>27</sup>, an amount of ₹ 4.48 crore was diverted under the orders of concerned BDOs to other schemes/programmes<sup>28</sup> during 2007-10, of which ₹ 4.11 crore remained unrecouped as of March 2010.

The Government stated (October 2010) that funds were diverted temporarily to meet emergent requirement and that the same will be recouped soon after receipt of funds under concerned schemes. The fact remains that diversion of funds and submission of incorrect UCs is highly irregular.

### 2.1.9.7 *Non-refund of interest earned and misutilisation of interest*

Interest of ₹ 56.10 lakh credited by banks was not accounted for in the cash book and ₹ 5.74 lakh was misutilised for purposes not connected with RSVY. Interest of ₹ 78.09 lakh earned under BRGF were not refunded to DRDAs by test checked units

BRGF guidelines provided that interest accrued on unspent scheme funds was to be treated as additional resources and was to be utilised as per the BRGF guidelines. In 28 test checked units<sup>29</sup>, interest of ₹ 56.10 lakh were not accounted for in the Cash Books despite credit allowed by the Banks and ₹ 78.09 lakh already accounted for in cash books was not refunded to the concerned DRDAs. Under RSVY, income of ₹ 5.74 lakh was utilised in Sundargarh district on purposes not connected with the scheme like renovation of collector's office (₹ 3.47 lakh), cycle shed at Collectorate (₹ 0.97 lakh), furnishing of monitoring cell of DRDA (₹ 1.30 lakh) etc. In reply, Government stated that the Collectors have been asked to intimate the circumstances under which income under RSVY was utilised otherwise.

### 2.1.9.8 *Irregular payment of advance to contractor*

NAC, Boudh irregularly paid interest free advance of ₹ 18 lakh to a contractor contrary to the codal provisions

Though the provisions of OPWD Code prohibited payment of advances to any contractor, yet NAC, Boudh advanced ₹ 18 lakh to one contractor for construction of NAC building, relying on orders of the Chairperson of the Municipality. In Sonepur Municipality, one JE who was paid (May 2008) advance of ₹ 1.58 lakh, refunded the same after 75 to 187 days without

<sup>26</sup> Balangir, Boudh, Deogarh, Rayagada and Sonepur

<sup>27</sup> Baragaon, Barkote, Bhanjanagar, Biramaharajpur, Boudh, Digapahandi, Harabhanga, Hemgiri, Maneswar, Reamal, Subarnapur and Tarava

<sup>28</sup> NREGS, NOAP, Biju KBK, IAY etc

<sup>29</sup> DRDA: Sambalpur, BDOs of Balangir, Baragaon, Barkote, Beguniapada, Bhanjanagar, Birmaharajpur, Bisamkatak, Boudh, Chhatrapur, Gunpur, Haravanga, Hemgiri, Kantamal, Khalikote, Kuchinda, Lathikata, Loisingha, Maneswar, Patnagarh, Rairakhol, Rayagada, Reamal, Sonepur, Sundargarh, Tarva, Tileibani, Titlagarh

executing one work and after partial execution of the other. This was confirmed by both the ULBs reflecting absence of financial discipline.

### **2.1.9.9 Absence of transparent criteria for transfer of funds within PRIs**

Funds allocation among PSs did not follow the prescribed criteria excepting in Ganjam which adopted a good practice

BRGF guidelines required each State Government to indicate a normative formula for allocation of BRGF funds to each Panchayat. The formula may include, any index that is prepared and accepted within the State which reflects backwardness or level of development, addressing specific district wise priorities identified in the district visioning exercise, earmarking a reasonable *percentage* of fund as performance incentives based on specified criteria. However, no such criteria was considered while transfer of funds within PRIs in seven out of eight test checked districts. However, in Ganjam district, the district authorities classified all GPs of 22 blocks under five indices to arrive at the status of backwardness i.e. percentage of Below Poverty Line (BPL) population, relative size of SC and ST population, size of un-irrigated area and distance from the town. Similarly, the planning process sought to provide incentives for GPs to create wage employment for wage seekers as part of the prioritised projects. Based on man-days of employment generated, two GPs of each block were rewarded with ₹ 5 lakh per GP to implement eligible projects under BRGF of their choice.

In reply, Government stated that *inter se* allocation of funds between PRIs and ULBs were made as per the Programme guidelines under BRGF. The reply is not tenable as the formula for *inter se* allocation among PRIs has not yet been prescribed by the State Government (October 2010).

Subarnapur and Rayagada districts allocated ₹ 3.48 crore more for urban sector in 2006-07 while ULBs of Deogarh and Boudh were allotted ₹ 1.79 crore less during 2006-08

For *inter se* allocation of developmental grants between PRI and ULBs, the State Government while using the population criterion, added a special criterion to allocate 15 *per cent* extra to the ULBs considering the need for more resources for ULBs, subject to a maximum ceiling of 40 *per cent* of total funds. It was also noticed that in Subarnapur and Rayagada districts, there was more allocation of funds for urban sector by ₹ 3.48 crore for the plan year 2006-07 and 2007-08 and in two districts (Deogarh and Boudh), two ULBs (Deogarh and Boudh) were allocated ₹ 1.79 crore<sup>30</sup> less than their entitlements as per the prescribed formula.

In reply, DRDA, Rayagada assured (April 2010) to follow the criteria in allocating fund between PRIs and ULBs.

### **2.1.9.10 Irregular transfer of BRGF funds to Municipal Fund**

Four ULBs deducted ₹ 39.91 lakh from works bills and deposited ₹ 36.26 lakh in municipal fund after adjusting the amount towards staff cost, in violation of Government instruction

GoI guidelines and instructions of PR Department, allows utilisation of five *per cent* of developmental grant to meet the salary cost of dedicated critical staff subject to the ceiling of actual expenditure or five *per cent* of grants which ever is lower. However, in four ULBs<sup>31</sup> ₹ 39.91 lakh was deducted from work bills at three to five *per cent* of value of work done during 2008-10 of which ₹ 3.65 lakh was spent on salary of the contractual staff and

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<sup>30</sup> Boudh: 2006-07 to 2008-09: ₹ 39.67 lakh, Deogarh: 2008-09: ₹ 1.39 crore

<sup>31</sup> Boudh, Gunupur, Rayagada, Rourkela

purchase of digital camera, printer, levelling machine etc. (Gunupur). The remaining amount of ₹ 36.26 lakh was credited irregularly to the Municipal Fund, while full UCs including these amounts were submitted to DRDAs.

In reply, Executive Officer (EO) of Rourkela Municipality assured (May 2010) to maintain separate records while EO, Gunupur Municipality stated (April 2010) that this aspect will be taken care of in future.

### **Programme management**

BRGF programme has two components, one for 'Developmental Grant' meant for infrastructure development and other developmental needs and the other for 'Capacity Building Grant' to be utilised for providing professional support to Local Bodies for planning, implementation and monitoring purpose as well as to impart training for capacity building of the PRI/ULB members/staff. Deficiencies noticed in implementation of both the components are discussed in succeeding paragraphs.

#### **2.1.10 Developmental grants**

During 2006-10, ₹ 690.96 crore under developmental grant component of BRGF was released by GoI to 19 districts of the State, of which ₹ 596.15 crore was utilised as of March 2010. Besides, ₹ 217.05 crore out of ₹ 225 crore released under RSVY, was also utilised during 2003-10. These grants were to be utilised on creation of critical infrastructure and other developmental needs of the districts. While RSVY guidelines provided for execution of all the works through tender process by displaying the tenders on the web-site, BRGF works were to be executed through open tender process as per the decision (3 April 2008) of State level HPC which also prescribed the minimum ceiling of ₹ two lakh for works under BRGF. However, the PR Department in order to speed up the execution, allowed the Panchayat Samitis to execute works costing up to ₹ five lakh through Village Labour Leader (VLL) and beyond that through open tender system contrary to the decision (April 2008) of the HPC. A review of utilisation of RSVY funds and BRGF developmental grants revealed the following irregularities:

##### **2.1.10.1 Irregular execution of BRGF works through middlemen in the guise of VLL and departmental officers**

The process of execution of works through VLL system prescribed by the PR Department in December 2004 and reiterated in February 2006 provided for selection of a Village Labour Leader (VLL) by the Palli Sabha who has to assist the Departmental Officer (DO) in maintaining muster rolls, payment of wages to labourers, ensure safe custody of materials at site and monitor the execution on behalf of the villagers as well as to ensure the quality of works. The VLL was answerable to the Village Committee for proper execution of the work and had to be paid wages at rates applicable to skilled labourers. The VLL was to work under the supervision of DO executing the work departmentally and the DO should be other than the Junior Engineer (JE). The role of JE was limited to preparation of estimates, design, plan, supervise technical quality of work and take measurement/check measurement as per

**In 29 test checked blocks, 1822 BRGF works were executed spending ₹ 34 crore through middlemen in the guise of VLLs and departmental officers**

requirement. However, it was noticed that contrary to these instructions, the works were executed through middlemen in the guise of VLLs and departmental officers as under:

- Contrary to the modified instructions, in 10<sup>32</sup> out of total 29 test checked Panchayat Samitis, 972 works<sup>33</sup> were executed at ₹ 16.64 crore through middlemen in the guise of VLL by issue of work orders on VLLs and releasing payment to VLLs against Running Account/Final Bills. The VLLs despite being paid labourers were shown to have purchased building materials and road metal worth lakh of rupees<sup>34</sup> as well as paid wages to labourers from his own resources without availing any advance from the concerned BDOs.
- Though VLLs were to work under a DO other than the JE, but in seven test checked PS<sup>35</sup>, 458 works<sup>36</sup> were executed at a cost of ₹ 7.78 crore through the VLLs under the supervision of concerned JEs. While JE obtained cash advances from the BDOs, VLLs received the departmental materials and payment was released to the JE against Running Account/Final Bills in same manner as allowed to contractors. The JEs were paid for the works executed as well as measured by themselves. Further, neither any Site Stock Account was maintained in support of receipt and issue of materials purchased nor any temporary advance register was maintained for accounting the receipt and utilisation of cash advance drawn.
- In three<sup>37</sup> out of 29 test checked PS, 390 works<sup>38</sup> were executed at ₹ 9.44 crore departmentally through Panchayat Executive Officers (PEO) under VLL route and advances/final payment was released to the PEO. However, neither any Site Stock Account was maintained by the PEOs in support of receipt and issue of materials purchased nor any temporary advance register was maintained for accounting the receipt and utilisation of cash advances drawn.
- In one PS (Boudh), two works were awarded and executed through registered contractors at ₹ 14 lakh without inviting tenders.
- In none of the above 1822 works executed at ₹ 34 crore, Quality Control Tests were conducted for the materials utilised and cement concrete works executed.

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<sup>32</sup> Balangir, Bhanjanagar, Biramaharajpur, Boudh, Digapahandi, Kantamal, Kuchinda, Maneswar, Rayagada and Redhakhol

<sup>33</sup> 110 works with expenditure of ₹ 3 crore examined in detail

<sup>34</sup> ₹ 0.07 lakh to ₹ 5.28 lakh

<sup>35</sup> Badagaon, Bisamkatak, Hemgiri, Patanagarh, Sonapur, Tarava and Titilagarh

<sup>36</sup> 68 works on which ₹ 2.55 crore was utilised were examined in audit

<sup>37</sup> Barkote, Boudh, Reamal

<sup>38</sup> 38 works executed at ₹ 1.24 crore were examined in audit



In reply, the Government stated (October 2010) that close monitoring of execution of BRGF works would be done by the State Government/District Collectors to set right the irregularities.

### 2.1.10.2 Expenditure on inadmissible works

In test checked units, ₹ 6.39 crore was irregularly spent on inadmissible projects

Contrary to GoI guidelines and Government instructions (December 2007 and August 2008), an amount of ₹ 6.39 crore under BRGF was spent irregularly on execution of 165 inadmissible works like Government office buildings and Staff quarters, Community centres, Kalyan Mandaps, Traffic control rooms etc in 28 test checked units (₹ 5.35 crore); and construction of buildings for BRGF cell in 70 ULBs out of capacity building fund placed with SUDA (₹ 1.04 crore) as indicated at **Appendix 2.3**.



**Inadmissible project: Town Hall, Berhampur on which ₹ 15.50 lakh spent under BRGF**

Besides, in Rayagada PS, six inadmissible projects like office building, compound wall etc. with estimated cost of ₹ 26.01 lakh were under progress (April 2010). This resulted in creation of avoidable financial liability.

This is indicative of violation of the sanctity of the scheme.

In reply, Government stated (October 2010) that this aspect is being looked in to by the HPC regularly and district plans are being approved accordingly. The reply is not tenable as the reason for executing the inadmissible works pointed out in audit was not furnished and HPC is not empowered to allow execution of inadmissible works.

### 2.1.10.3 Unfruitful expenditure

Expenditure of ₹ 6.20 crore incurred under the programme rendered unfruitful due to either non-utilisation of completed projects or non-completion in other cases

Both RSVY and BRGF *inter alia* aimed to bridge the critical infrastructure gap to expedite the growth rate in the backward districts. Thus, it was necessary to complete the projects in time and put those to immediate use after completion. It was noticed that expenditure of ₹ 6.20 crore rendered unfruitful due to non-utilisation of completed assets (₹ 3.90 crore), projects lying incomplete after part



**Casualty Building at Sundargarh Hospital lying idle since September 2008**



**Incomplete bus terminus at Rayagada**

execution for seven to 45 months after scheduled date of completion (₹ 1.46 crore) and bus terminus at Rayagada lying incomplete due to unplanned execution and subsequent objection by the HPC

(₹ 83.92 lakh) as indicated at *Appendix 2.4*. One casualty building constructed at ₹ 22.16 lakh at Sundargarh District Headquarters Hospital was also lying unutilised since March 2008 due to non-posting of staff by the Health and Family Welfare Department. On this being pointed out (May 2010), the District Programme Manager, National Rural Health Mission, Sundargarh stated that District Programme Management Unit was not aware of the fact and assured to take up the matter with the State authorities. However, further action was awaited (November 2010).

Besides, for the project 'Augmentation of drinking water supply to Gunupur NAC', full technically sanctioned estimated cost of ₹ 6.98 crore was released (March 2008 and January 2009) by DRDA, Rayagada under BRGF to Executive Engineer (EE), Public Health Division, Koraput. The work consisted of components like construction of four million litre per day capacity intake well and treatment plant, 10.5 lakh litre capacity Under



*CI pipes and joints lying idle since March 2008*

Ground Reservoir (UGR), 4.50 lakh litre capacity Elevated Service Reservoir (ESR) and laying of pipelines. Though all the components are integrated for successful implementation of a water supply project, yet neither the integrated scheme was put to National Competitive Bidding as required nor tendering and execution of all components of the system were synchronised. Instead, Cast Iron Pipes and other fittings were purchased during March to May 2008 at ₹ 2.35 crore and each component was treated as separate for tendering and execution. As a result, though some components like UGR, ESR and intake well have already been completed since last one year but were lying idle, as construction of Water Treatment Plant started only in June 2010, the same along with laying of pipelines (₹ 24.87 lakh) have not been completed (December 2010). Pipes and fittings purchased in March to May 2008 were lying idle. As a result, entire expenditure of ₹ 5.10 crore incurred on the project up to March 2010 remained unfruitful. This included ₹ 14.51 lakh spent on construction of one Government office building and two Staff Quarters, which were not admissible under BRGF.



*ESR of Gunupur NAC lying idle since June 2009*

In reply, Government stated (October 2010) that all the Project Directors of DRDAs have been instructed to ensure utilisation of constructed utilities.

#### **2.1.10.4 Avoidable liability**

Rayagada Municipality put all the 31 works (Storm Water Disposal drains) included in the AAP of 2008-09 to tender for the full estimated cost and work orders were issued for ₹ 2.54 crore against release of ₹ 1.55 crore by concerned DRDA. The Municipality spent the entire amount and submitted UC (March 2010). However, it was noticed that 27 drain works were left

**Expenditure of ₹ 5.10 crore spent on the project 'augmentation of water supply to Gunupur NAC' failed to yield the expected result due to non-synchronisation of activity components**

**In Rayagada Municipality, although only ₹ 1.55 crore was released yet work orders were issued for ₹ 2.54 crore leading to creation of avoidable liability and projects remaining incomplete**

partly executed and four works were not taken up (March 2010). Further, funds were not released as the GoI decided (November 2009) not to release any fund against previous plan years. Thus, the entire expenditure of ₹ 1.55 crore incurred on these works was rendered unfruitful apart from creating avoidable liability of ₹ 99 lakh.

In reply, Government stated that all the PD, DRDAs were advised to utilise the funds released during 2009-10 to complete the incomplete works of 2008-09. The reply is not tenable as these works still remained incomplete (September 2010) as balance works were not included in the AAP of 2009-10 and 2010-11. The Government also stated (October 2010) that GoI is being requested for release of balance funds of 2008-09.

#### 2.1.10.5 *Avoidable expenditure*

**Avoidable expenditure of ₹ 1.74 crore was incurred in test checked units due to execution of works with specification and design higher than that prescribed**

It was noticed that avoidable expenditure of ₹ 1.74 crore was incurred in test checked units on account of construction of cement concrete roads with higher specifications than those prescribed by the State Government (₹ 58.04 lakh), by allowing excess cement in cement concrete (CC) and reinforced cement concrete (RCC) works beyond the limit prescribed in Indian Standard (IS) 456:2000 (₹ 57.55 lakh), cost overrun due to delay in execution of works by the departmental officers (₹ 6.37 lakh) etc. as detailed in *Appendix 2.5*. This included avoidable expenditure of ₹ 52.16 lakh due to construction of service reservoirs, water treatment plant and other infrastructure of higher capacity beyond the norms and design period of 15 years prescribed by the Central Public Health Environmental Engineering Organisation (CPHEEO) for the project “Augmentation of water supply to Gunupur NAC”.

In reply, Government stated (October 2010) that District Collectors and ULBs authorities are taking appropriate steps to incur expenditures as per prescribed norms. The reply however, did not give reasons for deviation from norms.

#### 2.1.10.6 *Prorata supervision charge claimed by line departments contrary to the instructions of the HPC*

**Pro rata supervision charges of ₹ 1.65 crore was charged by seven line department executing agencies contrary to the decision of HPC**

The State level High Power Committee decided (3 April 2008) that *prorata* supervision charges would not be claimed by line departments in case of execution of BRGF projects relating to urban sector. However, contrary to the said instructions, seven line department executing agencies<sup>39</sup> adjusted ₹ 1.65 crore towards *prorata* supervision charges at 16 to 17 *per cent* of the estimated cost of ₹ 14.35 crore in respect of 77 works under urban sector. It was further noticed that EE, PH Division, Koraput has already deposited (February 2009/February 2010), the recovered supervision charges of ₹ 73.98 lakh in the State Government account. This resulted in appropriation of Central assistance by the State Government.

In reply, Government stated (October 2010) that Collectors were instructed to strictly abide by the instructions of the HPC.

<sup>39</sup> **Executive Engineers** of Lift Irrigation Division Sundargarh, Public Health Division, Koraput and Rourkela, Roads and Building Divisions of Balangir, Rayagada and Rourkela, Rural Works Division, Deogarh

### **2.1.10.7 Contract management**

Works under BRGF were executed by ULBs and line departments through tender process. Review of the tender and contract management revealed the following irregularities:

- Standard F<sub>2</sub> agreement format prescribed by the Government, which included penalty and liquidated damage clauses to safeguard the interest of the Government, was not followed by seven ULBs<sup>40</sup>. In reply (April 2010), the Executive Officers (EO) agreed to adopt standard F<sub>2</sub> contract form in future.
- Time is the essence of a contract, however, in three ULBs (Chhatrapur, Sambalpur and Sundargarh), penalty clause for delayed execution was neither incorporated in the Detailed Tender Call Notices (DTCN) nor in 182 contracts. Test check of 22 works with contract value of ₹ 1.04 crore revealed that in all these cases, though the contractors delayed the execution by 90 to 690 days beyond the date stipulated in the contract documents, yet no penalty could be levied. In reply, the ULBs assured to incorporate necessary penal provision in the DTCN and contracts henceforth.
- In two ULBs (Rourkela and Deogarh), the contract condition (Rourkela)/work orders (Deogarh) provided for levy of penalty for delayed execution at one-third *per cent* of contract value per day subject to maximum 10 *per cent* of the contract value (Rourkela) and recovery of five *per cent* of the bill amount (Deogarh). However, in 26 works with contract value of ₹ 1.01 crore, though there was delay of 85 to 480 days beyond the stipulated date of completion, yet penalty of ₹ 6.33 lakh leviable as per the terms of contracts was not recovered by the ULBs. In reply, the Executive Officers (EO), Deogarh Municipality stated that penalty could not be levied as the same was not incorporated in the agreement executed with the contractors while EO, Rourkela Municipality assured (May 2010) to do the needful. Reply of the EO, Deogarh Municipality was not tenable as work order provided for recovery of five *per cent* of the bill amount in case of delayed execution and incorporating this condition in the agreement was the responsibility of the EO.

Similarly, in 12 cases in two PSs (Rayagada and Sundargarh) and one EA (Rural Works Division No. II, Rourkela), though the contractors delayed the completion of works by 27 to 1350 days, yet penalty of ₹ 19.54 lakh was not imposed as per the terms of contract. In reply, BDO, Sundargarh assured to recover the same in future.

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<sup>40</sup> Balangir, Boudh, Chhatrapur, Deogarh, Gunupur, Rayagada, Sundargarh

- Contrary to the provisions of OPWD Code, two ULBs (Sonepur and Binika) restricted the tenders for 62 works with estimated cost of ₹ 2.93 crore to only Municipal contractors. In Sonepur, the same five contractors participated. In reply, EO, Sonepur Municipality assured for non-recurrence of the same in future while EO, Binika NAC stated that necessary changes will be incorporated in the DTCN in future.
- Codal provision provided for allowing a minimum time of 10 days between the date of issue of tender notice and date of opening of tender where the estimated cost of works does not exceed ₹ 50 lakh. However, in respect of 35 works with total estimated cost of ₹ 1.62 crore, only five to seven days time was allowed by two ULBs<sup>41</sup>. Thus, there was restriction on response to tender notices. In reply, EO, Gunupur Municipality stated (April 2010) that tender period was shortened in February 2009 anticipating receipt of funds by end of the financial year. The reply was not tenable as fund (₹ 1.10 crore) was received only in May 2009.

#### 2.1.10.8 Sub-standard execution

Quality of works were not satisfactory in eight per cent cases test checked

Joint physical inspection of 117 works<sup>42</sup> executed at ₹ 11.08 crore revealed substandard execution of nine road works (₹ 76.96 lakh) and non-utilisation of seven assets constructed at ₹ 1.56 crore even after one to two years of completion. Cases of inflated measurements were noticed in 10 works executed at ₹ 47.20 lakh. Similarly, 14 works on which ₹ 2.74 crore was utilised remained incomplete even after six to 15 months of expiry of the scheduled date of completion. The work-wise details are at *Appendix 2.6*.

In reply, the Government stated (October 2010) that quality of works are being inspected by District authorities and necessary steps would be taken to avoid substandard execution. The reply is not tenable as no action was taken for utilisation of completed assets and rectification of sub-standard execution pointed out in audit.

#### 2.1.11 Capacity Building grants

Capacity building of Panchayats and Municipalities to facilitate participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery was one of the critical issues of BRGF. Under capacity building component training was to be provided to elected representatives and officials of PRIs and ULBs. Providing telephone and e-connectivity, establishing accounting and auditing system, establishment and maintenance of training help lines etc. were other important components under capacity building. Annual entitlement of each BRGF district under CB component was ₹ 1 crore *per annum* i.e. ₹ 19 crore *per annum* for the State. During 2006-10, ₹ 42.27 crore was transferred by the GoI

<sup>41</sup> Gunupur: 15 works: ₹ 116.51lakh, Rourkela: 20 works: ₹ 45 lakh

<sup>42</sup> 109 Under BRGF and eight under RSVY

to the State Government for Capacity building component of BRGF, of which UC for ₹ 15.23 crore has already been submitted to the GoI (June 2010).

Review of implementation of various activities under Capacity building component revealed the following irregularities:

**Training to PRI members/staff were not adequate**

- **Training to elected representatives and staff of PRIs:** Training of elected representatives and staff of PRIs and ULBs is an important component of capacity building under BRGF. During 2009-10, 706 training programmes were conducted in which 23621 PRI members and staffs were trained. However, training on maintenance of accounts, use of online service, planning of BRGF and other schemes were not imparted.

**Training to ULB Councilors not yet started even after four years of implementation of the programme**

- **Training to ULB members/staff:** Under urban sector, only ₹ 11.45 lakh was spent on conducting one day training to 752 ULB staff/members and exposure visit of Chairpersons and Executive Officers of ULB. Training to ULB councilors (excepting for Ganjam District) had not started (June 2010).

**Help line for PRIs and ULBs not set-up despite inclusion in CB Perspective plan**

- **Establishment and maintenance of help lines:** Capacity building component of BRGF permitted spending ₹ one crore on setting-up and maintaining a helpline in each State. However, no such helpline has been set-up in the State even though the same was included in the Capacity Building (CB) Perspective Plan.

In reply, Government stated (October 2010) that necessary action was being taken to impart more and more training to all staff/members of Local Bodies and to set-up a help line at State level soon.

### ***2.1.12 Vulnerability to fraud and corruption***

Internal controls were prescribed in different codes with the objective that compliance with the same would minimise the chances of fraud and corruption while safeguarding public funds. Review of tender and contract management as well as departmental execution of works revealed non-compliance with the codal provisions making the transactions/activities more vulnerable to fraud and corruption as discussed in succeeding paragraphs.

#### ***2.1.12.1 Lack of transparency and unfair practices in awarding of contracts***

The provisions of OPWD Code prescribed the financial limits for Executive Engineers (EE), Superintending Engineer (SE) and Chief Engineer (CE) to accord technical sanction of the estimates<sup>43</sup>. Code also prohibits splitting up of estimates to avoid technical sanction by/approval of higher authorities. It also prescribes various procedures for giving wide publicity to tenders like publication of tender notices for works exceeding ₹ 50000 in two local Oriya dailies, posting tenders for works costing ₹ 10 lakh or more in Government

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<sup>43</sup> EE: up to ₹ 50 lakh, SE: Above ₹ 50 lakh and up to ₹ 3 crore, CE: Above ₹ 3 crore

web-site, e-tendering of works exceeding ₹ 50 lakh<sup>44</sup>, publication of tender notice of work costing ₹ one crore and above in one English daily in addition to one local Oriya daily. It also prohibits award of work without calling tenders excepting in cases of exceptional urgency like flood damage and test relief works and fixed the limits for the EE (₹ 10000), CE (₹ two lakh) and administrative department (beyond ₹ two lakh).

However, review of the tendering process revealed the following irregularities:

Estimates of works costing ₹ one crore or more were split up to avoid technical sanction by higher authority as well as to avoid publicity in National English daily

- In two executing agencies, the EEs split-up the estimates for two works<sup>45</sup> with total estimated cost of ₹ 2.91 crore and individual estimated cost ranging from ₹ one crore to ₹ 1.91 crore to two to five reaches, each reach being less than ₹ 50 lakh to avoid technical sanction of the estimate by the higher authorities as well as to avoid wide publicity in National dailies. While one work was completed, the other remained incomplete (November 2010).
- In four cases, in three executing agencies, the EEs split-up the estimates for four works<sup>46</sup> with total estimated cost of ₹ 2.36 crore and individual estimated cost exceeding ₹ 54.47 lakh to ₹ 65.16 lakh to two to three reaches each reach between ₹ 4.41 lakh to ₹ 49.77 lakh to avoid technical sanction by higher authorities. EE, R&B, Rayagada and Sundargarh stated that the work was split-up for speedy execution of works while EE, R&B, Rourkela stated that the works were split-up due to release of funds in phases. The reply of EE, Rourkela was not tenable as the entire fund of ₹ 5.20 crore was released by DRDA to the EE during April 2005 to September 2007 and UC for full amount was submitted in September 2007 while estimate was split-up and technical sanction was accorded only in January 2008.
- In five test checked units<sup>47</sup>, tenders for 44 works (RSVY 32 and BRGF 12) with total estimated cost of ₹ 10.71 crore and individual estimated cost of ₹ 10 lakh or more (*Appendix 2.7*), were neither placed in web-site of the State Government nor intimated to the Director, Printing, Stationary and Publications, Orissa for publication in the Orissa Gazette for wide publicity as required. In reply, the Government stated that the Collectors have been advised to obtain explanation of concerned executing agencies with regard to deviation in the tendering process.

Tender notices of works costing ₹ 10 lakh or more were not posted in Government web-site

<sup>44</sup> ₹ 20 lakh from January 2009

<sup>45</sup> **EE, R&B Division, Rayagada:** Construction of bus stand complex at Rayagada (BRGF): ₹ 1 crore to two reaches and **PA, ITDA, Rayagada:** Construction of residential Girl's High school at Siripur: ₹ 1.91 crore to five reaches (BRGF)

<sup>46</sup> **R&B Division, Rourkela:** Construction of Stadium at Bisra Maidan at Rourkela (BRGF): ₹ 60.12 lakh (2 reaches), **R&B Division, Rayagada:** Market complex at Kasturi Nagar (BRGF): ₹ 54.47 lakh (3 reaches), **R&B Division, Sundargarh:** Bridge on Sapdagar to Pateimunda: ₹ 65.16 lakh (3 reaches) and Box Cell Culvert on Gajendra Tehuria road on Basundhara Nalla: ₹ 55.82 lakh (2 reaches)

<sup>47</sup> **RW Division:** Boudh and Deogarh **R&B Division:** Balangir, Rourkela and Sundargarh,

**Works were split up to reaches below ₹ 50,000 to avoid wide publicity of tender in local dailies**

- In seven executing agencies, 18 works (₹ 70.86 lakh) with individual estimated cost of ₹ one lakh to ₹ 13.43 lakh were split-up by the EEs to two to 23 reaches keeping the cost of each below ₹ 50 000 to avoid wide publicity (*Appendix 2.8*). In all these cases, the works were awarded on short tender call notice displaying in notice board instead of publication in two Oriya dailies and publicity was restricted. The works were however completed. The Executive Engineers stated that the original works were split-up to reaches below ₹ 50 000 for expeditious execution of works. The replies were not tenable in audit as codal provisions do not permit splitting-up of works.
- In 14 cases (₹ 1.31 crore) in Minor Irrigation Division –II, Berhampur, the original estimates each ranging from ₹ three lakh to ₹ 27 lakh were split-up by the EE into five to 42 reaches each being less than ₹ 50000 and were awarded to various Pani Panchayats and contractors without inviting tenders (*Appendix 2.9*). In reply, the EE stated that as Irrigation Department permitted (September 2004) award of repair and maintenance of irrigation projects for value up to ₹ 50 000, as such, for speedy execution, the renovation works were split-up and awarded to Pani Panchayats and other agencies without inviting tender. The reply is not tenable as the works which were split-up were not repair and maintenance works but were renovation and improvement works involving construction of structures and lined channels.
- In three test checked EAs, three works<sup>48</sup> with total estimated cost of ₹ 9.11 crore and individual estimated cost exceeding ₹ 50 lakh in each case were not put to e-tendering contrary to the provisions of OPWD Code. In reply, Government assured (October 2010) to take corrective measures.
- In three ULBs (Balangir, Binika and Patnagarh,), 77 works with estimated cost of ₹ 82.29 lakh were not put to tender but were awarded to registered contractors at the recommendation of the Chairperson of the concerned ULB. The Executive Officer, Balangir Municipality and Patnagarh NAC stated that the works were not put to tender as the estimated cost of each of these works were below ₹ five lakh. The reply was not tenable in audit as Government order dated 17 August 2008 required execution of all works under BRGF through open tender process and the relaxation (order dated 5 November 2008) allowed for executing projects up to ₹ five lakh through Village Labour Leader system was limited to rural areas only.

**In three ULBs, 77 works costing ₹ 82.29 lakh were awarded to contractors without inviting tenders at the recommendation of Chairperson of concerned ULB**

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<sup>48</sup> **BRGF: ITDA, Rayagada:** Construction of Girls High School at Siripur: ₹ 1.54 crore, **EE, R&B Division, Balangir:** Construction of boundary wall & leveling of the field of stadium at Sonapur: ₹ 59.42 lakh, **EE, PHD, Koraput:** Augumentation of Water supply to Gunupur, NAC: ₹ 6.98 crore



The Government however, stated (October 2010) that transparency in awarding contracts is looked into by the Collectors and necessary remedial measures would be taken by the Government.

### 2.1.12.2 *Doubtful purchase of materials*

Materials worth ₹ 2.32 crore were purchased in test checked PSs against hand receipts and payment for ₹ 7000 to ₹ 5.28 lakh was shown as paid in cash by concerned JEs initially out of their own money. Materials purchased were not accounted for in site stock accounts

In 24 test checked units<sup>49</sup>, road metal and other construction materials worth ₹ 2.95 crore were purchased without following purchase procedure like calling of quotations and releasing payment through cheque after receipt and accounting of the materials in stock register. While such materials worth ₹ 2.32 crore were shown as purchased from private persons on hand receipts without accounting the receipt and use, ₹ 63.39 lakh was irregularly allowed to the executants towards cost of cement shown as purchased from open market by departmental officers in excess of that issued by the BDO, despite availability of sufficient stock in the block store as indicated at *Appendix 2.10*. Actual purchase and utilisation of such materials and cement appears doubtful. In reply, the Government stated (October 2010) that necessary action in this regard is being taken by the district authorities. However, action to streamline the procedure to check possible pilferage of funds was awaited (November 2010).

### 2.1.12.3 *Non-compliance with the provisions of OPWD Code in maintenance of muster rolls and payment of wages and doubtful muster rolls*

Doubtful payment of wages for ₹ 1.01 crore through muster roll

The procedure of maintenance of Muster Rolls (MRs) were prescribed in the OPWD Code which provided for maintaining the MRs in stitched forms duly page numbered to prevent non-payment, short payment and any manipulation. These MRs were to be issued by the head of the office under his authorisation for specific work and specific period. Also MRs were to be treated as expenditure documents and to be submitted by the concerned officers immediately after disbursement of wages. The Government in PR Department made (December 2004) the VLLs responsible for preparation of muster rolls, taking attendance and disbursing wages on proper identification on obtaining funds from the departmental officer and for its early submission to the said officer. Review of MRs of works executed departmentally in test checked PSs revealed non-compliance to above codal provisions which led to irregular and doubtful payment of wages to the extent of ₹ 1.01 crore as indicated at *Appendix 2.11*. Besides, in 10 cases in Kantamal PS, no muster roll was submitted by the concerned departmental officer despite execution of works valued ₹ 14.92 lakh.

In reply, the Government stated (October 2010) that necessary action in this regard is being taken by the district authorities. The reply was however, silent about action taken to streamline the procedure.

<sup>49</sup> BDOs: Badagaon, Balangir, Barkote, Beguniapada, Bhanjanagar, Birmaharajpur, BisamKatak, Boudh, Digapahandi, Gunupur, Harabhanga, Hemagiri, Kantamal, Kukudakhandi, Loisingha, Maneswar, Patnagarh, Rayagada, Reamal, Redhakhol, Sonepur, Tarava, Tileibani and Titilagarh

**2.1.13 Inspection, Monitoring and Evaluation**

**2.1.13.1 Inspection of works and quality check**

**Schedule of inspection of works not prepared and quality monitoring system has not been prescribed**

Paragraph 4.14 of BRGF guidelines provided for preparing a schedule for inspection of BRGF works and for instituting a Quality Monitoring System for maintaining the quality of works. The working of the quality monitoring system is to be regularly reviewed by the HPC. However, it was noticed that no such quality monitoring system has been introduced in the State (June 2010). In all the test checked units, no schedule for inspection of works were prepared. Further, format for booklet on verification of works has not yet been prescribed.

In reply, the Government stated (October 2010) that district authorities are being instructed to inspect the works and conduct a quality check.

**2.1.13.2 Audit of works**

**No system of visual inspection of works had been introduced**

Paragraph 4.12 of BRGF guidelines required conducting regular Physical and Financial Audit of works executed under the scheme in each district at the end of financial year. It was however, noticed that though financial audit was conducted in all the eight test checked districts regularly, yet physical verification of works has not been introduced in any district (June 2010).

In reply, Government stated (October 2010) that District/State level officers are conducting physical audit at the time of their field visits. The reply was not convincing as no such Inspection Report was produced to Audit by any of the eight test checked DRDAs and 29 Panchayat Samitis.

**2.1.13.3 Peer Review of Panchayats not conducted**

**Action through Review Committee and Peer Review not commenced**

BRGF guidelines (Paragraph 4.13) and GoI instructions (4 January 2010) provides conducting peer review of performance of one Panchayat Samiti by another to find out the bottlenecks in programme implementation under BRGF and other flagship programmes and share the best practices. A review committee was to be constituted by the District Planning Committee to review reports of the committee and take follow up action. However, no such review was conducted in any of the 29 test checked Panchayat Samitis and no review committee was constituted by the DPCs in eight test checked districts on the plea that guidelines for the same had not yet been prescribed.

The Government assured (October 2010) that this will be implemented from 2010-11. However, action in this regard is awaited (October 2010).

**2.1.13.4 Social audit and vigilance at grass root level**

**Guidelines for Social audit and Village/Ward level Vigilance and Monitoring Committees had not yet been issued by the Government despite repeated instructions of GoI**

GoI guidelines (Para 4.15) require, Social Audit of BRGF works by Panchayats and municipalities as well as role and function of Village/Ward level Vigilance and Monitoring Committee. However, the same were not prescribed by the State Government (June 2010); as a result in none of the 145 test checked GPs, Social Audit of BRGF works was undertaken.

In reply, Government stated (October 2010) that Social Audits were conducted by Panchayats and Municipalities. The reply is not tenable as Social Audit of BRGF works were not conducted in all the test checked 145 GPs and 13 ULBs. Local village or ward level Vigilance and Monitoring Committees (VMCs/WMCs) were also not formed in any of the BRGF works in eight test checked districts. In reply, the Government assured (October 2010) to form local VMCs.

#### 2.1.13.5 *Transparency measures*

No Transparency board was fixed for 200 BRGF works executed at ₹ 6.58 crore by four ULBs

GoI guidelines (Paragraph 4.15) provided for displaying transparency boards at work-sites indicating name of the scheme, name of the work and other details to enable the local people to know about the scheme. Further, each Panchayat has to publicly display details of all the approved projects with their expected commencement and completion date. However, in four test checked ULBs<sup>50</sup>, no such transparency boards were found fixed in 200 works executed under the programme at ₹ 6.58 crore.

In reply, the Government stated (October 2010) that transparency measures were taken up by implementing agencies. The reply was silent on the reason for not fixing transparency boards for 200 BRGF works executed by the above four ULBs.

#### 2.1.14 *Monitoring and evaluation*

DPCs did not monitor the implementation of the programme after approval of the BRGF plan. Evaluation of the outcome was also not done

BRGF guidelines emphasised on constant monitoring and evaluation of the Capacity building programme component specially during 2009-12. However, no such evaluation on outcome of the training and impact on planning, implementation and monitoring at PRIs and ULBs levels were undertaken. In reply, Director, State Institute for Rural Development (SIRD) stated (July 2010) that the Government is planning to ensure third party monitoring of training programmes imparted under Capacity building component of BRGF. Action in this regard is awaited (October 2010). Also, there was total absence of monitoring of the programme by the DPC. In all the eight test checked districts, DPC never monitored the implementation of the programme after approving the district plan under BRGF and evaluation of the outcome of the programme was not done by the DPCs of any of the 19 backward districts (June 2010).

Government stated (October 2010) that steps are being taken for monitoring and evaluation of training programmes conducted under the Capacity building component of BRGF. However, monitoring of implementation of programme under developmental grant and evaluation of outcome has not yet been done (November 2010).

#### 2.1.15 *Conclusion*

The Central theme of BRGF was to bring a huge turn around through convergence of all the schemes and programmes and preparation of integrated

<sup>50</sup> Binika NAC, Deogarh Municipality, Sambalpur Municipality and Sonepur Municipality

district plan with involvement at grass root level. Baseline survey to identify the reason of backwardness and missing development infrastructure was not conducted, rendering the planning process irrelevant. Decentralised planning at village, GP, block and district level was missing. Gram Sabhas in rural areas were hardly consulted and Area Sabhas in urban areas were never consulted while preparing Annual Plans under BRGF. There was absence of institutional arrangements as well as professional support at GP, block, DPC and State level. Despite engagement of Technical Support Institutions for plan formulation, irregularities like delay in preparation of Annual Plans and inclusion of inadmissible projects in the AAPs were present. Delay in submission of AAPs and low spending deprived the State of substantial Central assistance under the programme. Financial management remained far from satisfactory mainly due to delay in transfer of funds to PSs and ULBs, diversion and misutilisation of programme funds as well as parking of funds in Non-interest bearing Accounts. Funds utilisation capacity of ULBs remained low leading to projects remaining incomplete. Implementation of the programme also suffered due to execution of works through middlemen in the guise of VLLs, absence of quality checks, lack of transparency in contract management and non-utilisation of completed projects in many cases. Low coverage under training to PRI/ULB members and staff etc. led to poor human capital formation. Monitoring was inadequate and outcomes were not evaluated. The role of the DPC remained limited to only a plan approving body for BRGF and technical and professional support to DPC for guidance, preparation of integrated district plans, monitoring and evaluation of the outcome were hardly available. The required guidelines for Social Audit, Peer Review of performances of PRIs and ULBs had not yet been prescribed by the State Government.

#### **2.1.16 Recommendations**

- Good practices of Ganjam district like classification of GPs on the basis of BPL population, un-irrigated area etc. may be adopted by other districts;
- Institutional arrangements and professional support at GP, PS and DPC level to the extent envisaged under BRGF may be provided on priority within a definite timeframe;
- Government should intimate all GPs/ULBs, about the expected flow of funds from all flagship programmes every year to facilitate convergence with other schemes and preparation of need based plan;
- Financial management may be streamlined to check delay in transfers, diversion and mis-utilisation of funds;
- Independent and competent organisation/agencies may be entrusted with evaluation of outcome of the programme to provide valuable feedback.

While accepting all these recommendations, Government, assured (October 2010) that all out efforts will be made to make the programme successful in the State.

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**REVENUE AND DISASTER MANAGEMENT DEPARTMENT**
**2.2 Land Acquisition and Management**
**Executive summary**

Performance audit of land acquisition and management revealed that centralised database on private land acquired, allotted and compensation paid were not maintained. Monitoring of progress of acquisition of private land and allotment of land was inadequate. There were delays in finalising land acquisition proceedings and payment of compensation to the land owners. Fixing of market value of land on lower side tended to help the land buyers at the cost of land owners. Under-assessment of compensation by ₹ 63.98 crore was noticed in 34 cases of acquisition of 3120.577 acres of land for 11 entrepreneurs/industries due to erroneous fixation of market rate of land. Highest sales statistics close to the date of publication of preliminary notification were ignored while highest sales statistics were suppressed in many cases. In one district, due to such erroneous fixation of market rate, additional amount was paid as *ex-gratia* and the State was deprived of recovering establishment charges of ₹ 8.19 crore. Sales statistics were also mis-reported in some cases and undue favour was extended to the entrepreneurs/industries. In respect of Government projects, avoidable expenditure of ₹ 2.83 crore was incurred on payment of additional compensation and interest due to delay in passing award by four to 35 months and delay in payment of compensation by seven to 44 years. Compensation money of ₹ 371.28 crore was not retained in civil deposit accounts despite instruction of the Government and were retained in bank accounts. Encroachment of Government land has become a routine feature and 19792 acres of Government land was under unauthorised occupation as per official records as on March 2010. In 41 cases though 404.62 acres of land was under unauthorised occupation of 29 parties for five to 30 years yet lease cases applied were not finalised leading to non-realisation of ₹ 109.97 crore towards lease value of land. No time limit has also been prescribed for finalisation of lease cases. Test check revealed that though 5061.523 acres of Government land leased out during 1985-2004, was not utilised by seven entrepreneurs but no action was taken to resume the land to Government. Misutilisation of allotted land for other purposes was also noticed. The efforts made by the Governemet in resettlement of the displaced persons were inadequate.

**2.2.1 Introduction**

Article 300A of the Constitution of India envisages that no citizen can be deprived of his property except under the authority of law. Government acquires land for public purposes under the provisions of Land Acquisition

(LA) Act 1894<sup>51</sup> as amended from time to time. The Act empowers the State Government to acquire any land for public purpose and prescribes the procedures to be adopted for acquisition of land and payment of compensation to the land owners. Orissa Government Land Settlement Act 1962 (OGLS) empowers the Government to lease out any Government land to be used as house-sites or for any community, industrial or for any other purposes whatsoever and charge a premium and rent for settlement of the same.

### **2.2.2 Organizational structure**

Revenue and Disaster Management Department headed by the Commissioner-cum-Secretary had been vested with the powers to issue Notifications under various provisions of LA Act for acquisition of private land and leasing out of Government as well as acquired land. Commissioner-cum-Secretary is assisted by three Revenue Divisional Commissioners (Berhampur, Cuttack and Sambalpur). At the District level, the District Collector assisted by Land Acquisition Officers (LAO) and Tahasildars is responsible to administer land acquisition and lease cases. The LAOs are in-charge for preparation of estimates of cost of acquisition and after approval by the Commissioner-cum-Secretary of the Department realise the same from the requisitioning authorities and are responsible for ensuring timely payment of compensation to the land owners.

### **2.2.3 Scope of Audit**

Records of the Revenue and Disaster Management (RDM) department, six<sup>52</sup> out of 30 Collectorates of the State and the concerned Land Acquisition Officers (LAO), four special Land Acquisition Officers<sup>53</sup> and 12 Tahasils<sup>54</sup> of six selected districts<sup>55</sup> (20 per cent) for the period 2005-10 were test checked in audit during November 2009 to May 2010. Exit conference was held with the Commissioner-cum-Secretary, RDM Department on 6 September 2010 wherein the audit observations were discussed. The response of the Government along with replies of the concerned Collectors forwarded (August 2010/September 2010) by the Government has been incorporated at appropriate places.

### **2.2.4 Audit objective**

The audit objectives were to seek assurance that the:

- procedures for acquisition and allotment were in place and followed;
- compensation dues were assessed correctly and paid in time and;
- adequate measures were taken to ensure utilisation of acquired/allotted land for the specified purposes.

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<sup>51</sup> Central Act

<sup>52</sup> Selected on the basis of 'Probability proportion to size sampling method'

<sup>53</sup> Dhenkanal, Keonjhar (Railways), Keonjhar (company) and Jharsuguda

<sup>54</sup> Anandpur, Angul, Banrpal, Dhenkanal, Jajpur, Jharsuguda, Keonjhar, Laikera, Odapada, Panposh, Sundargarh and Vyasnagar.

<sup>55</sup> Angul, Dhenkanal, Jajpur, Keonjhar, Jharsuguda and Sundargarh

### 2.2.5 *Audit Criteria*

The criteria adopted for evaluating the system of land acquisition and management were based on the following documents:

- Land Acquisition Act 1894;
- Land Acquisition (Amendment) Act 1984;
- Executive instructions and circulars issued by the State Government and judicial pronouncements;
- Orissa Government Land Settlement Act 1962;
- Orissa Prevention of Land Encroachment (OPLE) Act 1972 and OPLE Rules 1985.

### 2.2.6 *Reason for selection of this topic for Performance Audit*

Repeated coverage in print as well as electronic media and legislative debates regarding irregularities in acquisition of private land much in excess of actual requirement and payment of low compensation coupled with repeated law and order problems in Kalinganagar, Puri and Paradeep area over such acquisition of land prompted Audit to take up the performance audit of the topic.

The Audit findings are discussed in following paragraphs.

## Audit findings

### 2.2.7 *Acquisition and allotment of land*

Audit observed that the Department did not frame any long/short term plan for land use in the State as a whole. Details of land use were not maintained. However, acquisition and leasing of land for various purposes was undertaken by the department without any land use plan. Besides, the Department also allotted/leased Government land to different individuals, bodies, companies etc. Consolidated details and computerised database of private land acquired, compensation paid, private land handed over and Government land allotted/leased out during 2005-10 were not available with the RDM Department. As per information furnished by the test checked units, 19981.05 acres of land was allotted during 2005-10 which included Government land (6607.73 acres) and acquired private land (13373.32 Acres). The details are given at *Appendix 2.12*.

#### 2.2.7.1 *Irregular leasing of land free of premium*

As per Government's order of 26 November 1998, Government land could be allotted without any premium for establishment of private secondary schools and colleges<sup>56</sup> subject to fulfillment of certain other conditions. However, in two Districts (Keonjhar and Angul), 16.35 acres of Government land valuing

<sup>56</sup> **Schools:** Five acres in rural areas and three acres in urban areas, **Colleges:** 15 acres in rural areas and 10 acres in urban areas

₹ 44.35 lakh (*Appendix 2.13*) were allotted (2004-09) without charging any premium to five existing secondary schools and colleges that were established during 1987 to 1998 for extension of area. Since no new schools/colleges were established by the allottees, such lease of land free of premium was not in conformity with the approved policy of the Government. While admitting the facts, the Collector (August 2010) stated that the schools were functioning prior to sanction of lease and land was leased free of premium to these institutions as they were not having adequate land for running the schools/colleges. The reply is not tenable since land was leased to existing schools in contravention to Government norms (1998) which permitted lease of land free of premium only for establishment of new schools.

**2.2.7.2 Nugatory expenditure of ₹ 7.57 lakh due to lapse of LA proceedings**

The provisions of LA Act (Section 6 and 11 A) provides declaration of private land proposed for acquisition in public interest and finalisation of award thereon within two years from the date of publication of such declaration, failing which the entire LA proceeding deemed to have lapsed. Further, in case of lapse of any LA proceeding, the functionaries responsible for delay leading to lapse of LA proceeding were to be made personally liable for recovery of establishment charges.

Audit observed that in case of acquisition of land measuring 21.23 acres for a minor irrigation project<sup>57</sup> although the declaration under Section 6 (1) to acquire land was published in March 2008, the award there on could not be finalised by March 2010 resulting in lapse of LA proceedings. As a result, expenditure of ₹ 7.57 lakh (establishment cost) incurred on the LA proceedings out of total amount of ₹ 37.84 lakh deposited with the LAO by Irrigation Department proved nugatory and no responsibility was fixed (November 2010). LAO, attributed (July 2010) the delay to late receipt of order under section 7 from the RDM Department and stated (August 2010) that RDM Department has been moved for revalidation of the LA proposal. The reply is not tenable as there is no provision in LA Act for revalidation of LA proceedings after lapse of two years from the date of publication of declaration U/s 6 (1). In fact, the LA proceedings have to be started *ab initio* as per rule.

**2.2.8 Assessment and payment of compensation**

**2.2.8.1 Under-assessment of compensation due to erroneous fixation of market value of land**

Section 23 of Land Acquisition Act 1894 prescribed that while determining the amount of compensation to be paid for land acquired under the Act, market value of land at the date of publication of the notification under section 4 (1) is to be considered. The State Government *inter alia* clarified (December 1971) that after collecting the sales instances<sup>58</sup>, the highest one, which similar land in

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<sup>57</sup> Benga Minor Irrigation Project of village Chandrasekhar Prasad of Dhenkanal district

<sup>58</sup> Sales cost as per registered sales deeds from the office of concerned Sub-Registrar



the locality is shown to have fetched, should be taken in to account in determining the market value. Every case of acceptance and rejection along with difference should also be clearly explained in the valuation statement. Government instructions issued (April 1980) citing judicial pronouncements, also provided to prefer highest sale value shown in the sale deeds unless there are strong circumstances justifying a different course. Similarly, in case of non-availability of sales statistics of the concerned village, the same of the neighbouring village for similar land close to the date of publication of Notification under section 4 (1) was to be considered. In case of non-availability of the sales statistics close to the date of Notification, rate fixed under old comparable sales transaction increased by 10 *per cent per annum* was to be considered as per Government instructions of January 2003.

In 34 cases of six test checked districts<sup>59</sup>, 3120.577 acres of private land were acquired between 2005 and 2010 for 11 entrepreneurs/industries<sup>60</sup> (*Appendix 2.14*) and there was under-assessment of compensation by ₹ 63.98 crore due to erroneous fixation of market value of land. The under-assessment was mainly due to:

- determination of the market value at lower side ignoring logical higher sales statistics (₹ 44.07 crore) for similar land for same village without explaining the reasons.;
- adopting previously fixed rate with 10 *per cent* appreciation despite availability of sales statistics of concerned village close to the date of publication of notification (6 and 7 May 2005 ) (₹ 78.98 lakh);
- adopting lower value of another village (₹ 2.84 crore) despite availability of market value for similar land of same village;
- considering lower sales statistics and suppressing the highest sales statistics in the draft assessment report, revealed on verification of records of concerned District Sub-Registrars in Audit (₹ 6.42 crore);
- ignoring the highest sales statistics close to the date of publication of notice<sup>61</sup> under section 4(1) and considering the same for earlier periods (₹ 8.76 crore);
- considering sales statistics of other villages ignoring the neighbouring villages (₹ 43.88 lakh) and
- short calculation of additional compensation (₹ 64.90 lakh) due to non-calculation of the same from the date of publication of notice u/s 4 (1) to the date of award.

**Erroneous fixation of LA compensation led to payment of less compensation to land losers by ₹ 63.98 crore with extension of undue favour of ₹ 70.38 crore to promoters of industries**

<sup>59</sup> Angul (3), Dhenkanal(13), Jajpur (7), Jharsuguda (8), Keonjhar (1) and Sundargarh (2)

<sup>60</sup> BRG Iron and Steel, Rungta Mines, Bhusan Steel and Strips Limited, GMR Energy, Brand Alloys, Eastern Steel and Power, Bedanta, Jindal Steel and Power Limited, Utkal Coal limited, TATA and Nilachal Ispat Nigam Limited

<sup>61</sup> Managapur: 12 July 2007, Sivapur: 21 November 2003, Jharabandha: 22 February 2006, Chandia: 30 July 2005, Badasiulidhi: 06 January 2006, Golagaon: 5 January 2006, Manitira: 24 July 2006, Gobarghati: 29 July 2005, Sankerjang: 18 January 2006, Nisha: 13 June 2006

This resulted in payment of less compensation of ₹ 63.98 crore to the land owners. In Angul and Jharsuguda districts, the land owners received the compensation under protest in many cases and represented against the payment of less compensation.

Besides, Section 50(1) of the LA Act 1894 read with instructions (October 2002) of the Government issued thereunder provided for realisation of 10 *per cent* of the compensation value as establishment charges from the private entrepreneurs/organisations acquiring land through IDCO<sup>62</sup> for establishment of industries. Thus, due to payment of less compensation of ₹ 63.98 crore to the land owners, the State Government was also deprived of ₹ 6.40 crore by way of establishment cost recoverable at 10 *per cent* of the compensation paid.

As both the compensation value and establishment charges were to be paid by private entrepreneurs/promoters of Industries, under-assessment of compensation resulted in undue favour of ₹ 70.38 crore to the private entrepreneurs/organisations.

In reply (January to April 2010), five LAOs assured to further examine the matter while Special LAO, Keonjhar and Collector, Jharsuguda admitted (April 2010/August 2010) the error. Collector, Dhenkanal while admitting the error (August 2010) stated that since award has been passed irregularly without considering the highest sales statistics, enhancement of compensation can only be raised before the Competent Court.

#### **2.2.8.2 Short realisation of establishment charges of ₹ 8.19 crore**

**Due to assessment of compensation on lower side and subsequent payment of differential amount as *ex-gratia*, Government was put to a loss of ₹ 8.19 crore towards establishment charges and undue favour was extended to the promoters**

The Apex Court ruled<sup>63</sup> determination of market value of acquired land on average price as not proper, but in case of acquisition of 2788.295 acre of land in 15 villages of Angul and Chhendipada Tahasil for a private entrepreneur through IDCO, LAO, Angul assessed (July 2008) the compensation value adopting Average Sales Statistics of these villages at ₹ 1.30 lakh to ₹ 1.60 lakh per acre instead of at highest sales statistics of ₹ 2.5 lakh to ₹ 6.75 lakh per acre. Test check of seven LA cases involving 1552.49 acres<sup>64</sup> of land revealed that against compensation value of ₹ 119.64 crore, only ₹ 37.73 crore was assessed for payment to land owners. Subsequently, due to resentment of land owners and recommendations of the Regional Periphery Development Advisory Committee (RPDAC), the compensation value was increased on negotiation to ₹ 5.01 lakh per acre and the differential amount was paid to the land owners as *ex-gratia*. The LAO realised establishment charges for ₹ 3.77 crore based on award value where as ₹ 11.96 crore<sup>65</sup> would have been realised in these seven LA cases had the award been properly assessed by the LAO in the first instance. Even, the decision for payment of extra compensation as

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<sup>62</sup> Orissa Industrial Infrastructure Development Corporation

<sup>63</sup> AIR 1994 SC 1160, 1996 LACC 219 (SC): AIR 1998 SC 781

<sup>64</sup> Taila I kism: 1510.05 acre, Taila II: 36.21 acres and other kism (Sarad III): 6.23 acre

<sup>65</sup> Establishment charges recovered: 10 *per cent* of award value of ₹ 37.73 crore, Establishment charges that could not be recovered due to payment of differential compensation as *ex-gratia*: 10 *per cent* of compensation of ₹ 119.64 crore payable as per highest sales statistics

*ex-gratia* was taken (June 2008) before passing award (October 2008) for the village Badkarjang-jungle. This led to short realisation of establishment charges of ₹ 8.19 crore (*Appendix 2.15*). Thus, due to erroneous fixation of market value initially and payment of differential amount as *ex-gratia*, Government sustained a loss of ₹ 8.19 crore and on the other hand undue benefit of ₹ 8.19 crore was extended to the entrepreneur. In reply, it was stated that the assessment was considered as correct as higher authorities never pointed out any error. The reply is not tenable as the LAO should have followed the correct procedure keeping in view the directions of the Apex Court. Thus, underassessment of value of land resulted in payment of differential compensation as *ex-gratia* causing loss to the Government.

### 2.2.8.3 *Avoidable expenditure of ₹ 2.83 crore due to payment of additional compensation and interest*

**Government incurred avoidable expenditure of ₹ 2.83 crore on payment of additional compensation and interest due to delay in passing of award**

As additional compensation at 12 *per cent per annum* is to be paid from the date of publication of notification to the date of award of compensation under Section 23 (1A) of LA Act 1894, Government directed (July 1959) that the land acquisition proceedings should be completed within a year and prescribed (July 1989) a specific time schedule to be observed at each stage to complete the LA proceedings within the timeframe. For construction of 12 projects (Irrigation :9, Roads and bridges:2, Railways:1) under four test checked LAOs<sup>66</sup>, the administrative departments (Water Resources, Commerce and Transport, Works) initially sanctioned LA cost calculating additional compensation at 12 *per cent per annum* for a period of 12 months. However, it was noticed that the proceedings were delayed by four to 35 months beyond the prescribed time limit of 12 months for which additional compensation of ₹ 2.20 crore (*Appendix 2.16*) was paid by the Government to land owners. Besides, extra establishment charges of ₹ 26.57 lakh was also paid by the department in respect of acquisition of 1519.47 acres of land for these projects. The delay in passing award was attributed to late receipt of orders under section 7 of the LA Act from the RDM Department.

Similarly, Section 34 of LA Act 1894 stipulates payment of interest at prescribed rate<sup>67</sup>, in case of non-payment of compensation before taking possession of the land. It was however, noticed that in seven LA cases test checked in audit, avoidable interest of ₹ 36.37 lakh (*Appendix 2.17*) was paid by two LAOs to land owners due to delay in initiation and finalisation of LA proceedings and payment of compensation after seven to 44 years of the date of advance possession of land. In reply, LAO, Jajpur attributed (August 2010) the delay to late submission (2004-05) of requisition for acquisition of land despite taking advance possession since 1962-64.

<sup>66</sup> (i) Special LAO, Rengali Right Canal System Division No. II, Mahisapat, Dhenkanal, (ii) LAO, Dhenkanal, (iii) LAO, Keonjhar and (iv) Special LAO, Daitari-Bansapani Rail link, Keonjhar

<sup>67</sup> Up to 30 April 1982: 6 *per cent*, after 30 April 1982: Up to 12 months: 9 *per cent* and subsequently 15 *per cent* up to the date of payment

**2.2.8.4            *Undue favour to a private Institution due to fixation of lower lease value***

**Due to mis-reporting of sales statistics of a particular land for amount less than that indicated in the records of the District Sub-Registrar and ignoring of highest sales statistics, undue favour of ₹ 36.63 lakh was extended to a private institution**

Three acres of Government land in village Panchamahala (Angul district) was leased in favour of a private institution for construction of resettlement home for orphan and destitute children at a premium of ₹ 9 lakh and applicable ground rent and cess. It was noticed that the concerned Revenue Divisional Commissioner (RDC) had given instructions (May 2009) to consider the highest rate between the benchmark valuation<sup>68</sup> and highest Sales Statistics for last three years as required under the Government order (April 1980). The highest sales statistics as per Registered Sale Deed (RSD) for same category in same village was ₹ 15 lakh per acre<sup>69</sup>. Even the rate as per the RSD and plot considered as the highest Sales Statistics was found in audit to be ₹ 12 lakh per acre<sup>70</sup> but the same was indicated as ₹ 3 lakh by concerned Tahasildar by indicating sales consideration for the plot measuring 115 decimal as ₹ 34500 against ₹ 1.38 lakh recorded in the records of the District Sub-Registrar (DSR), Angul as noticed on cross verification of the records<sup>71</sup> in audit. The Tahasildar neither collected the Sales Statistics from the Sub-Registrars' office nor checked its correctness from the Valuation Register but reported a value (₹ 34,500 for 115 decimal) much lower than that recorded (₹ 1.38 lakh) in the Valuation Register maintained by the DSR. Thus, against premium of ₹ 45 lakh required to be fixed only ₹ 9 lakh was collected resulting in loss of ₹ 36 lakh excluding cess and ground rent of ₹ 63000.

In reply, the Tahasildar, Angul stated that the sales statistics was collected by the bench clerk and that the Tahasildar could not go beyond the benchmark valuation. The Tahasildar subsequently stated (August 2010) that he was in a dilemma about whether the benchmark valuation or highest sales statistics was to be considered as a correct procedure. The reply was not tenable as in the instant case the reason for calculating the market value based on wrong sales statistics was not indicated and the Government order (December 1971/April 1980) provided to consider highest sales statistics close to the date of recommendation for calculating the market value of land.

**2.2.8.5            *Undue favour due to non-levy/short levy of interest***

Government instructions of February 1966 and August 1996 provided that the occupier of land should be liable to pay interest at 12 per cent per annum on the amount due to Government from the date of occupation till the date of

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<sup>68</sup> Rate fixed by district authorities for different categories of land for registration purpose below which the land cannot be registered

<sup>69</sup> RSD 4635 Gharabari 12 October 2007, plot 85/1339 :A0.12:₹ 180,000 and RSD 4636 same plot , A0.12: ₹ 1,80,000

<sup>70</sup> Sale deed No. 268 dated 15 January 2007 for plot No. 620/1441: 115 decimal: ₹ 138000 as per the records of District Sub-Registrar, Angul but irregularly shown as ₹ 34,500 by Tahasildar, Angul on 4 March 2009

<sup>71</sup> Entries in the Valuation Register produced to audit for verification and xerox copy of that entry furnished to audit by the concerned District Sub-Registrar

payment. However, in four lease cases<sup>72</sup> finalised, though Government land measuring 17.12 acre was under unauthorised occupation for two to eight years of detection, yet concerned Tahasildars (Jharsuguda, Keonjhar, Panposh and Sundargarh) did not levy/short levy interest of ₹ 28.44 lakh (*Appendix 2.18*) from the date of occupation till the date of payment. In reply, while Tahasildar, Jharsuguda assured to raise the demand, Tahasildar, Kuarmunda assured to examine the matter. Tahasildar, Keonjhar however, stated that as premium is rightly calculated considering the sales statistics of 2007-08, it may not be logical to charge interest for the previous period. The reply of Tahasildar, Keonjhar is not tenable since interest was to be levied from the occupier of land from the date of occupation as per Government instructions of February 1966 as indicated *supra*.

#### **2.2.8.6 Non-payment of compensation despite award and re-initiation of second LA proceeding for same land**

Compensation of ₹ 60.72 lakh for acquisition of private land measuring 76.61 acre in village Gobarghati (Jajpur district) required for setting up an integrated industrial complex was awarded on 8 July 1997 by Collector, Jajpur though no fund was deposited by the requisitioning officer (IDCO) and the LA case was to be dropped as per Government order (November 1997) due to non-receipt of funds within six months of publication of declaration under section 6 (1). Compensation of only ₹ 3.91 lakh was disbursed out of available cash. However, the same RO again applied (April 2005) for acquisition of the same land. Another LA proceeding was therefore initiated with issue of preliminary notification on 2 July 2005 and declaration under Section 6 (1) was issued on 28 July 2006 with an estimated compensation of ₹ 126.99 lakh. The matter referred (June 2008) by the District authorities to the RDM department was pending. On this being pointed out in audit (January 2010), Government directed (August 2010) the Collector to drop the second LA case. The LAO also could not furnish the reason for passing the award before deposit of compensation value by the RO.

It was also noticed that though as per Government order (July 1989) compensation was to be paid within 15 days of award, but in seven cases in the same district under Additional District Magistrate (ADM), Kalinganagar, payment of compensation has not been made (April 2010) though award for compensation (₹ 5.75 crore) for 395.58 acres of land was passed during August 1998 to January 2009. The Collector stated (August 2010) that the land owners will be motivated to receive the compensation.

#### **2.2.8.7 Loss of Government dues worth ₹15.25 crore due to realisation of premium at old rates**

District Collector, Jajpur executed (March 2004 and September 2005) two lease deeds<sup>73</sup> transferring Government land measuring 1739.57 acres in 15 villages of Jajpur district in favour of IDCO at concessional rates prescribed in

<sup>72</sup> (i) BRM High Tech Steels Private Limited, (ii) IDCO (iii) Institute of Technical Training, Sundargarh, (iv) Shibam Enterprises, Gitidhara,

<sup>73</sup> 473 dated 4 March 2004 and 1836 dated 24 September 2005

Industrial Promotion Resolution (IPR) 1989 (₹ 10000 per acre) and 1993 (₹ 25000 per acre) instead of at ₹ one lakh per acre as per IPR<sup>74</sup> 2001 on the ground that said lands were sanctioned in favour of IDCO during the years 1992 to 1998. IDCO in turn allotted the land to entrepreneurs.

Due to non-realisation of lease premium at the prevailing IPR rate, the Government sustained a loss of ₹ 15.25 crore

As per the terms of the sanction order and Government instructions (October 1989), the lessee should execute the lease within six months of issue of sanction order failing which the sanction order would lapse. However, audit observed that the lease deeds were executed after lapse of sanction and the premium at old rates applicable during 1992 to 1998 were realised (March 2005). Thus, irregular leasing of Government land at old rates resulted in loss of Government revenue of ₹ 15.25 crore (*Appendix 2.19*).

The Collector while admitting the fact stated (August 2010) that the Tahasildar had been instructed to report about the date of sanction and date of execution of the lease deed to find out the premium due in this case.

### **2.2.8.8 Other irregularities**

The following irregularities in assessment and payment of compensation were also noticed:

- In two cases<sup>75</sup>, in respect of acquisition of 6.53 acre of land by Collector, Jajpur for two Government projects, though advance possession was taken by the Government prior to 30 April 1982 and award was passed on 13 March 2008 and 27 September 2008, yet interest was erroneously calculated excluding *solatium* and that too up to 31 December 2007 and 21 March 2007 respectively instead of up to 13 March 2008 and 27 September 2008. This resulted in under payment of compensation by ₹ 12.73 lakh. The LAO agreed to revise the estimate and take appropriate action in this regard.
- In seven villages<sup>76</sup> of Jajpur district, additional compensation payable at 12 *per cent per annum* was allowed for 547 to 730 days instead of on actual period ranging from 603 to 1018 days between the date of preliminary notification (March 2005 to January 2007) and date of award (March 2007 to June 2009) resulting in less payment of compensation for ₹ 2.35 lakh. LAO accepted the error and assured to take appropriate action in the matter.
- In four cases<sup>77</sup> in Keonjhar district, the awards of compensation for ₹ 1.64 crore were passed after 13 days to nine months of expiry of maximum prescribed limit of two years time from the date of publication of declaration under section 6 (1) and even after deemed lapse of LA proceedings (*Appendix 2.20*). In reply, it was stated

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<sup>74</sup> Industrial Policy Resolution

<sup>75</sup> Case Record No. 1/04 :Oleichandanpur 0.20 acre and 5/93: Kuanrpur (LAO, Jajpur): 6.33 acre

<sup>76</sup> Arual, Gopalpur, Kabat, Kujibar, Niyamatpur, Panasa, Sana-Trilochanpur

<sup>77</sup> Kasipal, Medinipur, Tentuli and Tungarbahal

that due to delay in receipts of funds from RO and order from Government under section 7 of LA Act, passing of award could not be made within the validity period of two years. The reply is not tenable as the LA proceedings are deemed to have lapsed after completion of two years and new proceeding needs to be initiated.

- Government instructions (September 1998) provide for depositing 50 per cent of establishment charges collected by the LAO with the treasury and retaining the balance 50 per cent, yet Special LAO, Mahisapat remitted only ₹ 3.45 lakh into the treasury against ₹ 32.22 lakh collected and due since April-August 2009 and retained the same in Savings Bank Accounts. This led to short deposit of ₹ 28.77 lakh in Government account. In reply, Special LAO assured (May 2010) to identify the cases of short remittances.
- The Government directed (March and September 1998) the LAOs to deposit the advance compensation received from Companies, Private Promoters and Government Departments in Civil deposits with treasuries and to make payment whenever required by drawing from Civil deposits. Detailed project-wise accounts were also to be maintained and after closure of LA proceeding, the left over establishment charges were to be deposited in Government account. However, project - wise accounts were not maintained by all the 10 test checked LAOs and compensation money (₹ 371.28 crore as of March 2010 including ₹ 12.25 crore towards interest earned) was retained in bank accounts<sup>78</sup> by eight LAOs<sup>79</sup>. LAO and Special LAO Jharsuguda, however, did not keep the compensation money in separate account but merged with the establishment charges (₹ 79.21 crore). LAOs however, assured to follow the prescribed procedure in future.
- In one case (LAO, Mahisapat), ₹ 4.06 crore advanced (May 2008 and October 2009) to five Zonal Officers were treated as final expenditure in the Cash book . However, the vouchers in support of the actual expenditure were not available.

## 2.2.9 *Non-utilisation of acquired/allotted land for the intended purpose*

### 2.2.9.1 *Encroachment of Government land*

As per Rule 3 of Orissa Prevention of Land Encroachment (OPLE) Rules 1985, in case of encroachment of Government land, encroachment case is to be filed against the persons unauthorisedly occupying Government land and are to be summarily evicted under Section 7 of the said Act. Information collected from five test checked districts revealed that 19792.391 acres of

**19792.391 acres of Government land was under encroachment/unauthorised occupation**

<sup>78</sup> Savings/current account as well as in Fixed deposit receipts

<sup>79</sup> LAOs: Angul (₹ 261.59 crore), Dhenkanal (₹ 17.18 crore), Jajpur including Kalinganagar (₹ 23.07 crore), Keonjhar (₹ 6.55 crore), Sundargarh (₹ 33.18 crore)  
Spl LAO: Keonjhar (SISCO) (₹ 9.95 crore), Keonjhar-DBRL (₹ 0.05 crore), RRCS-Mahisapat (₹ 19.71 crore)

Government land (*Appendix 2.21*) were detected during 1957-58 to 2009-10 to be under encroachment in 40324 cases by different persons/bodies/organisations as of March 2010. Database on year - wise details of lands under unauthorised occupation was not available at District/State level. Encroachment cases were filed after detection during 2005-10. Though encroachment cases were shown as filed, yet cases where unauthorised occupation was vacated could not be furnished by the concerned Tahasildars. While Tahasildar, Angul stated (August 2010) that the provisions of OPLE Act is not sufficient to stop unauthorised encroachment, Collectors, Jajpur, Sundargarh and Jharsuguda assured (August 2010) that steps would be taken to settle encroachment cases quickly.

### **2.2.9.2 Non-utilisation of lease land**

Section 3B of Orissa Government Land Settlement Act 1962 provided that, if the allotted land or any part thereof is not fully utilised within the prescribed period of three years for the purpose for which the same was allotted, then the same was to be resumed to Government. In Sundargarh District, out of 16845.375 acres of Government land leased out during 1985-2004 to seven companies/corporations/private parties, 5061.523 acre (30 per cent) was not utilised by seven companies<sup>80</sup>. There was no mechanism for verification of the land use by the companies/lessee. In reply, the Collector stated (November 2009) that concerned officers had been instructed to resume the land. However, action in this regard had not been taken (June 2010).

Besides, during Joint physical inspection (November 2009) of land leased out to three Societies/Industrial units, it was noticed that in one case<sup>81</sup> (0.95 Acre) the entire land was lying unutilised while in remaining two cases<sup>82</sup> (3.98 acres), construction activities were under progress. Non-utilisation of land for the intended purpose and delay in taking up construction activities runs the risk of being used for speculative purposes.

### **2.2.9.3 Misutilisation of leased land**

Joint physical inspection (December 2009) of land in the presence of concerned Tahasidars revealed that in three cases<sup>83</sup>, land measuring 6.17 acres leased during May 1991 to December 2004 were utilised for purposes other than those for which the same was leased (*Appendix 2.22*).



*Commercial use of a land leased for office building purpose: Angul District Truck Owners Association*

<sup>80</sup> Rourkela Steel Plant: 1993: 4879.15 acre, L &T, Kansbahal: 1988:109.17 acre, Rourkela Development Authority:1988:10.368 acres, DAV School, Rourkela: 0.16 acre, IDCO, Rajgangpur: 21.82 acres, Shakti Wires and General Engineering Works: 0.20 acre and IDCO, Kuarmunda: 40 acres

<sup>81</sup> Jaya Satyanarayana Swamy Enterprises: March 2006: 0.95 acres,

<sup>82</sup> Maa Jasoda Cold storage: February 2006: 3.78 acre: still under construction, Tarinee Self Help Co-operative Limited : August 2006: 0.20 acre: shop still under construction

<sup>83</sup> Tahasildar Panposh: Ambika Cement Limited , Angul: Angul Truck Owners Association, Sundargarh: Sushila Body Builders

**Government land measuring 5061.523 acres (30 per cent) leased to seven companies remained unutilised for over six to 25 years**



Tahasildar, Panposh and Angul assured to take action against the lessee for misutilisation of land.

**2.2.9.4 Non-finalisation of lease cases despite unauthorised occupation of Government land leading to non-recovery of Government dues**

Government land measuring 404.62 acres though were under unauthorised occupation of 29 parties but the lease case applied has not been finalised for five to 30 years leading to non-realisation of lease premium of ₹ 109.97 crore

As per Rule 5 of OGLS Act and Government directives (February 1966), in cases where the lands are unauthorisedly occupied and it is decided to settle the land with the encroachers, the market value should be determined as on the date of recommendation of the Tahasildar or on the date of occupation which is higher. Besides, interest at prescribed rates<sup>84</sup> on amount due to the Government from the date of occupation till the date of payment is also to be levied. In 31 cases (*Appendix 2.23*) noticed on verification of records and in 10 cases (*Appendix 2.24*) on joint physical verification in Audit (November 2009 to May 2010), 404.62 acre of land were found to be unauthorisedly occupied by 29 companies/industrial units/bodies/institutions/ private persons for 5 to 30 years<sup>85</sup> but the lease cases though applied for had not yet been finalised (May 2010). Thus, Government failed to realise ₹ 109.97 crore as lease value of the land under encroachment. No time limit had been prescribed by the Government for finalisation of such type of lease cases. In reply, it was stated that action will be taken to finalise the lease cases and institute action in encroachment cases.

Further, in case of one Educational Trust<sup>86</sup> though the trust applied for 4.5 acres of land in October 1997 for construction of educational institutions yet field enquiry by the Tahasildar (February 2006) revealed that the plot was being unauthorisedly used by Sundargarh Public School for the last 20 years and the Tahasildar assessed the premium at ₹ 1.35 crore. The lease had not yet been finalised but the Tahasildar assured (November 2009) that action would be initiated to file an encroachment case and the premium, back rent and penalty would be realised. However, action in this regard was awaited (November 2010).

**2.2.10 Other points of interest**

**2.2.10.1 Non-compliance to Act/Rules: Non/short deduction of income tax at source from disbursed LA compensation**

As per the provision of Section 194 LA of Income Tax Act 1961 (effective from 1 October 2004), the person responsible for paying compensation/enhanced compensation for acquisition of immovable property (other than agricultural land) has to deduct Income Tax at source at 10 per cent<sup>87</sup> of gross compensation amount while making payment in all cases where the gross compensation exceeded ₹ 1 lakh. The tax deducted is to be deposited with the Income tax authorities. However, test check in audit revealed that eight

<sup>84</sup> Six per cent per annum up to 27 November 2010 and 12 per cent per annum thereafter

<sup>85</sup> Period of unauthorised occupation for 10 cases noticed on joint physical inspection not available. In other cases, the same was between 1981 to 2005

<sup>86</sup> Sundargarh Educational Trust

<sup>87</sup> cess and surcharge as applicable from time to time

**Income tax of ₹ 1.18 crore was not deducted by eight LAOs while in LAO, Angul there was short recovery of income tax by ₹ 18.71 lakh**

LAOs/Special LAOs<sup>88</sup> did not deduct Income Tax of ₹ 1.18 crore (*Appendix 2.25*) from 261 number of land owners who were paid (2005-10) compensation exceeding rupees one lakh. In reply, five LAOs agreed to recover the Income Tax henceforth, while LAO, Dhenkanal stated that Income Tax was not deducted as there was neither any such provision in the LA Act nor there was any executive/administrative instruction in the matter. The reply of the LAO, Dhenkanal is not tenable in view of the mandatory provision of the Income tax Act at Section 194 LA.

Further, LAO, Angul misinterpreted the above provision and deducted Income Tax at source from the gross compensation value beyond rupees one lakh during January to April 2009. Consequently, income tax on ₹ 175 lakh from 175 awardees was not deducted which resulted in short recovery of Income Tax by ₹ 18.71 lakh<sup>89</sup>. It was further noticed that such short deductions of Income Tax from the land owners were also demanded (March 2009) by Income Tax Officer (TDS), Bhubaneswar and the matter was under appeal (June 2010). The LAO, however, deducted Income Tax correctly from May 2009. In reply, Collector, Angul stated (August 2010) that action had been initiated for recovery of these amounts through filing of certificate cases against concerned land owners under OPDR<sup>90</sup> Act. Collectors, Keonjhar, Jajpur and Jharsuguda also assured (August 2010) that similar action would be taken. However, Collector, Dhenkanal stated (August 2010) that Income Tax was not deducted from compensation value as there was no such provision in the LA Act. The reply is not tenable as the provisions section 194 LA of Income Tax Act is applicable for all LA cases from October 2004.

### **2.2.10.2 Rehabilitation and resettlement**

Government framed Rehabilitation and Resettlement Policy for displaced persons and issued (August 2004 and May 2006) guidelines for utilisation of periphery development funds payable by Industrial houses. As per the said policy, emphasis should be given on opening of training centres for rehabilitation of local people and land owners who lost their traditional source of income. Focus areas for utilising periphery development fund should be on providing basic civic amenities like road, schools, electrification, safe drinking water supply, sanitation in the areas where the affected families were rehabilitated. Review of the proceedings of Regional Periphery Development Advisory Committee (RPDAC) of Kalinganagar (Jajpur) revealed that though it was decided for employment of local people for all unskilled/semi-skilled jobs, yet two private Industrial houses<sup>91</sup> were continuously employing 29 to 30 *per cent* unskilled and semiskilled labourers from nearby States and there was no progress on reduction of outsiders in a phased manner as decided (July 2009) in the RPDAC meeting. No training centres were also set-up. In reply, Collector, Jajpur stated (August 2010) that the industries had been

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<sup>88</sup> LAOs: Angul, Dhenkanal, Jajpur, Jharsuguda, Keonjhar, Sundargarh. Spl LAOs: Dhankanal and Jharsuguda, RRCS, Mahisapat,

<sup>89</sup> ₹ 30.78 lakh deducted towards income tax as against ₹ 49.49 lakh due

<sup>90</sup> Orissa Public Demand Recovery Act

<sup>91</sup> Rohit Ferrotech (30 *per cent*) and Visa Steel Limited (29 *per cent*)

categorically instructed not to recruit people from outside the State particularly in unskilled and semiskilled category.

**1029 affected families were not rehabilitated and 1289 families were not provided with employment in three districts**

In three districts (Dhenkanal, Jajpur and Keonjhar), out of 2318 families displaced between 2005 and 2009 (*Appendix 2.26*), 1289 were resettled in the colony/self re-located and remaining 1029 families were yet to be rehabilitated (May 2010). Similarly, employment was provided to 720 families, 309 families were paid cash in lieu of employment and remaining 1289 families were yet to be provided the employment as per information furnished by the concerned LAOs. The reason for such poor resettlement of displaced families was not furnished (December 2010).

**₹ 65.48 lakh paid by East Coast Railways in December 2003 for implementing Remedial Resettlement Action plan in one Rail link project remained unutilised as of April 2010**

Besides, the East Coast Railways agreed (November 2003) to pay ₹ 2.49 crore for utilisation on Remedial Resettlement Action Plan for displaced persons affected in Daitari-Keonjhar-Bansapani Rail link project and deposited (December 2003) ₹ 65.48 lakh with LAO, Rail Project, Keonjhar. But no amount was spent as of April 2010 and the entire amount together with interest of ₹ 6.14 lakh is lying unutilised (April 2010). In reply, Collector, Keonjhar stated (August 2010) that the funds could not be utilised for want of necessary guidelines of Remedial Resettlement Action Plan and non-declaration of designated authority to implement the same. This is indicative of lack of monitoring by the Government.

### **2.2.11 Conclusion**

The implementation of Land Acquisition Act and proceedings thereunder suffered from serious flaws and lapses. Appropriate compensation on a fair assessment and timely payment to land owners were not effected. Particularly fixation of market rates of land both in case of private and Government holdings benefitted the buyer at the cost of the land owners. This was further compounded by delay in finalisation of LA proceedings leading to withholding of payments of compensation for considerable period. In absence of database, progress in Land Acquisition case could not be monitored which made existing system and procedure ineffective; contributed to avoidable payment of interest and often additional compensation for acquisition of private land for public use. Besides, omissions like non/short collection of interest for delayed payment of premium were also noticed. Unauthorised occupation and use of leased land and absence of action towards vacation of encroachment and resumption of land after expiry of stipulated period indicate the absence of necessary energy and efforts in handling the irregularities. The efforts made by the Government in resettlement of the displaced persons were inadequate.

### **2.2.12 Recommendations**

The Government may consider the following steps to improve the system of Land Acquisition and Management:

- Computerised database on acquisition of land as well as lease of Government land may be maintained both at district and State level;

- The practice of vesting LAOs with discretionary powers is fraught with the risk of misuse. Government should thus frame a definite policy in this regard;
- Project wise accounts may be maintained at LAO level in case of acquisition of private land to enable monitoring of payment of compensation and resettlement;
- Government may ensure that the market value of land is fixed strictly as per the provisions of LA Act while finalising the award. Government may also evolve suitable monitoring mechanism to ensure utilisation of the allotted/leased land for the intended purpose within the specified period.
- The efforts made by the Government in resettlement of the displaced persons were inadequate. Government may ensure timely resettlement of the displaced persons.

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**RURAL DEVELOPMENT DEPARTMENT**
**2.3 Pradhan Mantri Gram Sadak Yojana****Executive Summary**

Government of India (GoI) launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) in December 2000 to provide good quality all weather roads to all eligible unconnected rural habitations, with earmarked funds allocated out of 50 *per cent* of the cess collected from sale of High Speed Diesel (HSD) and loans from the Asian Development Bank (ADB).

A Performance Audit of the Pradhan Mantri Gram Sadak Yojana (PMGSY) covering the performance of the programme from Phases I to III was reported in the Report of the Comptroller & Auditor General of India (Civil) for the year ended 31 March 2004. Audit findings reported in the previous Audit Reports disclosed that the programme could achieve the objective of providing all weather road connectivity to the unconnected habitations by the targeted date partially due to non completion of the roads on time, execution of roads with missing links, and other operational deficiencies. The Report was also discussed in the Public Accounts Committee (PAC) during 2008-09. In order to evaluate the further progress, Performance Audit of the PMGSY under phase IV to VIII in Orissa was undertaken between April and July 2010 to assess whether the key issues highlighted in the previous Audit Report were appropriately addressed and whether the performance under phases IV to VIII improved.

Audit assessed the impact of the programme through physical inspection of 11 roads (10 completed and remaining one under progress) and interactions with the beneficiaries. The exercise disclosed that while five roads had established all weather road connectivity to the block headquarters, health centres and local markets, remaining six roads did not provide smooth passage to the targeted habitations due to missing links and damaged surfaces and for want of maintenance.

Some significant Audit findings are enumerated below:

- The primary focus of the programme was to establish all weather road connectivity to 10420 unconnected habitations with 1000 persons and above (3703) by March 2003 and 500 and above (6717) by 2007. However, only 5598<sup>92</sup> habitations (54 *per cent*) were connected as of July 2010.

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<sup>92</sup> Habitations with 1000 persons and above	= 3336
Habitations with 500 persons and above	= 2262
<b>Total</b>	<b>= 5598</b>

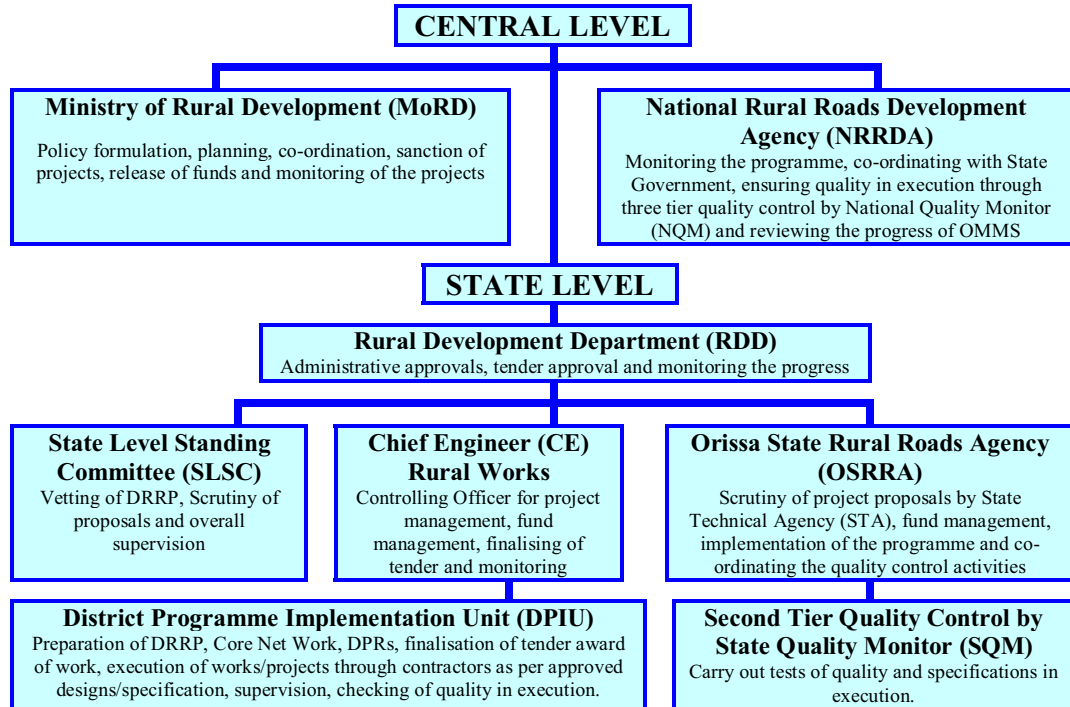
- Of the 799 roads targeted for completion by March 2010 in the sample districts with investment of ₹ 1289.50 crore under phases IV to VIII, 249 roads were completed with payment of ₹ 420 crore to the contractors and 550 roads remained incomplete at different stages.
- There was mismatch between the connectivity created and actually required as per the Core Net Work (CNW). 140 roads were constructed in excess in length of 277.45 kms. There was however, no evidence kept in the DPRs in support of excess length of alignment as required under the guidelines. Further, 31 roads constructed under the programme did not connect the habitations due to non- construction of bridges with span length of more than 25 metres.
- Cases of departure from the prescribed design/specifications/norms in execution of works noticed are discussed in para 2.3.9.3 of the report.
- Cases of extension of undue benefits, excess payments to the contractors and non recovery of liquidated damages from defaulting contractors involving ₹ 139.47 crore were also noticed.
- District Programme Implementation Units (DPIUs) constituted were not dedicated exclusively to implement the PMGSY works.
- The data generated on on-line management and monitoring system (OMMS) was not tallying with the physical reports, giving rise to discrepancies.

### **2.3.1 Introduction**

Government of India (GoI) launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) in December 2000 with the primary objective of providing all weather road connectivity to all unconnected rural habitations with population of 1000 persons and more by the year 2003 and 500 and above by the Tenth Plan period (2007). Up-gradation of existing roads was also permissible upto 20 *per cent* of new connectivity in only those districts where all the habitations of designated population size were provided with all weather connectivity.

### 2.3.2 Organisational structure

The organisational structure for the delivery of the programme objectives was as below:



### 2.3.3 Audit objectives

Performance audit of PMGSY was taken up with the overall objective of assessing whether the:

- desired objective of providing all weather connectivity to targeted habitations within the specified time frame was achieved;
- financial management of the programme was efficient;
- programme management and execution were efficient and effective;
- three tier quality control monitoring system ensured quality assurance and;
- monitoring and evaluation of the performance of the programme was proper.

### 2.3.4 Audit Criteria

The following criteria was adopted to assess the performance of the programme:

- PMGSY guidelines as amended from time to time.
- Guidelines and instructions issued by MoRD and NRRDA.

- Quality test reports of the NQM and SQM.
- Field inspection reports of the higher authorities.
- Work implementation related documents viz; Agreements, technical specifications, Rural Roads Manual, Operation Manual, complaints, evaluation reports and database
- Financial and physical reports.
- Site inspection and discussions with the beneficiaries besides obtaining evidence through digital photographs by audit.

### ***2.3.5 Scope of Audit and methodology***

The Performance Audit of implementation of the programme under phases IV (2004-05) to VIII (2008-09) was conducted between April and July 2010, covering 1512 packages in eight<sup>93</sup> out of 30 districts involving expenditure of ₹ 1399.89 crore (28 per cent). These districts were selected by using Simple Random Sampling Method. Records of the CE, Orissa State Rural Roads Agency (OSRRA), RDD and Executive Engineers (EE) of sampled districts were test checked and Joint Physical Inspections were conducted in the presence of representatives of the concerned EEs. Photographs were taken and interactions with the beneficiaries were also conducted, wherever considered necessary. The exit conference was held with the Principal Secretary and the Chief Engineer, Rural Works in October 2010 and the replies received have been incorporated in the report at appropriate places.

### ***2.3.6 Previous audit findings***

PMGSY (Phase I to III) was previously reviewed in audit and reported through the Comptroller & Auditor General's Audit Report (Civil) for the year ended 31 March 2004. The major audit findings reported under Phase I to III of the PMGSY were as follows:

- All unconnected habitations with 1000 persons and above were not provided all weather road connectivity by 2003.
- Delay in completion of works.
- Execution of roads with missing links.
- Roads constructed provided multi connectivity.
- Execution of excess/less road length, extra carriage width, sandcore and extra WBM layer.
- Up-gradation of roads in deviation from the norms.
- Adoption of higher cost of bitumen.
- Damage to roads due to wrong design.
- Allowance for mechanical carriage of soil in violation of guidelines.
- Faulty provision of maintenance of repairs in the agreements.
- Inadequate quality control.

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<sup>93</sup> Balangir, Balangir, Cuttack, Jajpur, Kendrapara, Keonjhar, Koraput, Mayurbhanj and Nawarangpur.



- OSRRA remained non-functional.
- Non-plantation of trees on the road side.

The review report was discussed (July 2008) by Public Accounts Committee (PAC). Besides, transaction Audit paragraphs on missing links and non-completion of roads were also reported in the successive Audit reports for the year ended 31 March 2005 to 2009.

However, Audit observed that following deficiencies pointed out in earlier Audit report continued to persist under PMGSY Phase IV to VIII.

- Eligible unconnected habitations were not provided with all weather road connectivity.
- Delay in completion of works.
- Execution of roads was more than the length provided in the Core Net Work.
- Desired objective was not achieved due to non construction of bridges.
- Deviations from prescribed design/specifications and norms in some cases.
- Undue benefits were allowed to contractors.
- Action Taken Reports were not complied certifying quality assurance.

The above aspects have been further analysed and deficiencies/irregularities noticed during performance audit of PMGSY under phase IV to VIII are discussed in the succeeding paragraphs.

### 2.3.7 Programme performance

#### 2.3.7.1 Status of habitation connectivity

The status of habitation connectivity as of July 2010 was as under:

**Table No. 2.2 – Connectivity not provided to the habitations**

Sl No	Category of population	Total habitations	Habitations connected (2000) prior to launching of the programme	Unconnected habitations	Habitations connected under PMGSY			Balance unconnected habitations
					From Phases		Total	
					I to III (2000-2003)	IV to VIII (2004-2010)		
i)	1000 persons and above	9173	5470	3703	1280	2056	3336	367
ii)	500-999	12476	5759	6717	633	1629	2262	4455
iii)	250-499	12929	5011	7918	395	782	1177	6741
iv)	Less than 250	15519	4838	10681	262	644	906	9775
	<b>Total</b>	<b>50097</b>	<b>21078</b>	<b>29019</b>	<b>2570</b>	<b>5111</b>	<b>7681</b>	<b>21338</b>

Source: PMGSY-State Report-Habitation coverage

Of the 10420 habitations with population 1000/500 and above targeted for connectivity by 2007, 5598 such habitations (54 per cent) were only connected

The primary focus of the programme was to establish all weather road connectivity to all unconnected habitations with 1000 persons and above by March 2003 and 500 persons and above by 2007. As of July 2010 only 5598 habitations (54 per cent) out of 10420 habitations of population above 1000/500 were connected.



The Government stated (September 2010) that the target could not be achieved due to low funding by GoI, however, the unconnected habitations would be provided all weather road connectivity by March 2012 except for few projects for which there was no response despite repeated tenders.

The Performance Audit revealed that the programme implementation for establishment of all weather road connectivity to the rural habitations after a passage of three years of the target (2007) did not deliver the desired outcome due to delay in completion of approved projects as discussed below:

### **2.3.7.2 Incomplete roads**

550 roads remained incomplete. Besides, LD for ₹ 81.86 crore was not recovered.

The works were awarded to the contractors with schedule date of completion within nine months from the date of award of the contract. The conditions of the Standard Bidding Document (SBD) provided that time was the essence of the contracts and if a contractor failed to execute the works as per the milestones, liquidated damages (LD) upto 10 *per cent* of the contract price were to be levied. In case of failure to complete the work by the stipulated date, the contract was also liable to be terminated with penalty and the balance of the work was to be got completed through another agency. Audit noticed in the sample districts that out of 799 roads taken up under phases IV to VIII (including ADB assisted projects) at a cost of ₹ 1289.50 crore for completion by March 2010, 249 roads involving cost of ₹ 420 crore were completed. The remaining 550 roads were incomplete at various stages. However, LD for ₹ 86.95 crore (10 *per cent* of the contract price of ₹ 869.48 crore) recoverable as per the terms of the contracts for the delay in completion of the 550 roads were not realised from the defaulting contractors (July 2010). The phase wise position of the incomplete works is as under:

**Table No.2.3 - Incomplete roads**

*(Rupees in crore)*

Phase	No. of roads	Cost	No. of roads completed	Cost	No. of roads incomplete	Contract price of the incomplete roads
IV	26	42.04	11	21.81	15	20.23
V	76	91.35	37	40.17	39	51.18
VI	118	166.59	51	73.26	67	93.33
VII	517	845.21	123	241.86	394	603.35
ADB	62	144.29	27	42.9	35	101.39
<b>Total</b>	<b>799</b>	<b>1289.5</b>	<b>249</b>	<b>420</b>	<b>550</b>	<b>869.48</b>

*Source: Audit findings in sample districts*

The Government stated (September 2010) that the delay in completion of the roads was due to site conditions like inaccessibility, shifting of public utilities, and delay in forest clearance and land availability. Government also stated that in case of negligence on the part of contractors a sum of ₹ 5.09 crore have been recovered on account of liquidated damages.

### **2.3.8 Programme implementation**

#### **2.3.8.1 Preparation of district rural roads plan (DRRP)**

Poor selection of roads, fictitious and uncalled for execution led to extra expenditure of ₹ 104.72 crore

To facilitate appropriate selection of the roads, GoI initiated preparation of district rural roads plan (DRRP) using Geographic Information System (GIS) for each block indicating the habitations, Gram panchayat headquarters, public

health centre, haat etc. The roads prioritised in the plans based on the recommendations of the local representatives and approval of the Zilla Parishad and State Level Standing Committee (SLSC) were to be taken up. Out of 1737 roads in eight districts test checked in audit, 140 roads were constructed for 803.73 kms against the requirement for 526.28 kms as per the Core Net Work (CNW) to establish the connectivity to the habitations in violation of the criteria for selection of road resulting in excess construction of roads by 277.45 kms involving extra expenditure of ₹ 102.80 crore. Further, two roads for 5.975 kms constructed at a cost of ₹ 1.92 crore provided connectivity to habitations located within 500 metres of the all weather roads not permissible under the programme.

The Government stated (September 2010/October 2010) that the DPR was prepared based on the villagers initial field data available in block and other level. During preparation of DPR, for finalisation of alignment a transact walk (Joint survey) is also conducted in presence of the revenue authorities, local people and Zilla Parishad members. The alignment of the roads were finalised as per the design requirement and necessity of public. So the executed length during construction differed from the rough estimated length indicated in CNW.

Further, Government stated that the targeted habitations of the two roads were at 2.80/3.175 kms and not 500 metres. However, due to non maintenance of the requisite documents like physical verification report of the Secretary of the Panchayat duly countersigned by the concerned Pradhan, the actual length of the roads constructed could not be ascertained in audit. Selection of roads should have been made in such a manner so that the scarce resources are utilised judiciously to cover more habitations.

### 2.3.8.2 Connectivity not achieved due to missing links

31 roads constructed with investment of ₹ 38.08 crore did not establish the connectivity due to missing links

As per the guidelines, bridges of more than 25 metres span length were to be separately executed by the Engineering Division of the State Government having jurisdiction and *pro rata* cost beyond 25 meters and agency charges, if any, were to be borne by the State Government. However, 31 roads<sup>94</sup> constructed under the programme with expenditure of ₹ 38.08 crore in sample districts did not provide all weather road connectivity to the habitations due to non-construction of bridges.

The Government stated (September 2010) that the missing links were being proposed for construction out of PMGSY and NABARD fund. However, no bridge work has been taken up (December 2010)

<sup>94</sup> **Balangir**Balangir - SH-42 to Tusurabhai road, Nunhad to Sihini road, SH-2 to Kutramunda road, Manhira Sujia road, Chalki Karla road; **Cuttack** - Anuari Khajuripada road, RD road to Kalipoi road, PWD road Kaligiri road, Champeswar Olaba road; **Jajpur**- NH-5A to Panasuda road, RD road to Kurikona road; **Kendrapara** - Paramanandapur to Mendha via Khadipadia road, MDR-14 Kantia road; **Keonjhar** - Madhusudanpur-Angola-Baringi road, Jadupur to Mahanagala road, Kusiapal-Ambura to Santhapura Tilotamadeipur road, RD road to Khadikapada, Anlapal Kendua road; **Koraput** - PWD road to Birijhola-Hatibari road, Parajabedapadar-Khajuriput road, Ghumar to Pakhanguda road, Narayanpatna to Bijaghati road, Parajabedapadar Khajuriput road; **Mayurbhanj** - Mahuldiha to Goudiabahali road, Hatigoda to Saleibeda road, Brundagadi Sriranchandrapur road, Dhoni mandir Mankadapada road, Jamada Tentda road, Betanati Manitri road ; **Nawarangpur** - PWD road to Tohara via Kursi Road, RD road to Badaliguda road

**2.3.8.3            *Execution of works in deviation from the prescribed specifications and norms***

NRRDA, prescribed Data Book and Operational Manual and also supplied GoI guidelines alongwith Rural Roads Manual to the State Government for facilitating preparation of the DPRs for the works. The DPRs were to be prepared applying the State Schedule of Rates (SoR).

Execution of works deviating from the prescribed specification/norms led to extra expenditure of ₹ 178.11 crore

The following departures from the prescribed design/specifications/norms were noticed in preparation of the DPRs and execution of the works resulting in extra expenditure of ₹ 178.11 crore. The extra expenditure was charged to the programme fund in contravention of the guidelines/manuals as discussed below:

- Mechanical lead for transportation of soil and providing of sand core on the road embankment were not allowed under the programme except in the case of Black Cotton Soil. But mechanical transportation was provided for 144.84 lakh cum. of soil with an expenditure of ₹ 71.90 crore in 926 packages in the selected districts which were not Black Cotton Zones. Similarly sand core was provided in 81 packages constructed on moorum and laterite soil base at a cost of ₹ 10.28 crore. The Government stated (September 2010) that mechanical transportation of soil was provided as per the requirement at site and sand layer was provided to facilitate drainage of ground water for satisfactory performance of the road crust. This was not tenable since mechanical transportation of soil was not admissible as per guidelines and provision of sand core in moorum and laterite zone was not permissible as per instructions of the CE.
- Up-gradation of the existing roads was to be taken up only in the districts where all weather road connectivity was provided to the habitations of the designated population size and no new connectivity was required. Proposals were to be prioritised based on Pavement Condition Index (PCI) and comprehensive up-gradation priority list (CUPL). The total up-gradation was not to exceed 20 *per cent* of the overall execution of works in the districts. Though habitations remained unconnected in Nawarangpur district, the EE proposed and up-graded 341 kms of all weather roads at a cost of ₹ 95.93 crore under phases IV to VIII. The up-gradation works was 41.5 *per cent* of the total execution in the district. The Government stated (September 2010) that the GoI sanctioned the up-gradation work considering the condition of the road. This was not tenable since all weather road connectivity was not provided to all the habitations of the designated population size and up-gradation was 41.5 *per cent* of total execution in the district as against 20 *per cent* permissible.

**2.3.8.4            *Inconsistency in sanction of overheads in the project proposals***

The State SoR provided for 12.5 *per cent* overhead charges on the labour component (out of the labour, materials and machinery components involved in execution) and further two *per cent* on the total cost on account of sundries.

This was revised to 10 *per cent* on the total cost of the whole work in the SoR introduced from June 2006.

Overheads were allowed more than the norms resulting in additional expenditure of ₹ 169.52 crore

The DPRs sanctioned up to phase IV of PMGSY, provided the overheads as per the SoR. However, the DPRs provided for 12.5 *per cent* on the total cost of the work from 2006-07 against 10 *per cent* admissible as per the SoR. Sanction of DPRs with inflated provision of overheads thus led to overall additional cost of ₹ 169.52 crore.

The Government stated (September 2010) that 12.5 *per cent* overheads were allowed with the approval of MoRD considering the requirement of setting of field laboratories and providing performance guarantees by the contractors. This was not tenable in view of the fact that as per the guidelines DPRs were to be prepared on the basis of State SoR which provided 10 *per cent* overheads. The logic was not justified in view of the fact that the technical parameters under all the phases of the programme were identical and that even in respect of other works executed in the State where 10 *per cent* overhead was provided the quality control is ensured by conducting required tests in the Government/private laboratories at the cost of the contractors.

### 2.3.9 Financial performance

The table below indicates the position of proposals sanctioned, amount released, and expenditure incurred as of October 2010.

**Table No. 2.4 – Financial performance of PMGSY**

<i>(Rupees in crore)</i>						
Year	Phase	Value of proposals approved	Amount released	Expenditure	Percentage of utilisation	Expenditure covered in audit (March 2010)
2000-04	Phase I	179.70	179.70	166.52	93	Not covered in present Performance Audit
	Phase II	345.09	345.09	337.50	98	
	Phase III	440.93	440.93	424.65	96	
<b>Sub Total</b>		<b>965.72</b>	<b>965.72</b>	<b>928.67</b>		
2004-05	Phase IV	398.72	398.72	363.29	91	117.60
2005-06	Phase V	534.99	530.96	448.50	84	131.50
2006-07	Phase VI	579.84	289.92	434.75	149	143.36
2007-08	Phase VII	2668.43	1039.49	1819.64	175	578.67
2008-09	Phase VIII	2709.45	1594.54	996.85	63	225.06
Accrued interest upto 2009-10			<b>160.51</b>			
State Government Share			<b>171.55</b>			
<b>Sub Total</b>		<b>6891.43</b>	<b>4185.69</b>	<b>4063.03</b>		
<b>Grand Total</b>		<b>7857.15</b>	<b>5151.41</b>	<b>4991.70</b>	<b>97</b>	<b>1196.19</b>

Source: Financial Progress Report of PMGSY

**Table No. 2.5 – Financial performance of ADB works**

<i>(Rupees in crore)</i>						
Year	Phase	Value of proposals approved	Funds released	Expenditure	Percentage of utilisation	Expenditure covered in audit (March 2010)
2005-06	ADB-I	349.46	349.46	294.09	84	80.08
2006-07	ADB-II	513.81	513.81	425.76	83	80.74
2008-09	ADB-III & IV	1133.98	511.11	526.97	103	42.88
<b>Total</b>		<b>1997.25</b>	<b>1374.38</b>	<b>1246.82</b>	<b>91</b>	<b>203.70</b>

Source: Financial Progress Report of ADB Works

Of the total funds of ₹ 5151.41 crore (GoI grants ₹ 4819.35 crore, State Government share ₹ 171.55 crore and accrued interest ₹ 160.51 crore) up to October 2010 under PMGSY, expenditure was ₹ 4991.70 crore up to October 2010 (97 *per cent*). The release of funds under phase VI & VII was ₹ 1329.41

crore. However, the expenditure under these phases was ₹ 2254.39 crore by utilisation of the savings from earlier phases and accrued interest resulting in excess over the release by ₹ 924.98 crore.

### **2.3.9.1 Tender premium charged to programme fund**

Tender premium for ₹ 5.24 crore unauthorisedly charged to programme fund

As per the guidelines, where the value of the tender was more than the approved DPR cost, the excess was to be borne by the State Government. No modalities were, however, framed to segregate such tender premium while making payments to the contractors. Thus, the expenditure of ₹ 5.24 crore towards the excess tender value in respect of 18 packages for 2004-05 and 2005-06 was met out of the programme funds in two districts<sup>95</sup>.

The Government stated (September 2010) that ₹ 171.55 crore have been provided to the programme fund to cover tender premium from 2007-08. But the fact remained that the tender premium for ₹ 5.24 crore in respect of 18 packages<sup>96</sup> for 2004-05 and 2005-06 was yet to be provided by the Government (October 2010).

### **2.3.10 Contract Management**

Inefficient management of the contracts led to excess payment/undue benefits to contractors for ₹ 57.61 crore

The terms and conditions of the Standard Bidding Document (SBD) were violated in five cases in the eight<sup>97</sup> test checked districts leading to excess payment and undue benefits to the contractors worth ₹ 57.61 crore as detailed below.

- The soil retrieved from foundation excavation and road cuttings should be utilised in filling reaches. In case of unsuitability, quality control test report to justify the unsuitability should be retained. Audit observed that out of 2.11 lakh cum. of excavated soil available from 106 packages, 1.27 lakh cum. (towards 60 *per cent* of the excavated soil) was not utilised in filling reaches. However, no quality control reports in support were available. This led to loss of ₹ 1.30 crore under the programme.

The Government stated (September 2010) that only suitable soil was used for road construction and soil unsuitable as per visual observation was rejected. This was not tenable since the soil graded as unsuitable was not supported with quality control test reports. During exit conference the Government assured to instruct the field officers to obtain quality control certificate regarding unsuitability of excavated soil.

- As per the guidelines, the DPRs were to be prepared as per the State Schedule of Rates (SoR). The SoR provided that the basic cost of materials were inclusive of Sales tax. But the cost of the metal, chips and sand etc. were computed adopting the SoR and Sales tax was further added in 34 works of Phase-IV resulting extra cost of ₹ 2.01 crore under the programme.

The Government stated (September 2010) that the estimates had no bearing on the tendered rates. This was factually not correct since the works were floated

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<sup>95</sup> Koraput and Kendrapara

<sup>96</sup> OR-19-30, OR-19-04-ADB/II, OR-19-13-ADB/II, OR-19-17-ADB/II, OR-19-18-ADB/II, OR-19-23, OR-19-28, OR-19-29, OR-19-ADB-01, OR-19-ADB-11, OR-19-ADB-12, OR-16-28, OR-16-29, OR-16-33, OR-16-34, OR-16-35, OR-16-40 and OR-16-41

<sup>97</sup> Balangir, Cuttack, Jajpur, Kendrapara, Keonjhar, Koraput, Mayurbhanj and Nawarangpur

to tender indicating estimated cost and the tenders were approved on *percentage* rate basis. During exit conference the Government assured to look into the matter.

- Mention was made in the Report of the C & AG (Civil) for the year ended 31 March 2006, regarding excess payment of ₹ 11.27 crore to contractors due to computation of item rates of Granular Sub- Base (GSB) adopting rate for 1.50 cum. of void free materials for 1 cum of the GSB. The SoR also provided that the rates of transportation of materials were applicable for void free materials. Audit observed that in execution of GSB and Water Bound Macadam (WBM), the SoR rates of transportation of materials were adopted in 913 works for loose quantities of materials (with voids) resulting in excess payment of ₹ 38.47 crore to the contractors. The Government stated (September 2010) that the rates of transportation of materials in the SoRs were for the loose volume. This was factually not correct since SoR rates (Note below item-9) were for volume excluding voids.
- The SoR further provided that the rate of materials were inclusive of the charges for stacking of the materials before spreading on the roads. Audit, however, observed that the construction procedure of WBM provided spreading of the metals in 75mm thickness on the roads. There was no provision for stacking of the materials. However, in computation of the WBM item, the rate of the metals in 913 DPRs were inclusive of the stacking charges resulting in excess payment of ₹ 12.05 crore. The Government stated (September 2010) that the materials were stacked along the road side before spreading. This was not verifiable in the absence of any stack measurement for the materials collected.
- Interest free mobilisation advance upto five *per cent* of the contract price and equipment advance upto 90 *per cent* of the cost of the new equipment brought to site to a maximum of 10 *per cent* of the contract price on an unconditional Bank Guarantee (BG) were payable. Mobilisation and equipment advances for ₹ 9.13 crore were paid to contractors in 40 packages of which ₹ 5.35 crore was recovered leaving ₹ 3.78 crore un-recovered even after the stipulated period of completion of the works as of July 2010. The contracts provided for recovery of the advance by deducting from contractors payments following the schedule of completed *percentage* of works paid for. This facilitated the EE to allow undue favour to the contractors by delaying the process of the recovery. The General Financial Rules of the State Government provided for levy of 18 *per cent* interest *per annum* on the mobilisation and equipment advances issued to the contractors. The PMGSY is implemented as 100 *per cent* central grant out of the cess on HSD and loans from the Asian Development Bank (ADB) carrying interest. In the above scenario, the issue of the interest free advances to the contractors in deviation from the financial rules resulted in undue benefit to the contractors.

The Government stated (September 2010) that the agreements did not provide rate of recovery of the mobilisation advance. However, unrecovered advances would be recovered. Further, the GoI had made provision for issue of interest free advance considering the works in inaccessible rural areas. The reply was

not convincing since there was no condition in the agreement to ensure recovery at least within the stipulated period of contract. During exit conference the Government assured to re-look in the issues of interest free advance and rate of recovery.

### **2.3.11 Physical inspection of the sites and impact evaluation by audit**

Physical inspection of the sites by audit disclosed that the surface status of five roads was satisfactory. Other six roads remain in damaged condition due to want of maintenance.

Audit had also attempted to assess the impact of the programme through physical inspection

(between June and July 2010) of 11 roads (10 completed and one road in progress) in five districts<sup>98</sup> and



**Kagaon to Chandanabhati  
(OR-05-27)**



**Missing Link  
RD Road to Boropat (OR-07-35)**

discussion with the beneficiaries. It revealed that the surface status of five roads was satisfactory and had established all weather road connectivity to the block headquarters, health centres and local markets. The remaining six roads<sup>99</sup>, however, fell short of achieving the desired objective due to missing links and damaged surfaces.

The Government stated (September 2010) that out of the six roads; four roads were in trafficable condition. This was not tenable since as per the results of the field visits recorded in presence of the Engineers-in-charge, all the six roads were in a damaged condition and did not provide smooth passage to the targeted habitations due to non-maintenance of the roads.

### **2.3.12 Maintenance**

GoO did not have any comprehensive and systematic maintenance plan for the assets already created under the programme

The Assets created through construction of the rural roads under the programme were to be maintained by the Panchayati Raj Department (PRD) of the State Government. Audit noted that the roads covered under the programme were not transferred to the books of PRD for facilitating the maintenance works.

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<sup>98</sup> Balangir, Cuttack, Jajpur, Keonjhar and Nawarangpur

<sup>99</sup> RD road to Khajuripada (OR-07-35), NH-5 to Sunduria Hilltop (OR-13-119), Salabani to Belda road (OR-17-103), NH-217 to Budripada & Desil to Lutherbandh (OR-05-30) and Kusunga to Chandanbhati (OR-05-26)



**Table No. 2.6 – Maintenance of PMGSY roads***(Rupees in crore)*

Year	Provisions for maintenance as per agreements	Maintenance grant provided in the budget	Actual release of funds and maintenance expenditure	Percentage of maintenance vis-à-vis agreement provision
2005-06	13.63	1.75	0.38	03
2006-07	36.40	7.00	0.35	0.1
2007-08	213.61	15.00	0.71	0
2008-09	184.58	10.00	0.86	0
2009-10	207.72	10.00	2.34	01
<b>Total</b>	<b>655.94</b>	<b>43.75</b>	<b>4.64</b>	<b>01</b>

*Source: Information furnished by CE and PMGSY data on district wise maintenance cost*

The GoO released negligible amounts, which led to zero maintenance of the roads as shown in the table, posing threat to the sustainability to the assets created.

The Government stated (September 2010) that a maintenance mechanism was being established to expedite the maintenance works.

### 2.3.12.1 Roads damaged after construction

(i) In 10 districts<sup>100</sup> 42 roads constructed (2002 to 2009) under the programme with capital investment of ₹ 48.99 crore were damaged (2008-2010) but not repaired (May 2010) leading to dislocation of the connectivity to the habitations. The department attributed the failure to unauthorised movement of heavily loaded commercial vehicles on the roads. This resulted in the expenditure of ₹ 48.99 crore not having the desired results.



NH-217 to Burdipara (OR-05-30)

The Government stated (September 2010) that after construction of these roads, the traffic density was substantially increased due to development of industries and quarry in the adjacent areas. This has also been reported to MoRD for providing additional funds to strengthen the roads.

(ii) Under the programme 141 roads constructed (2002-2009) at a cost of ₹ 102.26 crore could not discharge the accumulated rain water in different locations and were damaged during 2008-09. Of the above, 27 roads were repaired with expenditure of ₹ 2.28 crore out of flood damage grants of the Government and the remaining 114 roads were still in damaged condition which implied inadequate maintenance rendering the expenditure of ₹ 85.65 crore spent on these roads not yielding the desired result.



Kusanga to Chandanabhati (OR-05-26)

The Government stated (September 2010) that due to unprecedented rainfall and floods, the roads were damaged.

<sup>100</sup> Bargarh, Dhenkanal, Gajapati, Ganjam, Jajpur, Keonjhar, Mayurbhanj, Rayagada, Sambalpurand. Subarnapur

(iii) The guidelines provided for planting of fruit bearing and other suitable medicinal trees and turf on both sides of the roads by the State Government. Although 3814 roads were completed with investment of ₹ 3434.94 crore under phases IV to VIII, no road side plantation/turfing was done (July 2010).

The Government stated (September 2010) that the Soil Conservation and Social Forestry Organisations had been requested to take up plantation along the roads.

### **2.3.13 Monitoring**

The GoI prescribed (December 2000) constitution of DPIUs manned by competent technical persons dedicated for coordinating and implementing the programme in each district. Besides, OSRRA was constituted (2003/2004) to co-ordinate with NRRDA and to provide operational and management support to the programme. The Online Management and Monitoring System (OMMS), (web-enabled application software), introduced in November 2002 was the mechanism for monitoring the programme.

DPIU functioning in the districts were not dedicated exclusively to implement the programme. The programme was implemented and overseen by normal working arrangements of RDD.

Audit scrutiny also revealed discrepancies between the database as per physical reports and the online information as per OMMS as shown below:

OMMS data were incomplete and unreliable

**Table No.2.7 – Discrepancy on on-line data of PMGSY**

Sl No	Issues requiring monitoring	As per the physical progress report	As per entry in the OMMS	Variations (+) Excess (-) Less
1	No of habitations - Mapped in DRRP Mapped in CNW	50097 50097	50571 49949	(+) 474 (-) 148
2	Length of Through Route (km)	19138	31106	(+) 11968
3	Length of Link Route (km)	61257	64688	(+) 3431
4	Contract data (Phase IV to VIII)	3880	3415	(-) 465
5	No of roads (Phase IV to VIII)	2070	2081	(+) 11
6	Financial profile (Phase IV to VIII) – (Rupees in crore)	₹ 4446.96	₹ 4449.99	(+) ₹ 3.04

*Source: OMMS data entry status*

Although the primary focus of the programme was to establish all weather road connectivity to the habitations, 16 projects for ₹ 40.80 crore under phase VI to VII cleared by the MoRD/NRRDA for implementation in seven districts did not establish connectivity to any habitations as verified from the website.

The Government stated (September 2010) that two of these roads were missing links of partly executed roads and the remaining 14 roads provided connectivity to the habitations.

However, the data generated on OMMS did not tally with the physical report.

The Government stated (September 2010) that the OMMS data entry was a continuous process and discrepancies noticed were being corrected from time to time.

**2.3.14 Positive Impact**

*All weather connectivity could be established to 5598 habitations (54 per cent) with population of 1000/500 persons and above, out of the 10420 unconnected habitations (December 2000). In respect of the sampled districts, the all weather connectivity was established to 1273 habitations (39 per cent).*

**2.3.15 Conclusion**

The PMGSY aimed at providing all weather road connectivity to habitations with population of 1000 persons and above by 2003 and 500 and above by the end of 2007 fell short of achieving the desired level of success owing to non-completion of the roads in time and operational deficiencies. 46 per cent of the habitations (population 1000/500) remained unconnected even after three years from the cut-off date for achieving the full connectivity. The programme suffered due to lack of systematic planning and monitoring of maintenance of the completed roads, posing a threat to the sustainability of the assets created under the programme. The monitoring of the programme through the OMMS needs further improvement.

**2.3.16 Recommendations**

- Timely completion of incomplete roads and missing links as well as adequate funding by State Government should be ensured to have the desired output.
- State Government should arrange adequate funds for maintenance of roads for sustainability of assets created.
- On-line Management & Monitoring System (OMMS) should be made functional and effective.

**HIGHER EDUCATION DEPARTMENT**

**2.4 IT Audit of Student Academic Management System**

The Student Academic Management System (SAMS) for e-admission process and e-administration in (+2) junior colleges under Higher Education Department was developed by M/s Cybertech Software & Multimedia Pvt. Ltd (CSM Technologies) out of budgetary provision of ₹ 16.75 crore made under the Twelfth Finance Commission award in the budget estimate for 2008-09 with a view to overcome the weakness of manual system of admission and provide a hassle-free economical admission process for students. A review of the system revealed the following deficiencies in Information Technology operations and controls.

- **Purchase of hardware and software in excess of requirements for colleges resulted in idle investment.**  
*(Paragraph 2.4.8.1)*
- **Inability to provide for students from various examination boards resulted in entry of absurd maximum marks, discrepancies between the sum total of marks of individual subjects and aggregate total marks.**  
*(Paragraph 2.4.9.2)*
- **Deficient system design combined with deficient verification process to check the claims of applicants seeking reservation and weightage under various categories led to ineligible applicants being admitted.**  
*(Paragraph 2.4.9.3)*
- **System was not designed to take care of horizontal sliding of weightage category students to merit category and vertical lifting of waitlisted students in the weightage category in the 2<sup>nd</sup> selection process.**  
*(Paragraph 2.4.9.6)*
- **Gaps in vital fields like Money Receipt-cum-Index number, intimation ID, admission ID necessitated frequent backend corrections.**  
*(Paragraph 2.4.10.2)*
- **Acceptance of multiple Common Application Forms from applicants by the system jeopardised the admission prospect of other applicants by blocking seats through multiple applications.**  
*(Paragraph 2.4.10.3)*

- **Lack of validation controls allowed null subject codes, restricted subject combination codes and non-available subjects in a college in the system.**

(Paragraph 2.4.11.1)

#### 2.4.1 Introduction

The increase in demand for education in Orissa is evident from the rising number of students passing class Tenth Board and further admission to Junior (+2) colleges. In Orissa, there are 1145 Junior Colleges with only 50 Government Colleges, located in 21 out of 30 districts. These Government colleges are always the first choice for these students. With the objective of providing a common application form, transparent selection process, economy, shorter period of selection process etc., Government of Orissa (GoO), Department of Higher Education awarded the work of Computerisation of admission process of Government colleges through Orissa Computer Application Centre (OCAC) on turn-key basis out of the budgetary provision of ₹ 16.75 crore made under the Twelfth Finance Commission award in the budget estimate for 2008-09. It was decided by the Steering Committee to award the execution and implementation of SAMS to M/s CSM Technologies. It was proposed to take up e-admission in 60 Junior colleges<sup>101</sup> for the year 2009 including nine Aided Junior Colleges selected from those districts which did not have a Government College.

The Higher Education Department, introduced e-admission for +2 students, as the first component of SAMS in selected +2 junior colleges which began in January 2009 and completed in June 2009. The project was monitored by the Project Steering Committee headed by Commissioner-cum-Secretary, Department of Higher Education. No separate User Requirement Specification (URS) was documented for SAMS but only broad details were discussed in the Steering Committee meetings held on different dates and Detailed Project Report (DPR) was prepared by CSM Technologies in which the gap analysis was defined.

The SAMS, a web based application was operated using Dot Net Framework 3.5 in Windows Server 2008 as Operating System and SQL Server 2008 as database. The web based application, SAMS, hosted in the Central Server at IT Centre, Secretariat, Bhubaneswar was approached by the colleges through VPN<sup>102</sup> of BSNL lease lines using 'e space' a utility hosted in the Server. The Colleges were equipped each with a Server, two Desktops, one/two Laptops, two printers and a DAT (72 GB) drive. The IT Centre at Secretariat, Bhubaneswar is equipped with a web server and a database server. The department maintains the Disaster Management Server at STPI<sup>103</sup>, Bhubaneswar.

<sup>101</sup> 50 Government Junior Colleges, College of Basic Science & Humanities under Orissa University of Agriculture and Technology, Bhubaneswar and nine aided Junior Colleges

<sup>102</sup> Virtual Private Network

<sup>103</sup> Software Technology Park of India

#### **2.4.2 Organizational Structure**

Department of Higher Education (DHE) is headed by the Commissioner-cum-Secretary who is the administrative head of Junior colleges. The Orissa Computer Application Centre (OCAC) is the designated Implementing Agency of SAMS programme. At the college level, the work is implemented through a validating team headed by a Lecturer and technical assistance is provided by Data Entry Operators (DEO) appointed on contract basis.

#### **2.4.3 Financial outlay**

Out of ₹ 16.75 crore provided to Orissa Computer Application Centre (OCAC) in 2008-09 by Twelfth Finance Commission, expenditure to the tune of ₹ 7.28 crore was made on different components including ₹ 3.03 crore for Hardware, ₹ 2.60 crore for Software and ₹ 1.05 crore for Site preparation, as of March, 2010 and the balance of ₹ 9.47 crore is left with OCAC. The accrued interest of ₹ 56.82 lakh<sup>104</sup> on balance amount is available with OCAC.

The Department on the advice of audit has directed OCAC (March 2010) to credit the amount of accrued interest to Programme Fund.

#### **2.4.4 Objectives of computerisation**

The system aimed at

- reducing admission time and improve efficiency for the college functionaries who have been doing this manually,
- maintaining transparency in the Admission process,
- providing a citizen centric, hassle free, time saving and economical platform.

#### **2.4.5 Audit objectives**

The audit objectives were to assess whether:

- adequate planning existed for purchase of hardware and software
- the e-admission process was complete and conformed to the provisions in the common prospectus.
- various application controls ensured integrity of the data.
- reports generated were as per requirement and
- the system was serving the intended objectives.

#### **2.4.6 Audit Criteria**

The following were used by Audit as criteria to conduct the review:

- Rules and regulations of admission as per the common prospectus prepared by the Department
- Rules and regulations of Board of Secondary Education, Orissa
- Recommendations of the Steering Committee

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<sup>104</sup> As per RBI rate of six per cent

### 2.4.7 *Audit methodology*

The Audit objective, scope and methodology were discussed (March 2010) at an entry conference with the Joint Secretary, Department of Higher Education and the Officer on Special Duty, OCAC. Comprehensive assessment of SAMS was made between April-June 2010 through test check of records of Higher Education Department, OCAC and software vendor CSM Technologies through observation of actual data processing in 15<sup>105</sup> out of 60 Government Junior colleges of the State. Computer Assisted Audit Techniques (CAATs) package and Structured Query Language (SQL) was used in audit for analytical review of data. Audit findings were discussed at an exit conference held (7 September 2010) with the Commissioner-cum-Secretary, DHE and representatives from OCAC and CSM Technologies and the replies received from the Commissioner-cum-Secretary are duly incorporated at appropriate places.

## Audit findings

### 2.4.8 *General Controls*

#### *Admission Process*

An applicant desiring admission under SAMS had to fill up a Common Application Form (CAF) and submit the same in any of the colleges under SAMS. CAF was instantly given one unique Index Number (Combination of eight digit college code and four digit index numbers starting from 0001) at the college. CAF details were then entered through MS Access software, offline, in a standalone system by the DEOs engaged by the CSM Technologies at respective colleges. A print out of the CAF details was to be given to the validating team in the college for verification of entries made with reference to photocopies of testimonials furnished. The final validated data after making due corrections then were uploaded in the central server through internet to facilitate selection process centrally.

A general assessment of SAMS revealed that the system was helpful to Higher Education Department in tracking the number and category of applicants and enabled the students to apply their choice of college in any of the 60 Junior colleges. Audit, however, noticed the following system deficiencies in general controls.

#### *Project monitoring and implementation*

##### 2.4.8.1 *Purchase of hardware/software for colleges - idle investment*

The hardware comprising of one server, one/two laptop(s), two desktops, two dot matrix and one multifunction printer, one DAT drive with a storage capacity of 72 GB, networking equipments including one copy of SQL Server<sup>106</sup> along with the operating software of Servers were purchased centrally and supplied to each of the 60 colleges during the month of May 2009.

<sup>105</sup> (1) BJB Jr. College, Bhubaneswar, (2) Rajdhani Jr. College, Bhubaneswar, (3) Ravenshaw Jr. College, Cuttack, (4) J.K.B.K Jr. College, Cuttack, (5) S.B Women's Jr. College, Cuttack, (6) Bhadrak Jr. College, Bhadrak, (7) F.M Jr. College, Balasore, (8) M.P.C Jr. College, Baripada, (9) G.M Jr. College, Sambalpur, (10) Govt. Women's Jr. College, Sundargarh, (11) Govt. Jr. College, Sundargarh, (12) S.C.S Jr. College, Puri, (13) Khallikhote Jr. College, Berhampur, (14) S.B.R Women's Jr. College, Berhampur and (15) S.V.M Jr. College, Jagatsinghpur.

<sup>106</sup> sql server 2008 version

However, it was noticed that Laptops and DAT drives supplied were lying idle in the test checked colleges and the Server connected to two desktops through LAN was only used for internet connection. It was observed that the work could have been managed from the desktops directly, thus obviating the need of a server. Further, since the data base is maintained in the Centralised SQL server and connected through the internet, the SQL Servers provided to the colleges also remained unused. The Principals of the test checked colleges accepted (May 2010) the facts.

Hence, the 60 Servers along with software, 60 DAT drives and 67 laptops for 60 colleges purchased at a cost of ₹ 1.37 crore have become idle. It was observed that the DAT drives (72 GB) may not be used in future as SAMS being web based application, the data is directly getting stored in the central server.

It was also observed that the hardware and software were purchased without assessing the actual requirements though it was decided in various Steering Committee meetings to assess the actual requirements comprehensively and to procure the hardware and software through the DGS&D rate contract holder.

The Commissioner-cum-Secretary while accepting the audit observation stated that for the academic year 2010-11, no laptops were supplied to the newly covered 109 Junior Colleges but was silent about the DAT drives and the Servers.

#### **2.4.9 System design**

System design aims at providing the correct output by mapping the existing rules and regulations electronically so as to provide assurance that all transactions are valid, complete and accurate. However, audit scrutiny revealed the following deficiencies due to system design failure as discussed in the succeeding paragraphs.

##### **2.4.9.1 Non-provision of stream weightage to women applicants**

Clause 7.4.1 of the common prospectus provides for stream weightage of five *per cent* over aggregate marks to be given to women applicants applying for the same in other colleges, if the concerned stream was not available in the local women's college(s). However, data analysis revealed that the same concession to give the weightage to women applicants was omitted to be mapped into the system in respect of 13 colleges.

In reply, the Commissioner-cum-Secretary (September 2010) accepted the facts and stated that these colleges were not considered for such weightage since they did not provide such information to the Department. He further assured that from the Academic year 2011-12, suitable action to include such weightage in all the eligible women applicants would be taken.

##### **2.4.9.2 Discrepancies in marks**

As per the information flow mechanism of SAMS, the applicant details were entered into MS-Access standalone software and it was uploaded daily in the Central data server through a utility 'e-space' made available on Departments' web-site (<http://dheorissa.in>). The selection process was based



on the total secured and maximum marks. In the Common Application Form the data entry of subject marks columns were designed as per the pattern followed by Board of Secondary Education, Orissa i.e., maximum of 600 marks in six subjects. In respect of the applicants from boards other than Board of Secondary Education, Orissa, the total marks secured were converted proportionate to 600 marks. The following discrepancies in this regard were noticed.

**(i) The total marks secured and maximum marks**

The system has not been designed with in-built control for total checks and automatic calculation of total marks secured. Instead, it allowed data entry of total marks secured also, based on which the selection of the candidates was to be made. Analysis of central database revealed that in 620 cases, the sum of marks secured in all the subjects were found not tallying with the total marks entered in the system and the differences ranged from '-1' to 344. On further analysis, it was noticed that in 11 cases, the maximum marks being 800/900, was entered as 600 and thus instead of being considered for proportionate conversion during selection process, the same were taken as it is. This proved to be advantageous to seven candidates in getting admission.

In another 11 cases, the total of individual subject marks as calculated by audit was even greater than the maximum mark viz. 600 indicating data entry errors.

**(ii) Entry of incorrect maximum marks**

It was also noticed in five cases out of 620 cases as stated above, due to incorrect data entry of 'sum of marks secured' on the higher side, the applicants were considered meritorious and admitted in the respective colleges. These discrepancies could not be detected and rectified even during the time of admission.

The Commissioner-cum-Secretary during exit conference (September 2010) stated that from the academic year 2011-12, the system would be designed to accommodate the data entry of marks as per different Boards by designing suitable form design for data entry so as to ensure accuracy of the data entry.

**2.4.9.3 Ineligible applicants given admission**

It was observed that the admission system was not fully automatic. While the selection for admission was done through the system, the verification of the original documents in respect of weightage and reservation were done manually through the validating team in colleges. Further the System was not designed to cater for candidates seeking admission under different categories and suitable input controls were not built in to avoid erroneous inputs. Even such erroneous CAFs submitted by applicants skipped the scrutiny by the validating team and resulted in processing of such records for further admission as detailed below.

• **National Institute of Open School (NIOS)**

An applicant passed through the Secondary Level Examination of NIOS, Delhi seeking e-admission shall be deemed to be equivalent to the HSC Examination of BSE, Orissa provided the examinee had passed with minimum of five subjects like English, one of the Modern Indian Languages (Oriya/Hindi/Bengali/Telugu/Urdu), Mathematics, Science and Social Science.

Analysis of central database revealed that 56 applicants from National Institute of Open Schooling (NIOS) Board not satisfying the above criteria had applied for admission and out of which 22 applicants were given admission. It indicated that the system was not designed to reject such applications.

The Commissioner-cum-Secretary in his reply during the review stated that the Implementing Agency has been instructed to devise the system to cater applicants from different Boards.

- ***Oriya Living in Neighbouring States (OLNS) category***

SAMS provided for reservation in respect of applicants of Oriya origin passing Secondary School examination with Oriya as a subject from the neighbouring states having common boundary with Orissa under OLNS category. However, another required condition of permanent residency status in the aforesaid state(s) was not clearly indicated in the CP and was not incorporated in the system.

This resulted in incorrect acceptance and admission of 37 applicants residing in Orissa, who did not satisfy the criteria, out of 166 applicants applying under OLNS category. It was also observed that the system was not designed to indicate Oriya as a subject.

In reply the Commissioner-cum-Secretary agreed and stated that from the next academic year, i.e. 2011-12, such criteria would be specifically mentioned in the common prospectus.

- ***Children of Martyrs (CoM) category***

Two *per cent* of seats sanctioned were reserved for the Children of Martyrs (CoM). The certificate to this extent was to be given by the District Collector on the recommendation of Rajya Sainik Board. The reservation in CoM category was introduced for the first time in the State and the criteria for eligibility of applicants deriving benefits under this category have not been clearly mentioned in the CP. Audit observed that CAF and the System has not been designed for capturing necessary evidence and the verification was left to the validating teams in the colleges. This also confused many applicants and most of the applicants applying for Commerce stream had put tick mark in the specified column.

Test check of records and further confirmation from Rajya Sainik Board revealed that six ineligible applicants got admission under the category.

In reply the Commissioner-cum-Secretary ensured proper validation check in this regard henceforth from the year 2011-12.

- ***Physically challenged, Ex Servicemen, Defence personnel category***

The common prospectus provided for reservation of certain percentage of seats under physically challenged, Ex-Serviceman and Serving Defence Personnel reservation categories. The eligibility of applicants deriving benefits under the aforesaid category was clearly mentioned in the CP. Audit observed that CAF and the System has not been designed to cater for supporting evidence in this regard and the verification was left to the validating teams in

the colleges. Many applicants had put tick mark in the aforesaid category column in the CAF without having the required certificates for claiming such benefits. Even validating team could not filter such faulty claims.

Data analysis and test check of records revealed that supporting documents in respect of 13 such applicants those were selected under the aforesaid categories were not available with the colleges and out of which three had taken admission. In reply the Principals in test checked colleges replied that due to short span of time for validation and huge number of forms, the details could not be verified properly.

The Commissioner-cum-Secretary, however, ensured adequate check by the validating team in colleges in this regard in future.

• ***NCC and Scout/ Guide weightage category***

CP provided for weightage of five *per cent* for certificate holders of NCC-A/Scout-Rajya Puraskar/Sports-state level and 10 *per cent* for NCC-C/Scout-President Recognition/Sports-national level. Such weightage shall be given if the achievement was made within two years before the last date of CAF submission. Audit noted that there was no provision in the CAF and the System to indicate the year and month of achievement. As such the correctness of such claims was vested only with the validation team.

Test check of records revealed that out of 2059 applicants applied under the category, 89 applicants were found ineligible and six applicants not satisfying the two year condition got admission. Similarly, three applicants without valid certificates got admission.

The Commissioner-cum-Secretary stated that from the Academic year 2011-12 necessary provision would be provided to facilitate validation through system.

**2.4.9.4 Allocation of subject combination**

Students applying for different streams had to opt for four elective subjects in order of preference apart from the compulsory subjects one has to opt for the four elective subjects. Allocation of subjects, however, was very vital for science and arts stream applicants since they look forward to their future career through subjects with which they prosecute their higher secondary studies.

It was seen that intimations were sent to applicants intimating only the fourth elective subject. Based on the difficulties faced by the college authorities, Department later allowed the college authorities to admit the students and allot the fourth elective based on their merit subject to availability of seats irrespective of the one indicated in the intimations. Audit noticed 450 cases in 15 test checked colleges where students were not allotted fourth electives as was intimated to them. This process created strong resentment among students regarding allotment of subjects like Biology, Geology, IT and electronics etc. The objective of the e-admission has also not been fulfilled.

The Commissioner-cum-Secretary stated that necessary changes would be made in software and in the CP as well from 2011-12.

It is suggested that all the four elective subjects need to be indicated in the intimations so as to cater the option exercised by the applicants and avoid manual intervention in this regard.

**2.4.9.5 Double rounding off marks**

While converting the maximum marks secured to the base 600 in respect of the applicants belonging to the other Boards, the converted marks were rounded off to nearest whole number. Further, if any applicant was eligible for weightage<sup>107</sup> of five or 10 *per cent* over and above the aggregate marks then the marks were once again calculated and rounded off.

Audit observed that double rounding off marks proved to be advantageous to some applicants and disadvantageous to others.

The Commissioner-cum-Secretary during exit conference stated that as recommended by audit, the system of conversion of marks of other Board passed applicants at par with State BSE applicants has been dispensed with this year (2010-2011).

**2.4.9.6 Second selection process**

As per provision maximum of 10 *per cent* of seats in each stream had to be filled up on the basis of weightage for extracurricular activities and unavailability of stream in local women's college. During first selection process applicants under weightage for General Category were selected subject to restriction of cut-off marks against General Category. In the eventuality of seats falling vacant after admission in first selection process, second selection process was operated in many colleges when the cut-off marks against General Category reduced.

In that case the applicants under General weightage category whose base marks without taking into consideration of the weightage came between the cut-off marks of the first and second selection process should have been accommodated into (slided horizontally) General Merit Category and vacancies arising out of such sliding should have been awarded to even number of General weightage category students in the panel by upward lifting, subject to restriction of cut-off marks against General Merit Category and maximum of 10 *per cent* of General Seats available for them.

Audit observed that the system was not designed to take care of such horizontal sliding and vertical lifting of General Category Students in the second selection process and the eligible applicants in different colleges as such were not considered for admission. Incidentally, eight such applicants sought judiciary intervention and got admitted themselves in Ravenshaw College, Cuttack (August 2009). However, this was not extended to other eligible applicants who were not aware of such discrepancy and no action has been taken to correct the system during 2009-10.

The Commissioner-cum-Secretary stated that such horizontal sliding and corresponding vertical lifting of candidates, has since been adopted in the system this year, i.e, 2010-11.

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<sup>107</sup> Weightage for NCC/Scout/Sports/Women

### 2.4.9.7 *Exhibition of abnormal fees in the database*

The CP contained varied prescribed fees of colleges payable for admission, depending upon the category of student, stream and subject ranging from ₹ 426 to ₹ 12534. The admission fees collected from students were entered in appropriate field column in the system.

Analysis of database revealed that in 49 cases fees ranging from ₹ 12568 to ₹ 218850 were entered in the said field towards admission fees collected from students. It indicated that the fee structure of the colleges was not mapped in the system. It accepted abnormal admission fees and made the database unreliable. Had the fee structure of colleges been mapped in the system, the database could have been used by the DHE to analyse the exact admission fees collected by the colleges.

The Commissioner-cum-Secretary stated that the Implementing Agency had been asked to map the fee structure of different colleges in the system so that collection of admission fees could be accounted for through the system.

### **Application controls**

Application controls include input controls, process controls and output controls and are used to provide assurance that all transactions are valid, complete and accurate. The major spin-off from SAMS was that an applicant could view his status of application on-line by providing the MR-cum-Index Number. The MR-cum-Index numbers were issued by respective colleges manually in combination of eight digit college code followed by four digit code indicating application number starting from '0001' onwards. However, audit scrutiny revealed the following deficiencies in application controls as discussed in the succeeding paragraphs.

#### 2.4.10 *Input Controls*

The input controls ensure that the data received for processing are genuine, complete, not previously processed, accurate and properly authorised and are entered accurately and without duplication. The following deficiencies in input controls employed were noticed.

##### 2.4.10.1 *Data completeness and uniformity*

Data analysis showed that in one case the MR-cum-Index Number was blank and in 27 cases the MR-cum-Index Number contained alpha-numeric code. This indicated absence of input controls in this regard.

##### 2.4.10.2 *Gaps in vital fields.*

- *Gaps in MR-cum-Index Number*

The MR number being the primary identity of an applicant, there should not be any gap in allotting such numbers. Analysis of Central database revealed that the MR-cum-Index numbers contained 8502 gaps in 476 instances and such gaps were made by merging and deleting through backend mode which also resulted in deletion of applicant details.

- ***Gaps in intimation ID***

After the selection process, intimations were sent to the selected applicants and each intimation is identified in the system with a unique intimation *ID*.

Analysis of central database revealed that 508 such continuous *IDs* were skipped or deleted between first selection and second selection.

- ***Gaps in admission ID***

Soon after the applicants took admission the admission details were updated in the central server along with creation of a unique admission *ID* by the system. It was seen in audit that there were 3949 gaps in 63 instances in admission *ID* and it clearly indicated that the records were skipped during data entry.

The Commissioner-cum-Secretary accepted the facts and explained that backend deletion/corrections of records in the database were resorted to for correcting the mistakes in data entry based on the request from the Principals. However, it was agreed that a log of all such deletions and corrections would be maintained so that transparency could be maintained and accountability could be fixed.

### ***2.4.10.3 Duplicate application forms***

In e-admission process, an applicant was to submit only one Common Application Form (CAF) for admission into various streams<sup>108</sup> in any of the 60 junior colleges by exercising options of college/stream along with elective subjects in order of preference. Thus one could not jeopardise the admission prospects of other applicants by blocking seats in different colleges through multiple applications. However, it was seen that the system accepted duplicate/triplicate application forms in respect of 500 students. Out of these, multiple applications relating to 387 numbers of students could only be merged manually. This indicated that the system was not adequately designed to prevent the submission of duplicate/triplicate CAFs by the same student by using the Board's Roll number/Date of Birth/Father's name. Hence, all such multiple application forms other than the merged ones were processed for selection simultaneously through the system and separate intimation letters considering merit in different CAFs were issued to the 11 applicants.

Principals of the test checked colleges admitted (June 2010) that it was not possible to detect/prevent multiple application forms by the applicants at the college level. Hence, the SAMS system capturing CAF data should have been designed to track and reject the multiple applications.

### ***2.4.11 Validation checks***

#### ***2.4.11.1 Validation in subject field***

As per CP, an applicant was required to enter in the CAF the college, stream and subjects in numeric codes as per choice in order of preference as detailed in the CP. In the CAF the applicant was required to fill seven subject codes, i.e, one compulsory subject, three elective subjects and for fourth elective

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<sup>108</sup> Arts/Science/Commerce stream

three subjects in order of preference. Analysis of Central Database revealed that the system accepted null subject codes, restricted subject combination codes, Commerce subject codes in Arts stream and male applicants applying for Home Science subject code etc. as discussed below.

- ***Coding of subjects and streams***

The system accepted data entry of illogical combination of subject codes relating to Science/Commerce subjects in respect of 39 applicants under Arts stream and combination of Arts, Science and Commerce subjects in respect of two applicants under Science stream. This indicated absence of validation checks in this regard.

- ***Null/incorrect codes in Compulsory subject field***

The system accepted the subject codes of elective subjects in place of compulsory language subjects and even null subject codes in 3717 cases and processed the said cases.

- ***Null/incorrect codes in compulsory electives***

The system permitted data entry in respect of compulsory elective subjects<sup>109</sup> in respect of both Science and Commerce streams. This resulted in incorrect choice of subjects and data entry of such subject codes in 303 cases in Science stream and 104 cases in Commerce stream.

- ***Male Applicants applied for Home Science***

Absence of validation checks regarding combination of gender of the applicants with the choice of subjects resulted in acceptance of data entry 'Home Science' as one of the elective subject in 112 cases of the male applicants. It was also noticed that one of them was also selected and allotted with 'Home Science' through the intimation; however, the same was rectified later through correction process.

- ***Restricted combination of subject codes***

In 427 cases the applicants had opted for combination of Logic and Geography subject codes, and in 139 cases the applicants had opted for combination of Home Science and Mathematics subject codes which were restricted as per the common prospectus.

- ***Non-available subjects in a college applied for***

Though details were available in the common prospectus, the applicants opted for subjects other than those available in applied colleges and the system also accepted such applications for further processing. Test checks in two colleges<sup>110</sup> revealed that the subjects Geography, Home Science, Language Urdu and *Parsi* not available in Khallikhote Junior college were given as choice and the subjects Anthropology, Geography, Education not available in

<sup>109</sup> Physics and Chemistry (Science stream); Accountancy, Business Studies & Management and Business Mathematics & Statistics ( Commerce Stream)

<sup>110</sup> Khallikhote Junior college and S.B.R Government Junior college, Berhampur

Shashi Bhusan Rath (SBR) Government Junior college, Berhampur were chosen.

These instances illustrate lack of validation in the system to restrict applications for mutually exclusive combinations and non-available subjects in a college. Creation of master tables catering combination of stream and related subjects using alphanumeric codes, spooling of compulsory subjects under the stream and creation of profiles of various colleges in the system would have avoided such mis-match.

In reply the Government stated (September 2010) that necessary corrective actions, as suggested by audit, by replacing the codes with alphabetical narration to the subjects and suitable validations regarding combination of subjects have been taken from the academic year 2010-11 so as to avoid such discrepancies in future.

**2.4.11.2      *Validation in gender field***

The system provided for data entry of gender option 1 for Male and 2 for Female applicants. Due to absence of validation controls in the system, it was observed in audit that a female applicant with gender option 1, i.e. code for male applicant, submitted application for a women's college which was accepted and processed by the system for admission.

The Commissioner-cum-Secretary stated that validation in this regard has been provided from 2010-11.

**2.4.11.3      *Dual weightage allowed in the system***

The criteria for selection of applicants under Oriya Living in Neighbouring States (OLNS) and Outside State Applicants (OSA) are different. OLNS is a reservation category whereas OSA is a weightage category for applicants from outside Orissa. It was seen in audit that central database exhibited the same applicant under both OLNS and OSA category in 66 instances. System was not designed to handle the criteria set for OLNS and OSA category separately and necessary validation check in this regard was not put in the system.

The Commissioner-cum-Secretary assured to provide necessary validation in the system in this regard.

**2.4.11.4      *Processing of marks below the minimum pass marks by the system***

The minimum pass mark of any Secondary Education Board is 33 *per cent* of aggregate marks. Analysis of database revealed that in 13 cases, the system accepted erroneous data (marks less than 33 *per cent* of aggregate) thereby ignoring the genuine candidates from the selection process. However, four of them attended spot admission process and got admitted. It was also observed that in one case the aggregate marks were wrongly entered as '94' instead of 494, and incidentally the candidate could not get admission despite the fact that the actual marks secured by him were more than the cut-off marks of first selection.

In reply (September 2010), the Commissioner-cum-Secretary stated that necessary validation in this regard has been given in the system during the admission process 2010.



### **2.4.11.5 Inconsistent events in SAMS work flow mechanism**

When a CAF entered into the MS Access software, a record was created with date and time indicating date of receipt of CAF and when the created record was uploaded in the Central Server, the uploaded date and time was also recorded in the system. Analysis of central database revealed that in 11 instances, the dates of receipt of CAFs were later than the uploaded. Further, in seven cases the receipt dates of CAF were indicated Null. This indicated the lack of validation in the system to follow the sequential flow of records.

The Commissioner-cum-Secretary accepted the facts and stated that such validation has been provided in the system during admission for the academic year 2010-11.

### **2.4.12 Information security**

#### **2.4.12.1 Access control**

The DEOs of the respective colleges were assigned the user *IDs* along with passwords to carry out different e-admission and e-administration activities in the SAMS. Since SAMS provided for web based access, management of users is an important issue. It was seen in audit that

- The user id assigned to a DEO was not deactivated (June 2010) even after his resignation from service (April 2010).
- The passwords were quite vulnerable as they were not following the password policy of keeping alpha-numeric passwords combined with special characters.
- The system did not have the provision to restrict unsuccessful attempts and blocking such user ids after exhausting such number of attempts.
- There was no provision for automatic log off when the system was left unattended for a long period.

In reply (September 2010), the Commissioner-cum-Secretary ensured strong password policy and suitable corrective action.

#### **2.4.12.2 Modification/Deletions through backend and audit trails**

As per the information flow mechanism of SAMS, soon after the details of CAF were uploaded in the Central Server, the maximum marks and total marks secured were separately taken out from the master table and stored in another table used for selection based on the choice opted by the applicant. It is required that the total marks secured and maximum marks of an applicant in the master table should not be different from those considered for selection process. In three cases there was difference in marks between two tables. It was observed that the marks of the applicants were edited through backend in only one table without effecting changes in the corresponding master table.

The Commissioner-cum-Secretary accepted the facts and further stated that a remarks column would be kept to keep log of any kind of corrections or modifications in future.

- ***Errors corrected after selection process:***

After the selection process was over the intimations were generated mentioning the streams and destination college where the applicant was selected for admission. It was seen in audit that applicants with single stream option were issued intimations for streams for which they did not opt and similarly applicants were asked to take admission in colleges for which they had not applied at all. Audit also came across instances where applicants exercising single option and selected against that option in first selection process were again selected in the second selection process in the same or different college in different streams. Such flaws in the database raise doubts about the integrity of data. These discrepancies were due to incorrect data entry combined with inefficient validation process in colleges which resulted in rectification through backend on receiving complaints from students. Interview with stake holders revealed that some of them had taken admissions in private junior/residential colleges since they were not offered as per the choice opted by them in CAF.

While agreeing to the audit observations, the Commissioner-cum-Secretary accepted the facts and further stated that the software vendor has been instructed to devise a system so that a remark column may be kept to maintain a log of such corrections or modifications.

#### ***2.4.13 Output controls***

##### ***2.4.13.1 System deficiency in delivering the output***

The e-administration component of the system aimed at using the database of e-admission in various academic and administrative activities like issue of Identity cards, Library cards, College Leaving Certificate, Conduct Certificate, Return of Matriculates (RoM) & Long Roll, Attendance Register, Clearance Form etc. Audit observed the following deficiencies in delivering the services which were envisaged:

- Identity cards and Library cards generated from the system were abnormally large and without photograph.
- The RoM generated was not as per the requirement of Council of Higher Secondary Education (CHSE). Hence, many times the Council refused to accept such RoM as it did not contain the name of the student who had taken admission in the first selection but subsequently taken TC before the second selection process. The names of those students were entered manually as required by the CHSE.

In reply the Principals of test checked colleges stated that due to the aforesaid problem small and handy Identity Cards and Library cards were issued to the students by following the previous practice. RoM was edited and sent to the CHSE because the system was deficient in delivering the output as desired by the CHSE. The Commissioner-cum-Secretary in regard to above observations assured that handy Identity cards and Library cards would be issued to students henceforth. He also assured to take care of the deficiencies in generating the RoM & long roll.

**2.4.14 Other points of interest**

**2.4.14.1 Reservation/weightage certificates not sent for verification**

As per provisions, certificates submitted by the applicants, in support of reservation and weightage have to be sent to the appropriate vigilance authorities for scrutiny to eliminate possibility of fraud cases. However, it was noticed that no such action has been taken for verification.

The Commissioner-cum-Secretary agreed to initiate action in this regard.

**2.4.14.2 Original School Leaving Certificate (SLC) of applicants not cancelled**

As per para 5.10.8 of the CP, the original School Leaving Certificate (SLC) will have to be defaced manually by the college authorities soon after the applicant takes admission to avoid further misuse by the students. However, test check of records revealed that in 28 instances, SLCs were not defaced even after one year.

Principals of the test checked colleges admitted the facts.

**2.4.15 Limitations to audit**

CAFs along with the original documents in respect of admitted cases are vital records which need proper preservation. It was noticed that CAFs and the original documents in two of the test checked colleges<sup>111</sup> were lost due to theft (May 2010) and burnt in a fire mishap (November 2009). As such audit could not verify the audit findings through data analysis with these CAFs.

The Commissioner-cum-Secretary ensured that all the original records would be scanned and stored in the system as electronic documents for future reference.

**2.4.16 Conclusion**

The primary objective of module e-admission under SAMS to ensure admission into +2 Junior Colleges economically, efficiently with a hassle free, transparent selection process with zero errors was partially achieved. The other module e-administration was under partial implementation and its utility wherever implemented could not be derived. The system lacked validation controls at many stages. Its design was not catering to the provisions as mentioned in the common prospectus. Selection process was not fully automated, with the implementing agency depending on validating teams for check of accuracy of data given in the CAF with reference to documents enclosed therein which the teams did not exercise adequately. Thus the system suffered from wrong data inputs which aided by weak process controls led to incorrect selection of applicants for admission. Moreover, deficient system design and backend modification or deletion of data for correction of errors made the system prone to manipulations. The corrective measures as agreed to by the Commissioner-cum-Secretary during exit conference proposed to be made from the academic year 2011-12 would thus enhance the integrity and reliability of the System.

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<sup>111</sup> BJB college, Bhubaneswar and Rajdhani College, Bhubaneswar

**2.4.17            *Recommendations***

- System should be modified with drop down facility to accommodate data entry of marks relating to different Exam Boards.
- System should be inbuilt with suitable input controls and validation checks to avoid and disallow erroneous data entry. Verification by the validation teams should be strengthened to achieve zero error status.
- Provisions for data entry of eligibility criteria relating to various weightages and reservations being given to the students should be inbuilt both in CAF and in the System.
- Suitable changes in the intimation process and design of intimation letters may be done so as to bring transparency and to avoid further manual process in admission.
- The way forward should lead to complete implementation of e-administration module to derive its utility.
- The corrections and modification of data should be done using front end utilities thus avoiding backend transactions and all such modifications/deletions should be logged so as to act as audit trail and to ensure accountability and transparency in selection process.