

## Chapter 3

### Compliance Audit

Compliance audit of Departments of the Government, their field formation as well as that of Autonomous Bodies brought out several instances of lapses in management of resources and failures in observance of regularity, propriety as well as absence of good governance. These have been discussed in the succeeding paragraphs.

#### REVENUE AND DISASTER MANAGEMENT DEPARTMENT

#### 3.1 *Irregular and non-transparent management of land acquisition compensation funds, establishment, incidental charges and fees*

**In violation of Government instructions, in six districts, eight Land Acquisition Officers (LAOs) failed to deposit establishment charges of ₹ 21.55 crore into Government account and 10 LAOs kept advance land acquisition compensation money of ₹ 2016.69 crore in bank accounts including private banks instead of depositing the same into Civil Deposits under Government account. Besides, instances of diversion and misutilisation of establishment contingencies (₹ 35.68 lakh), non accountal of accrued interest (₹ 11.24 crore) in cash books and unauthorised retention of interest (₹ 14.33 crore) earned by LAOs outside the Government account were also noticed. Fees of ₹ 68.02 lakh received in respect of incidental charges for allotment of Government land were utilised for repair of circuit houses, furnishing of Collector's residence, purchase of computers and stationery etc. instead of being credited into the Government account in Jagatsinghpur Collectorate reflecting poor and non-transparent management of these funds.**

Funds for payment of land acquisition costs were to be deposited in advance by the Requisitioning Officers (ROs) of different organisations with the Land Acquisition Officers (LAOs), who are responsible for passing the award and making payment of compensation to the land losers. As per Government instructions (September 1998 and October 2002), the funds so deposited by the ROs with the LAOs were to include establishment costs of 20 / 10 *per cent*<sup>147</sup> of estimated compensation amount. The instructions further required 50/75 *per cent*<sup>148</sup> of establishment charges received by the LAOs to be

<sup>147</sup> (i) 20 *per cent* : from Government departments, companies , corporations and local bodies etc., (ii) 10 *per cent* : from organisations / bodies which bear the expenses of Special Land Acquisition Establishment and companies / organisations acquiring land through Odisha Industrial Infrastructure Development Corporation (IDCO) for establishment of industries.

<sup>148</sup> 50 *per cent* in case of acquisition through IDCO and Special LAO and 75 *per cent* in case of Government departments and others

deposited into the treasury under the departmental receipt head and retaining the remaining funds in bank accounts with them to meet contingent expenditure ancillary to land acquisition (LA) process.

The instructions also required that after receipt of advance compensation money, the LAOs were to deposit the same into Civil Deposits with treasury and to make payment, whenever required, by drawing out of it. Detailed project wise accounts were also to be maintained by the LAOs and after closure of LA proceedings, the left over establishment charges were to be deposited into Government account.

Test check (February-September 2011) of the records of 12 LAOs / Special LAOs of six districts<sup>149</sup> revealed that the above provisions were disregarded as indicated below.

### ***3.1.1 Compensation money of ₹2016.69 crore kept outside Government account in bank accounts of LAOs / Special LAOs***

- Ten LAOs<sup>150</sup>, contrary to Government instructions, had kept advance compensation money of ₹ 2016.69 crore received by them from ROs in bank accounts<sup>151</sup> as on 31 March 2011 instead of in Civil Deposits as required under instructions of Government(September 1998). We also noticed that the banks selected for parking the LA compensation funds were without any basis and in some cases<sup>152</sup> funds were kept in private banks. The maximum fund of ₹ 1933.35 crore was held by Splcial LAO Jagatsingpur in its bank account as of March 2011.
- The LAO, Bhadrak retained funds received towards cost of compensation and establishment charges together amounting to ₹ 27.50 crore in one single bank account instead of maintaining bank accounts for establishment charges only and keeping the advance compensation money in Civil Deposits, as required.

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<sup>149</sup> (1) Bhadrak: LAO, Bhadrak and Special LAO, Dhamra Port Project; (2) Ganjam : LAO, Ganjam, LAO & RRO, Ganjam ; (3) Jagatsinghpur : LAO, Jagatsinghpur, Special LAO, Major Industrial Projects, Jagatsinghpur; (4) Kalahandi : LAO, Kalahandi and LA and RO, Ret Irrigation Project; (5) Puri : LAO, Puri and Special LAO, Vedanta, Puri and (6) Sambalpur : LAO, Sambalpur and Special LAO, Sambalpur

<sup>150</sup> LAOs: Sambalpur (₹ 15.72 crore); Ganjam (₹ 7.74 crore); Kalahandi (₹ 3.27 crore); Spl LAO: Jagatsinghpur (Major Industrial Project) (₹ 1933.35 crore); Special LAO Sambalpur (₹ 20.25 crore); RRO (TISCO); Ganjam (₹ 4.16 crore); LA and RO, Ret Irrigation Project; Kalahandi: ₹ 5.77 crore, Spl. LAO, Dhamara Port Project; Bhadrak (₹ 6.28 crore); LAO, Puri (₹ 9.96 crore); Special LAO, Vedanta, Puri (₹ 10.19 crore)

<sup>151</sup> Savings / current accounts as well as in Fixed Deposit Receipts

<sup>152</sup> Axis bank Paradeep - ₹ 4.06 crore; - ₹ 0.97 crore and IDBI Jagatsingpur - ₹ 2.00 crore

### 3.1.2 *Short deposit of establishment charges into treasury amounting to ₹ 21.55 crore*

Eight LAOs/Spl LAOs of five districts were to deposit ₹ 40.34 crore out of ₹ 71.56 crore received as establishment charges in the treasury under the departmental receipt head of account during May 2002 to January 2011.

However, we noticed that they deposited only ₹ 18.79 crore (47 per cent) as of 31 March 2011 resulting in short remittance into treasury of ₹ 21.55 crore (53 per cent) (*Appendix 3.1*). In reply, the LAOs while confirming the facts, assured to deposit the remaining amount in the treasury. Action in this regard was awaited (June 2011).

### 3.1.3 *Cash management deficiencies*

Further, given that all the compensation money were to be deposited into Civil Deposits and major part of establishment charges were to be deposited as receipts under Government account, we noticed the following management deficiencies in management of land acquisition of funds by the LAOs even while such funds were parked in bank accounts outside the Government account. Thus, the possibilities of misappropriation / misutilisation of fund could not be ruled out.

- As per SR 37 of Odisha Treasury Code Volume I, cash books were to be closed daily under the signature of the Drawing and Disbursing Officer (DDOs) and each entry were to be attested. However, cash books of two LAOs (Special LAO & RRO, Ganjam and LAO, Ganjam) were neither closed under the signature of the concerned DDOs<sup>153</sup> nor the entries thereof attested, as required. The Revenue and Disaster Management (RDM) Department stated (November 2011) that the DDOs had since closed the cash books.
- Seven term deposit receipts for ₹ 4.91 crore towards LA compensation / establishment charges, though matured since July 2009 to February 2011<sup>154</sup> to a value of ₹ 5.56 crore, were not encashed and deposited into Civil Deposits head under Government account by LAO & RRO, Ganjam as of March 2011. This was indicative of ineffective financial management monitoring system. In reply, the Department stated (November 2011) that these were revalidated without loss of interest which was not tenable since the amount was, *ab initio*, required to be deposited into Government account at the treasury.
- Except a part deposit of interest by Special LAO, Sambalpur and LAO, Puri, none of the remaining LAOs remitted interest earned on LA compensation money and contingencies to Government account. As of 31 March 2011, ₹ 14.33 crore being interest earned remained locked

<sup>153</sup> Since 25 March 2009 and 9 November 2010

<sup>154</sup> **Month of maturity/ matured value:** July 2009: ₹ 2.34 crore; September 2009: ₹ 1.49 crore; February 2011: ₹ 7.26 lakh; October 2009: ₹ 1.66 crore

with the 11 LAOs<sup>155</sup> in bank accounts outside Government account which was highly irregular.

- Interest on bank deposits amounting to ₹ 10.70 crore,<sup>156</sup> though credited (2006-11) by the banks into 36 savings bank accounts of Special LAO (Major Industrial Projects), Jagatsingpur were not accounted for in the cash book as of March 2011. Similarly, accrued interest of ₹ 46.48 lakh earned during August 2010 to March 2011 on LA compensation and establishment charges were not accounted for in the cash book of LAO, Bhadrak by Nizarat Officer, Collectorate, Bhadrak . The manner of utilisation of interest money has not yet been prescribed (October 2011) by either the RDM Department or the Finance Department and required immediate attention to obviate the possibilities of mis-utilisation on inadmissible items of expenditure by District authorities. The LAO, Sambalpur, however, stated (February 2012) that the interest money had been deposited in treasury in November 2011.
- Bank reconciliation statement was not prepared by all the test checked LAOs and even an withdrawal of ₹ 15.87 lakh on 28 March 2011 not supported by any voucher, had gone unnoticed by Special LAO, (Major Industrial Projects), Jagatsinghpur until same was pointed out (May 2011) by Audit during test check.

### **3.1.4 Diversion and misutilisation of LA contingent funds:**

Besides, the Government instructions (June 2001) prohibited diversion and misutilisation of funds meant for LA contingent expenditure for other purposes. However,

- Special LAO & RO, Ganjam and LAO, Ganjam, irregularly diverted (2001-02) ₹ 14.23 lakh out of interest money and establishment charges to 22 Tahasildars and 21 BDOs of Ganjam district for meeting camp expenditure for disposal of 'Gramakantha cases' and had shown the same as final expenditure.
- The Nizarat Officer, Puri, managing the LA contingency funds of Special LAO, Vedanta, Puri, misutilised ₹ 21.45 lakh to defray expenses on fuel, procurement of refrigerator, 24 colour television sets for circuit house, air conditioning machines, furniture and salary of contractual staff of the Collectorate etc.

On this being pointed out (April-June 2011), the LAO and the Special LAO, Ganjam assured to recoup the funds so diverted. However, the Nizarat

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<sup>155</sup> LA and RO: Ret Irrigation Project, Kalahandi: ₹ 2.65 crore, Special LAO, MIP, Jagasinghpur: ₹ 1.09 lakh, LAO, Sambalpur: ₹ 1.09 crore, Special LAO, Sambalpur: ₹ 1.46 crore, LAO, Ganjam: ₹ 20.24 lakh, Special LAO and RO, Ganjam: ₹ 2.34 crore, LAO, Kalahandi: ₹ 20 lakh, Special LAO DPP Bhadrak: ₹ 3.05 crore, LAO Bhadrak ₹ 83.03 lakh, LAO (General), Puri: ₹ 7.84 lakh, Special LAO, Vedanta, Puri : ₹ 2.42 crore

<sup>156</sup> LA compensation: ₹ 9.40 crore and contingencies :₹ 1.30 crore

Officer, Puri stated (December 2011) that although no formal sanction orders of competent authority were available in all cases, the expenditure so made should be construed as regular since the individual vouchers had been passed by the Collector.

The replies were not tenable since Government orders (March 1998) stipulated LA contingencies to be spent only for LA processes.

### **3.1.5 Irregular appropriation and inadmissible utilisation of fees collected**

Besides, as per the provisions of Odisha Government, Land Settlement Rules, 1983<sup>157</sup> fees for incidental charges was chargeable at 10 *per cent* of the market value of land in case of lease of Government land covering 500 acres or above in favour of a company for commercial or industrial purposes. The provisions of Odisha Treasury Rules<sup>158</sup> require that Government servants receiving Government moneys in their official capacity were to deposit the same in the treasury within three working days. The Odisha Industrial Infrastructure Development Corporation (IDCO) deposited (January 2006) fees of ₹ 68.02 lakh with the Collectorate, Jagatsinghpur in respect of 2270.93 acres of Government land to be allotted to IDCO for establishment of industries for POSCO (India) Limited. Though the fee was a valid Government revenue receipt was therefore required to be credited to Government account, the amount was distributed (February 2006-November 2010) with the approval of the Collector amongst various field officers and utilised for assorted purposes like repair of circuit houses at Paradip and Jagatsinghpur, furnishing of Collector's residence, renovation of Jagatsinghpur Police Station and rest shed attached to it, construction of boundary wall of Kujang Police station and purchase of computers, furniture and furnishings and other stationery articles, petrol, oil and lubricants etc. This tantamounted to irregularly appropriating and spending Government revenues by Collector, Jagatsinghpur for various un-authorised and inadmissible purposes.

### **3.1.6 Non-maintenance of case-wise and project wise accounts**

None of the LAOs maintained project and land acquisition case-wise accounts with the result that the left over amount (net of expenditure and receipts) from the establishment charges deposited by a RO for a particular project / case for crediting into Government account in the treasury was not ascertainable from the accounts of the LAOs.

The matter was reported (July 2011 and January 2012) to the Commissioner-cum-Secretary of the Department; reply has not been received (February 2012).

<sup>157</sup> (Rule 12 - Schedule III) of Odisha Government Land Settlement Rules, 1983

<sup>158</sup> Note below Rule 6(1) of the Odisha Treasury Code Volume I

## **RURAL DEVELOPMENT DEPARTMENT**

### **3.2 Irregular purchase of material**

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

Due to large scale misappropriation, defalcation, theft and pilferage in store items resulting in huge loss, Government in Finance Department ordered (December 1995) discontinuance of procurement of stores from April 1996 and directed that the works be executed by the contractors on finished item rate contract basis providing stores at their risk and cost. The Chief Engineer (CE), Rural Water Supply and Sanitation (RWSS), however, sought Government approval intermittently for procurement of material for issue directly to the works under the Rural Water Supply and Tube Well Program. Government in Rural Development (RD) Department on two occasions (September/December 1996 and September 1999) permitted such procurements subject to consolidated supply orders being placed with the prior approval of the CE/Government limiting such procurements to actual requirement of different material and spare parts assessed on quarterly basis after taking into account the existing stock of material. For maintenance works, the Superintending Engineer (SE) was to ascertain the requirements taking into account the available stock and invite tenders for the procurement of the balance requirement. Government in RD Department also ordered (May 2007) that the Rural Piped Water Supply (RPWS) Schemes may be executed on turn-key basis and instructed to prepare a standard bidding document as per the pattern of PMGSY.

However, test check of records of 32 Rural Water Supply & Sanitation (RWSS) Divisions disclosed that disregarding the above instructions of Finance Department and CE, the EEs continued to procure material at their level through split up orders and issued those material to works. This was brought to the notice of Government by audit in March 2009. Government of Odisha, RD Department thereafter, instructed (September 2009) that no unutilised material should be left at the end of each financial year out of material procured in the preceding year. In 32<sup>159</sup> RWSS Divisions we noticed (November 2010 to June 2011) that during 2007-11 the EEs had purchased PVC pipes, chlorinators, bleaching dozers, pump sets, cables, PVC fittings, flow meters, power capacitor, transformers, etc, valuing ₹ 308.08 crore from different firms at their levels in violation of such instructions. This included, ₹ 237.47 crore spent on procurement of 217.69 lakh metres of PVC pipes purchased during this period. Of this 16.85 lakh metres of pipe worth ₹ 18.26 crore remained unutilised with these Divisions

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<sup>159</sup> Angul, Balasore, Bargarh, Baripada, Berhampur, Bhadrak, Bhanjanagar, Bhubaneswar, Bolangir, Boudh, Cuttack, Deogarh, Dhenkanal, Jagatsinghpur, Jajpur, Jharsuguda, Kalahandi, Kendrapara, Keonjhar, Koraput, Malkangiri, Nawarangpur, Nayagarh, Nuapada, Parlakhemundi, Phulbani, Puri, Rairangpur, Rayagada, Sambalpur, Sonepur and Sundargarh

as of June 2011. Besides, 1.53 lakh metres of PVC pipe purchased during 2007-08 were found defective, of which 0.98 lakh metres were replaced by the suppliers. The remaining 0.55 lakh metres of pipe were utilised in the work even though these pipes were defective. Further examination disclosed that in 28 out of 32 test checked divisions, unutilised material remained at the end of each financial year while in four Divisions, pipes remained unutilised beyond two years (*Appendix 3.2*). This not only indicated irregular purchase of material in a decentralised manner but also procurement of material in excess of requirement.

In reply, the Government stated (October 2011) that the unutilised material would be utilised subsequently. The reply is not tenable in audit as material were purchased contrary to the instructions of Finance Department and Chief Engineer.

## PANCHAYATI RAJ DEPARTMENT

### 3.3 *Loss due to curtailment of Central assistance*

**During 2005-11, there was curtailment of Central assistance to the tune of ₹ 190.72 crore due to low spending of the available scheme funds by the implementing agencies of the State Government administering two centrally sponsored plan schemes**

Information collected from the State Government on centrally sponsored flagship plan schemes of Indira Awas Yojna (IAY) and Backward Region Grant Fund (BRGF) disclosed that there was curtailment of Central assistance of ₹ 190.72 crore during 2005-11, mainly due to low spending, excess carryover of unspent balances beyond the prescribed limit, non-submission of utilisation certificates etc. Scheme-wise examination of the issue revealed several irregularities which resulted in curtailment of such central assistance and the same is discussed in subsequent paragraphs.

#### 3.3.1 *Curtailment of Central assistance under Indira Awas Yojna amounting to ₹ 168.72 crore during 2008-11*

Indira Awas Yojna (IAY) has been a flagship scheme of the Ministry of Rural Development, Government of India under implementation in the State with a cost sharing basis of 75:25 between the GoI and the State Government respectively to provide houses to the rural poor. The objectives of the scheme had been to help construction/up-gradation of dwelling units of members of Scheduled Castes/Scheduled Tribes, free bonded labourers, and other below poverty line category rural households by providing a lump sum assistance of ₹ 35,000<sup>160</sup> per house hold. The assistance from Government of India (GoI) was released to DRDAs every year in two instalments. The first instalment for a district to the extent of 50 *per cent* of the total allocation was released at the beginning of the financial year. The second instalment was to be released by the GoI on receipt of request from DRDAs by 31<sup>st</sup> December every year

<sup>160</sup> With effect from 01 April 2008, the assistance has been increased from ₹ 25,000 to ₹ 35,000 per house hold.

subject to the condition that the opening balance of the district should not exceed 10 *per cent* of the funds available during the previous year<sup>161</sup> and that 60 *per cent* of total funds and other receipts, i.e., interest available for the year, should have been utilised at the time of submitting the proposal for the second instalment. The proposal for release of second instalment was to be accompanied by the chartered accountant's audit report and utilisation certificate for the previous year to ascertain the correctness of expenditure along with action taken report on the comments, if any, made in the audit report.

Scrutiny of records (January 2010 to March 2011) of seven DRDAs<sup>162</sup> and information collected (September - November 2011) from the department revealed that, in 17 districts during 2008-09, 16 districts in 2009-10 and seven districts during 2010-11 (out of 30 districts), the GoI curtailed Central assistance of ₹ 168.72 crore from the total allocation of ₹ 551.01 crore for these districts while releasing second installment on the grounds of excess carryover of funds, non-submission of utilisation certificates, chartered accountant's audit report and non-submission of proposal within stipulated etc. The DRDAs could not ensure timely utilisation of fund by Panchayat Samitis and submission of UC to GoI. The details are furnished in the *Appendix 3.3*. As a result, Central assistance for possible construction of 40561 IAY houses in the State could not be availed.

The Commissioner-cum Secretary of the Department stated (February 2012) that due to delayed release of GoI assistance of ₹ 120 crore in February 2009, imposition of model code of conduct for elections to Parliament and State Assembly, flood situation in some districts and non completion of IAY houses by beneficiaries in time, there was unspent balances of IAY assistance. The reply was not convincing since the model code of conduct due to elections was in force only during March-May 2009 while much of the unspent balances was in 2009-10 when there was no elections and floods in the State. Had the monitoring mechanism at the State level as prescribed under the IAY guidelines been adequate, efficient and effective, the State could have benefited by ₹ 168.72 crore.

### **3.3.2 Backward Region Grant Fund (BRGF)**

Backward Region Grant Fund (BRGF) Programme was launched by the GoI in 2006-07 to redress regional imbalances in the development of 19 districts in the State. BRGF grant has two components, viz. (i) 'Developmental Grant' meant for infrastructure development to address critical gaps in integrated development and (ii) 'Capacity Building Grant' to be utilised for strengthening participatory planning, decision making, implementation and monitoring at the Panchayat and Municipality level. Annual entitlement of

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<sup>161</sup> In case opening balance exceeds this limit, the GoI share of the excess was to be deducted proportionately at the time of release of the second instalment.

<sup>162</sup> Balasore, Cuttack, Ganjam, Gajapati, Nuapada, Sundargarh and Puri



each BRGF district under Capacity Building component was rupees one crore, thus totaling ₹ 19 crore<sup>163</sup> *per annum* for the State as a whole.

BRGF assistance were to be released by GoI considering spending efficiency, timely submission of integrated district plans to GoI duly approved by District Planning Committee and State level High Power Committee together with audit reports, utilisation certificates and submission of non-diversion and non-embezzlement certificates. As per the information furnished (November 2011) by the Panchayati Raj Department, GoI curtailed Central assistance in respect of Boudh district amounting to ₹ 3.19 crore during 2010-11, due to low spending of development grant. Similarly, the GoI did not release the capacity building grant of ₹ 18.81 crore during 2010-11 for all the 19 districts due to non-utilisation of earlier allotted funds and retention of unspent balances beyond prescribed limit (40 *per cent* of total receipt of the previous year). The above curtailment was in addition to the non release of ₹ 33.73 crore to the State by the GoI during 2006-10 due to low spending efficiency of the State Government as pointed out (Paragraph 2.1.9.1) of our Report (Civil) on Government of Odisha for the year ended 31 March 2010. The release of assistance by GoI under capacity building was minimal during 2010-11 and scheme objective of strengthening governance at the level of local bodies continued to suffer during 2010-11 also.

The Commissioner-cum-Secretary of the Department confirmed (February 2012) the facts.

## WORKS DEPARTMENT

### *3.4 Parking of Security Deposit outside Government Account*

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

As per Para 15.2.5 and 15.2.6 of Central Public Works Account (CPWA) Code as adopted by Government of Odisha and Para 3.5.20 of Odisha Public Works Department (OPWD) Code Vol-I:

- Security deposits deducted from contractor's bill shall be credited to the "Public Works Deposit- Cash deposits of contractors".
- No security deposit should be repaid or retransferred to the depositor or otherwise disposed of without special orders of competent authority.

<sup>163</sup> Bolangir, Boudh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nuapada, Rayagada, Sambalpur, Subarnapur and Sundergarh.

- Security deposit should be refunded only after six months or such period as specified in the agreement from the date of satisfactory completion of work, provided the final bill has been paid.

However, we noticed that Government in Works Department ordered (September 2006) that the amount deducted toward security deposit from the running bills of contractors should be kept in Bank Account operated in the name of Executive Engineer and termed it as amendment to contractual and codal provisions. As per revised procedure security deposit deducted are credited to Bank Account debiting to 8443 Civil Deposit.

We observed that these draft guidelines for revised procedure was submitted (September 2006) by Works Department for concurrence of the Accountant General (Accounts and Entitlement) as the transfer of money deviates the prescribed Accounting procedure. This was not concurred to by the Accountant General with the observation that “the amount transferred to bank account will remain outside the purview of audit. There is no control over expenditure since the expenditure/refund of security deposit was not included in the monthly accounts rendered to (A&E) office. The possibility of misappropriation and misutilisation of funds is high”. The Accountant General while examining the draft guidelines also observed that the procedure adopted for crediting the security deposit to Bank account should be stopped till the deficiencies noticed (January 2007) were rectified and revised procedure is finalised. However, the revised procedure continued and security deposits recovered from the contractors bills are credited to the current / savings bank account of the Executive Engineer. No decision was also taken for utilisation of interest accrued on deposit in Saving Bank Account.

In 55<sup>164</sup> Divisions (Rural Works-26, Rural Water Supply & Sanitation-5, Roads & Building-17, Irrigation-5, Minor Irrigation-2), the Executive Engineers deducted security deposit for ₹ 199.33 crore during 2006-07 to 2010-11 from bills of contractors and credited to deposit account. Out of above, ₹ 191.63 crore was withdrawn from deposit account and credited to the Bank Account opened in the name of concerned Executive Engineers and of the same, ₹ 77.36 crore was refunded to the contractors. As of March 2011 ₹ 119.87 crore<sup>165</sup> was lying in bank account including accrued interest of ₹ 5.90 crore on the amount deposited in Savings Bank Account. Thus, parking of security deposit outside the Government Account violated the codal provisions.

On this being pointed out, the Executive Engineers stated (June 2011) that the amount was deposited in Bank Account as per orders of Government.

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<sup>164</sup> **R.W.** Angul, Bargarh, Baripada, Bhadrak-II, Bhubaneswar, RW(Electrical) Bhubaneswar, Cuttack-I, Ganjam-I, Gjapati, Gnjam-II, Jaleswar, Karnjia, Kendrapara-I, Kendrapara-II, Keonjhar-I, Keonjhar-II, Koraput, Nawarangpur, Nayagarh, Nuapada, Padampur, Phulbani, Puri, Rairangpur, Sunabeda and Umerkot. **RWSS** Balasore, Berhampur, Bhubaneswar, Keonjhar and Koraput. **R&B** Angul, Baragarh, Baripada, Bhadrak, Bhubaneswar, Bolangir, Charbatia, Ganjam II, Jagatsinghspur, Kantabanjhi, Keonjhar, Khurda, Koraput, Panikoili, Phulbani, Rairangpur and Rayagada. **M.I.** Phulbani, Rayagada. **Irrigation**, Balasore, Chikiti, Mahanadi North, MainDam Burla, and Puri.

<sup>165</sup> Works- ₹ 78.17 crore, RD- ₹ 34.26 crore and WR- ₹ 7.44 crore

However, the fact remained that the order was issued in violation of the provisions of CPWA Codes without approval of the Competent Authority.

The matter was referred to Government (July 2011); their reply has not been received.

### 3.5 *Fictitious booking of ₹ 15.87 crore to works*

**An Executive Engineer drew ₹ 15.87 crore from the treasury without immediate requirement to avoid lapse of budget and retained the amount in civil deposits in disregard of the financial rules.**

Rule 141 (3) of the Odisha Budget Manual prohibits drawal of money from the Treasury unless required for immediate disbursement. Drawing Officers are required to surrender the savings to allow re-appropriation for other purposes (Rule 146). Rule 3.7.1 (a) of the Odisha Public Works Department Code further stipulated that no work should be taken up or liability created without administrative approval for the work by the Government.

The Executive Engineer (EE), Bhubaneswar (R&B) Division, No. I prepared an estimate for ₹ 17.50 crore in May 2009 for rehabilitation and renovation of the A1 and A2 blocks and additional work in B2 block of Toshali Plaza at Satyanagar, Bhubaneswar which was under the control of the General Administration Department of the Government.

The Engineer-in-Chief (Civil) provided funds from the Capital Outlay for ₹ 18.41 crore on 30 March 2009 and the Chief Engineer (CE), Buildings provided to EE, letter of credit for ₹ 18.41 crore on the same day, thus, leaving only one day for incurring the expenditure before the closure of the financial year. The condition of release also required that the expenditure should be incurred only after receipt of the administrative approval and spent in full as lapses or surrender would attract fixation of responsibility.

Test check of the records of Bhubaneswar (R&B) Division No. I disclosed (July 2009/June 2011) that neither the estimate for renovation of A1 and A2 blocks were technically sanctioned nor was the administrative approval accorded for the work. However, the EE, with the approval (30 March 2009) of the General Administration (GA) Department, drew ₹ 15.87 crore (leaving the *prorata* charges of ₹ 2.54 crore) from the treasury and debited (March 2009) the work with contra credit to Civil Deposit account, in gross violation of the financial rules. The irregular drawal and parking of funds in civil deposit deprived the Government of using these funds for other essential development works.

The Government stated (January 2012) that the fund was kept in Civil Deposit under instruction of GA Department with the approval of Finance Department. No expenditure was incurred on the work since the building had been allotted (December 2009) to the Director, IIT, Bhubaneswar who offered to renovate it at their own cost.

The reply was not tenable as in the first place funds were released without administrative approval and technical sanction of the estimate and secondly after knowing the fact that the work in question was not to be taken up by the Public Works Department, efforts were not made to credit back the amount to Government account from the Civil Deposit. Parking of funds in the Civil Deposit for the last three years also deprived the Government of the usage of these funds for other works.

## **WATER RESOURCES DEPARTMENT**

### **3.6 *Undue favour to Odisha Construction Corporation at the expense of State exchequer***

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

As per the provisions of the Odisha Public Works Department (OPWD) Code<sup>166</sup>, all the civil works which cannot be carried out departmentally, are to be executed by entering into contracts for which tenders are to invariably be invited based on the technically sanctioned estimates. The estimates are to be prepared adopting the Schedule of Rates (SoR) for each kind of work. The SoR is prepared on the basis of rates prevailing in different areas of the State and is annually approved by the Rate Board Committee. The SoR usually has the overhead charges on the labour component in built into the rate structure up to 2006 and on prime cost (material, labour and hire charges of machinery) thereafter.

Audit scrutiny (November 2011 and January 2012) of the records of Water Resources Department revealed that:

- The Water Resources (WR) Department formulated (September 1990) a procedure for executing allotted works through Odisha Construction Corporation (OCC) without tender with the approval of the then Irrigation Minister. As per this, while the Department would prepare estimates for the works by following the provisions of OPWD Code for the purpose of obtaining administrative approval for the work from the competent authority, the OCC would prepare estimates based *on market rates*.

The estimate prepared on market rate was, however, not to include the 12.5 per cent overhead charges on the labour component usually

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<sup>166</sup> Rule 3.5.1, 3.5.9, 3.5.10, 3.4.2

allowed under Works Department's Schedule of Rates (SoR). The OCC was, instead, to be paid 15 *per cent* overhead charges on the value of actual work done through the running bills.

- The WR Department subsequently formulated and adopted a different SoR (from SoR of Works Department) applicable to their own Department from 1 April 1994 (revised in 1998) providing there in over head charges of 15 *per cent* on all the components of the work, i.e., labour, material and machinery.
- The Department once again revised (June 2002) the procedure deleting the provision of 15 *per cent* overhead charges on the labour component from the estimates prepared by OCC, but allowing overhead charges of 15 *per cent* to be paid to OCC on the actual work executed by them through the running bills on all components of the work. This procedure still continued (November 2011) even after revision of SOR in 2006 which provided overhead charges of 10 *per cent* on prime cost (material, labour, hire charges of machinery) which was not to be taken into consideration while preparing estimate for execution of work departmentally.
- As per the procedure prescribed (June 2002) by Water Resources (WR) Department, OCC was not supposed to sub-contract the allotted work to others except for "piece work"; the work was to be executed exclusively by them. However, test check of records of OCC disclosed that the Company is regularly subcontracting the work without inviting tenders.
- Scrutiny of 35 works (*details in Appendix-3.4*) allotted to OCC during 2008-11 revealed that, the rate submitted for approval by OCC (based on market rates) was ₹ 249.79 crore where as the cost as per SoR was ₹ 224.89 crore. On negotiation, the works were finally allotted to OCC for ₹ 278.17 crore (including overhead charges) even though the estimated cost as per SOR already had the overhead charges (10 *per cent*) built into the pricing structure. This final allocation was 24 *per cent* higher than the estimates prepared by WR Department and 11 *per cent* more than the estimates based on market rates prepared by OCC. The overhead charges on prime cost, i.e. labour, material and machinery were not deducted from the estimates while allotting the works.

Thus, the cost of execution of allotted works to OCC got overloaded to the extent of ₹ 53.28 crore.

The matter was referred (November 2011) to the Principal Secretary of the Department; the Financial Advisor of the WR Department stated (January 2012) that the matter was under their examination.

### 3.7 *Blockage of funds*

**Execution of Minor Irrigation Projects without ensuring acquisition of required land resulted in blockage of fund of ₹ 3.43 crore without yielding the desired benefit of providing irrigation.**

Orissa Public Works Department Code Volume I (Paragraph 3.7.4) provided that no work should be commenced on land which has not been made over by a responsible Civil Officer.

With a view to providing irrigation to 1386 hectares of land in Bamara/Rengali Block of Sambalpur district, Bolangir block of Bolangir district and Jaganathprasad block of Ganjam district, the Government accorded administrative approval between November 2004 and August 2008 for construction of Minor Irrigation Projects (MIP) at Kadalijharan, Thapapali, Dianpathar and Andharianalla at a cost of ₹ 8.28 crore for completion within three years. The projects envisaged construction of head works and distribution system.

Test check of records of the Executive Engineers (EE), Minor Irrigation Divisions, Sambalpur, Bolangir and Ganjam-II between February 2009 and February 2011 revealed that the works were either stopped midway or remained incomplete due to non-acquisition of required land as discussed below. The delay ranged between one and three years.

*Table 3.1 : Delay in acquisition of land for MIPs*

Sl. No.	Name of the MIP/ District	Targeted irrigation potential (in Ha)	Total expenditure (₹ in lakh)	Present status of MIP
1.	Kadalijharan / Sambalpur	720	119.36	The construction of the headworks and the Left Main Canal from RD 00 to 2520 meter were awarded (December 2006/February 2009) to two contractors at a cost of ₹ 1.62 crore for completion by March 2008/August 2009. The headworks was completed (July 2008) at a cost of ₹ 1.16 crore. But the canal system was stopped midway (March 2009) after execution of work for ₹ 3.36 lakh due to non acquisition of 59.67 acre of private land and non alienation of 26.02 acre Government/forest land. No other works of distribution system were executed as of May 2011.
2.	Thapapali / Sambalpur	150	58.51	The construction of headworks taken up in December 2006 at a cost ₹1.14 crore with completion date on March 2008 was stopped (January 2010) after execution of works of ₹ 59.51 lakh due to non acquisition of 47.94 acre private land and non alienation of 22.96 acre Government land. Balance portion of headwork and the distribution system were not executed as of May 2011.

Sl. No.	Name of the MIP/ District	Targeted irrigation potential (in Ha)	Total expenditure (₹ in lakh)	Present status of MIP
3.	Dianpathar / Bolangir	300	72.32	The headworks and a portion (240 metre) of the head reach canal (3750 metre) was completed (March 2007/March 2008) with expenditure of ₹ 72.32 lakh. The balance portion of head reach canal and distribution system were not executed (July 2011) due to non acquisition of 32.26 acre private land and railway crossing at RD 1890m.
4.	Andharianella / Ganjam	216	92.69	The construction of headworks awarded (November 2008) to a contractor for ₹ 1.21 crore for completion by October 2009 remained incomplete (July 2011) with expenditure of ₹ 92.69 lakh due to non acquisition of 0.57 acre private land. The distribution system was not taken up as of July 2011.
	<b>Total</b>	<b>1386</b>	<b>342.88</b>	

Source: Results of examination of departmental records

Government stated (November 2011) that the projects sanctioned under NABARD assistance are required to be completed within three years. In order to complete the works within the prescribed period, the head works were taken up. However, the distribution systems could not be completed due to procedural delay in acquisition of land. Government further stated that there would have been cost escalation had the projects been taken up after possession of the land.

The reply is not acceptable since execution of works without acquisition of land by the department delayed the completion of the projects and part of projects were again awarded after three years and even by that time the land acquisition process was not complete. This resulted in blockage of funds with payment of interest on NABARD loan without yielding the desired benefit.

## HOUSING AND URBAN DEVELOPMENT DEPARTMENT

### 3.8 *Blockage of funds on Water Supply systems*

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

The existing Water Supply Systems in Bhawanipatna and Binika towns in Kalahandi / Sonapur districts in the erstwhile Kalahandi-Bolangir-Koraput (KBK) region were supplying water much below the requirement as per the norm prescribed by Central Public Health and Environmental Engineering Organisation (CPHEEO). For augmenting the water supply system of these towns, Government accorded (November / December 2003) administrative approval for ₹ 12.05 crore to two works under Revised Long Term Action Plan (RLTAP) in KBK districts. The systems were targeted for completion by 2005/2006. The works comprised construction of intake wells, storage reservoirs, pump houses, water treatment plants, distribution systems and

external power supply besides arrangement for disposal of waste water. The Government provided (2003-11) funds amounting to ₹ 13.94 crore in a phased manner against which ₹ 14.02 crore was incurred as of March 2011. Project had not yet been completed and the status of execution as of March 2011 was indicated in table below.

**Table 3.2 Status of water supply projects Bhawanipatna and Binika as of March 2011**

Water supply scheme	Existing capacity	Capacity required as per CPHEEO norm	Month of administrative approval	Sanctioned cost (Rupees in crore)	Funds released (Rupees in crore)	Expenditure up to March 2011 (Rupees in crore)	Targeted date of completion	Status of completion
Bhawanipatna	3.7 MLD <sup>167</sup>	9.69 MLD	November 2003	9.55	10.29	10.29	2005	Intake well, WTP and laying of pipelines not completed.
Binika	0.45 MLD	1.07 MLD	December 2003	2.50	3.65	3.73	2006	Intake well, WTP and laying of pipelines not completed.
Total				12.05	13.94	14.02		

(Source: Examination of records of concerned PH Divisions)

Test check of records of the Executive Engineer (EE), Public Health Division, Bolangir disclosed (May 2011) that though the intake well, storage reservoirs and pump house of Binika and the underground reservoir and the pump house of Bhawanipatna water supply system were completed between 2003-04 and 2005-06, yet other components like intake well at Bhawanipatna, water treatment plants and laying of pipe line in distribution system of both the towns were in various stages of execution as indicated in table below.

**Table 3.3: Stages of completion of the works**

(₹ in lakh)

Sl. No.	Name of water supply scheme	Component	Cost of works	Profile	
				Expenditure	Status
1.	Bhawanipatna	Intake well	28.76	12.83	Abandoned in March 2008, balance work not taken up.
		Water Treatment Plant	185.20	175.05	Under progress.
		Purchase of pipes for laying pipelines	501.68	501.68	Not utilised. Laying of pipeline not taken up.
2.	Binika	Water Treatment Plant	86.14	79.71	Under progress.
		Purchase of pipes for laying pipelines.	196.37	196.37	Not utilised. Laying of pipeline not taken up.

Source : Results of examination of departmental records

It was also noticed that despite purchase of pipes at ₹ 6.98 crore during 2003-11, laying of the pipe line had not yet been commenced and the entire pipes

<sup>167</sup> Million litre per day



remained unutilised. Further examination revealed that 'Construction of intake well of Bhawanipatna Water Supply System' was awarded (March 2008) for ₹ 28.76 lakh for completion by August 2008. The contractor after execution of work for ₹12.22 lakh stopped (March 2008) further execution since hard rock was encountered at 11 metre and requested (March 2008) to finalise the rate for rock excavation as the agreement items did not provide sinking in rock. No decision was taken to finalise the rates for excavation of rock. The contractor abandoned the work and the contract was rescinded (July 2011) with penalty of ₹ 3.23 lakh which was not recovered as of October 2011. However, estimate for the balance of works prepared in November 2010 with provision of sinking in soft / hard rock was put up the Superintending Engineer for sanction only in August 2011 and has not been sanctioned as of October 2011. The EE also rescinded the contracts of two other works<sup>168</sup> with penalty but did not realise the differential cost involved in execution of balance works.

Thus, the Water Supply Systems taken up during 2005 / 2006 remained incomplete as of October 2011 due to poor planning, lack of monitoring and inadequate contract management by the EE. An expenditure of ₹ 14.02 crore incurred in the scheme was not put to use thereby depriving the people of getting adequate and safe drinking water. This resulted in blockage of funds.

Accepting the audit findings, Government stated (October 2011) that water supply schemes would be commissioned after completion of balance works.

## FOREST AND ENVIRONMENT DEPARTMENT

### *3.9 Non-realisation of ₹ 7.29 crore towards Wildlife Management Plan Fund*

#### Non-realisation of Wildlife Management Plan funds of ₹ 7.29 crore

In order to improve the quality of wildlife habitats in the mining leasehold forest areas, the Government of Odisha approved (December 2005) implementation of a comprehensive Wildlife Management Plan initially for the Bonai and Keonjhar Forest Divisions, which was latter extended (April 2008) to the whole of Odisha. The Plan was to be implemented over a period of ten years with the funds raised from the mining leaseholders at ₹ 20000 per hectare of the respective mining lease areas.

Test check of records of four Forest Divisions<sup>169</sup> (October 2009 to January 2011) revealed that the Government of India had approved (August 1995 to July 2010) diversion of forest land measuring 3925.862 hectare of mining lease areas in 18 cases. The project reports indicated existence of wildlife species in all the forest lands diverted for mining purpose. Accordingly, the lessees are required to deposit ₹ 7.85 crore (*Appendix-3.5*) towards the cost of implementation of Wildlife Management Plan. Only one lessee deposited

<sup>168</sup> (1) Construction of five lakh capacity ESR with 25 mtr staging at Hatapada of Bhawanipatna Water Supply Scheme, (2) Design, construction, testing, commissioning of 2.25 MLD Water Treatment Plant with 0.10 meter filtered water sump and ancillary structure of Binika Water Supply Scheme.

<sup>169</sup> Bargarh, Keonjhar, Rourkela and Sundergarh Division

₹ 0.56 crore against his dues of ₹ 2.87 crore. Neither had the DFOs raised the demand nor did the user agencies pay the amount which resulted in non-realisation of ₹ 7.29 crore from the lessees.

On this being pointed out in audit, the DFOs assured (October 2009 to January 2011) to raise the demands. Action in this regard is awaited (July 2011).

The matter has been reported to the Government (July 2011); their reply is awaited.

### **3.10 Non-realisation of Net Present Value**

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

Under the provisions of Forest (Conservation) Act, 1980 read with the orders (September 2003/September 2007) of Ministry of Environment and Forest (MoEF), forest land may be diverted for non-forestry purposes to the user agencies on realisation of Net Present Value (NPV) before final (Stage-II) approval was accorded by the MoEF.

Scrutiny of records between May 2009 and January 2011 in three Forest Divisions<sup>170</sup> revealed that the MoEF has accorded (May 1998 to August 2009) approval for 91.247 hectares of forest land in respect of three user agencies for which ₹ 6.40 crore (*Appendix-3.6*) NPV was due for realisation from them at revised rates for upto nine years. This was not realised as of August 2011 resulting in non-realisation of ₹ 6.40 crore.

On this being pointed out, the Divisional Forest Officer (DFO), Ghumsur South Division, Bhanjanagar raised (June 2011) the demand and in other cases DFOs had agreed to revise the demand for realisation of the NPV.

The matter was reported to the Government (June 2011); their reply is awaited.

## **SCHEDULED TRIBE AND SCHEDULED CASTE DEVELOPMENT DEPARTMENT**

### **3.11 Non-adjustment of advances amounting to ₹ 6.56 crore by Integrated Tribal Development Agencies indicating lax cash management**

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

As per Finance Department instructions (December 1986 / October 2004), advances paid for departmental or allied purposes to officials were to be adjusted within the month in which it was disbursed and in case any advance

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<sup>170</sup> Ghumusar (South), Bolangir West and Rourkela Divisions.

given to an employee or an organisation remained unadjusted even after expiry of three months from the date of advance, the outstanding advance was to be recovered from the monthly pay bill of the concerned employee or from the dues payable to the organisation which had availed the advance. Interest was also to accrue on such outstanding advances from the fourth month, counted from the date of advance. The Head of the Office was to be held responsible for such unadjusted advances.

Scrutiny of cash books and advance registers (April 2010 to April 2011) of the Project Administrators (PAs) of five<sup>171</sup> Integrated Tribal Development Agencies (ITDAs) revealed that advances of ₹ 6.56 crore paid during July 1975 to March 2011 remained outstanding against Government servants, contractors / suppliers and executing agencies as of 31 March 2011. The advances were paid for purchase of fuel, construction work, training of tribal youth, subsidy advanced to banks for bankable schemes and personal advances like travelling allowance advances etc.. The above included ₹ 48.14 lakh lying unadjusted against deceased persons (₹ 7.18 lakh), retired (₹ 0.12 lakh) and transferred Government servants (₹ 40.84 lakh).

The irregularities were also commented by the Accountant General (Civil Audit) in his earlier years' Inspection Reports<sup>172</sup>. Despite this, advances continued to remain unadjusted for long as of December 2011, the details of which were as under:

**Table 3.4 : Outstanding advance position of five ITDAs as of 31 March 2011**  
(Rupees in lakh)

Sl. No	Name of the ITDA	Outstanding advance position as of 31 March 2011				Amount outstanding against		
		Prior to 1994-95	During 1995-2006	During 2006-11	Total as of 31 March 2011	Deceased persons	Retired Government servants	Transferred Government Servants
1	Thuamul Rampur	12.64	53.79	92.67	159.10	0.29 (8)	0	10.98 (3)
2	Koraput	10.64	46.63	50.63	107.90	0.01 (2)	0	17.97 (13)
3	Paralakhemundi	11.08	227.54	59.71	298.33	0.36 (3)	0.01 (1)	11.64 (13)
4	Gunupur	11.60	51.27	13.96	76.83	6.52 (4)	0.11 (1)	0.10 (1)
5	Kuchinda	2.02	0.36	12.00	14.38	0	0	0.15 (2)
<b>TOTAL</b>		<b>47.98</b>	<b>379.59</b>	<b>228.97</b>	<b>656.54</b>	<b>7.18 (17)</b>	<b>0.12 (2)</b>	<b>40.84 (32)</b>

Note : Figures in brackets represent number of officials

Source : Cashbook and related records of the ITDAs concerned

Test check of records of the ITDAs revealed that compared to the balance of advances included in cash analysis of cash book on 31 March 2011, the advances as per advance registers were more by ₹ 0.04 lakh in ITDA, Paralakhemundi to ₹ 3.85 lakh in ITDA, Gunupur. However, in the case of ITDA, Koraput, the ledger balances were less than the cash book balance by ₹ 18.05 lakh as of 31 March 2011. Other discrepancies noticed in management of advances in the ITDAs were as under:

<sup>171</sup> Gunupur, Koraput, Kuchinda, Paralakhemundi and Thuamul Rampur

<sup>172</sup> ITDAs (i) Th. Rampur : IR 5/2009-10 (Paragraph 5) – POM No. 19, dated 28 March 2009 for ₹ 1.23 crore, (ii) Koraput : IR-36/2004-05 (Paragraph-12/POM-39, dated 11 June 2004) for ₹ 38.93 lakh, (iii) Paralakhemundi : IR-192/2004-05 (Para 17/POM-26, dated 11 March 2005) for ₹ 84.53 lakh, (iv) ITDA, Gunupur : IR 26/2004-05 for ₹ 43.50 lakh, (Paragraph-16/POM – 30, dated 28 May 2004) for ₹ 43.50 lakh and (v) Kuchinda : IR 41/2001-02 (Paragraph – 8) for ₹ 9.60 lakh.

- In ITDA, Th Rampur, the closing balance as per the main cash book as on 31 March 2011 showed outstanding advances of ₹ 151.90 lakh against ₹ 159.10 lakh shown in the advance register;
- In ITDA, Paralakhemundi, the advance register was depicting negative advances of ₹ 10.52 lakh against three Block Development Officers of Gosani (₹ 3 lakh), R Udayagiri (₹ 5.87 lakh) and Mohana (₹ 1.65 lakh) and the items were shown pertaining to February 1996 to January 2002.

All this indicated lack of proper monitoring in settlement of advances which increased the risk of misappropriation or loss, if prompt adjustment was not made. The Project Administrators being the Drawing and Disbursing Officers (DDOs), failed to settle the advances promptly as per Finance Department's instructions (December 1986 / October 2004).

On this being pointed out, the Financial Advisor-cum-Joint Secretary of the Department stated (September 2011) that payment of advance and subsequent adjustment thereof was an unavoidable necessity for implementation of different activities / works departmentally or through line departments. However, the reply was silent about the reasons for non adjustment of advances for long.

### ***3.12 Construction of hostels for Scheduled Tribe girl students without basic amenities and occupation of such incomplete buildings by those students***

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

For providing congenial study atmosphere to the Scheduled Tribe (ST) girl students and to encourage them to pursue their education career without dropping out, the State Government had been providing funds<sup>173</sup> to the Integrated Tribal Development Agencies (ITDAs) of the State since February 2007 for construction of hostel buildings inclusive of compound walls, toilets, kitchen, rooms for wardens and chowkidars besides rooms for students. The hostels were to be constructed at a place nearer to the educational institutions concerned and keeping in view the concentration of ST population. The

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<sup>173</sup> Funds from Centrally sponsored Plan Scheme for construction of hostels for ST & SC girls and boys; Revised Long Term Action Plan (RLTAP) for the Kalahandi, Bolangir and Koraput (KBK) districts, Biju KBK scheme, grants received under Article 275(1) of the Constitution of India from Government of India through Government of Odisha and other non-plan schemes.

District Selection Committee was to select site for construction of hostels on the basis of these criteria.

The Commissioner-cum-Secretary of the Department instructed (October 2008) all the Collectors, Project Administrators (PAs), ITDAs and District Welfare Officers to ensure electricity connection and piped water supply to all toilets, bath-rooms, wash-basins and kitchen in these hostels, with the further stipulation that no piped water supply system was to be treated as complete just by sinking of a tube well and providing limited supply of water through a few stand posts near the hostels. The PA, ITDAs were to certify the adequacy of the piped water supply system before reporting completion of the projects.

Test check (March, April and June 2010) of construction case records of 45 hostels under three ITDAs at Thuamul Rampur, Koraput and Balliguda revealed that the hostel buildings were constructed both departmentally (11) and by private contractors (34). The district-wise and ITDA-wise position is indicated in the table below:

*Table 3.5 : Districtwise and ITDA wise position of construction of hostels*

Name of district	Name of ITDA	Number of hostels		Total expenditure (₹ in lakh)		Remarks
		Planned as of 2006-07	Constructed as of 2009-10	Estimated	Actual	
Kalahandi	Thuamul Rampur	10	10	95.00	93.53	Constructed by Contractor
Koraput	Koraput	12	12	52.75	51.51	Constructed departmentally
Kandhamal	Balliguda	23	23	198.50	198.37	Not available
<b>Total</b>		<b>45</b>	<b>45</b>	<b>346.25</b>	<b>343.41</b>	

**Source:** Information furnished by the ITDAs concerned

The detailed position regarding all the 45 hostels is given in *Appendix-3.7*.

Test check of records of three ITDAs (Thuamul Rampur, Koraput and Balliguda) and subsequent examination of records (June-December 2011), disclosed that:

- two ITDAs (Thuamul Rampur and Koraput) though completed construction of 20 hostel buildings<sup>174</sup> during August 2007 to May 2010 at a cost of ₹ 1.26 crore yet did not hand over 19 buildings constructed at ₹ 1.17 crore to the concerned school authorities as of September 2011 on the ground of non-provision of the basic amenities like toilets, piped water supply etc. as mentioned at Appendix 3.7.

<sup>174</sup> Dumerpadar, Bankapalasa, Gunupur, Lanjigarh, Madanpur, Pastikudi, Madhupur, P Badapadar, Tunupur, Kutrabeda, Langlabeda, Bijaghati, Bala, Kanti, P Badapada, Tusaba, Guneipoda, Umbel, Debagandha and Junagarh.

- We also noticed that 25 hostel buildings<sup>175</sup> constructed by ITDAs of Thuamul Rampur (two) and Balliguda (23), with an expenditure of ₹ 2.17 crore between April 2007 and November 2009, were handed over to the respective school authorities by the ITDAs and were also being used by 5206 boarders though these were lacking with basic amenities as indicated at above Appendix-3.7. Scrutiny, however, revealed that the estimates of all such building included provision for such amenities like water supply, sanitation and electrification etc.
- Check of estimates of these building works in Audit revealed that in 18 cases, amenities like water supply and sanitation formed part of the estimates and in two cases (Guneipada and Debagandha under ITDA, Koraput), such provision was not even provided in the estimates. Despite utilisation of 98 *per cent* of the estimated cost in these 20 cases including utilisation of full estimated cost in 13 cases, the intended amenities were not provided in the hostels, which were mainly due to (i) two to 29 months of delay in completion of hostels resulting in cost escalation and scope limitation, (ii) not indicating the stipulated date of completion in the contracts, (iii) delay in issue of work order (Madhupur, Gunpur, Dumerpadar and Bankapalas) etc. .
- In six cases<sup>176</sup> hostel buildings constructed at ₹ 0.39 crore though were not officially handed over as basic amenities were not provided, but were used by 660 boarders as stated to audit (September 2011) by the Headmasters of concerned schools.
- One hostel building (Pastikudi under ITDA, Thuamul Rampur) constructed at ₹ 9.50 crore, which was handed over to the school authorities in November 2010 was not put to use as the same was not provided with these basic amenities.
- Centralised data on hostel buildings not provided with basic amenities was not available with the SC&ST Department. This indicated that the Department had not properly monitored the construction of hostel buildings with required basic amenities in tribal areas of these districts.

Thus, construction of 45 hostel buildings without mandatory basic amenities with toilet, water supply and sanitation and/or electricity connection led to

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<sup>175</sup> (i) ITDA, Th Rampur: Amapani, Jaipatna and (ii) ITDA, Balliguda : Rebingia, Bataguda Ashram School, Sudra High School, Kurtamagarh Sebashram, Belghar High School, Gumma High School, Kotgarh High School, Redhasing Sebashram, Kirtangia Sebashram, Gatamaha Sebashram, Salapajodi Sebashram, Kilabadi Sebashram, Daringibadi Girls High School, Daringibadi Boys High School, Kiramaha Sebashram, Budamaha Sebashram, Beredakia Sebashram, Gumdhani Sebashram, Raikia Girls High School, Mondakia High School, Katingia Sebashram, Mundagaon Sebashram, Rudangia Sebashram

<sup>176</sup> Lanjigarh, Madhupur and Junagarh under ITDA, Thuamul Rampur and Guneipada, Tushuba and Debagandha under ITDA, Koraput.

unfruitful expenditure of ₹ 87.22 lakh as 14 buildings could not be handed over and were lying unused upto three years as of September 2011 while 31 such hostel buildings constructed at a cost of ₹ 2.56 crore (including six buildings not officially handed over) were occupied by 5866 ST girl students without these basic amenities.

In reply, the PA, ITDA, Koraput stated (September 2011) that non-provision of basic amenities in hostels was not correct. The reply was not tenable as the Headmasters of the above schools confirmed (September 2011) to Audit about non-availability of kitchen, dining room and piped water supply system in the hostels. PA, ITDA, Thuamul Rampur stated (September 2011) that soon after completion of the civil works of the hostel buildings, amenities were provided from other scheme funds, which was, however, contradicted (September 2011) by the Headmasters of all the three<sup>177</sup> test checked schools (out of 25 schools).

The matter was referred (July 2011) to the Commissioner-cum-Secretary of the Department, but the reply has not been received (January 2012).

## TOURISM AND CULTURE DEPARTMENT

### 3.13 *Blockage of scheme funds with executing agency*

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

#### 3.13.1 *Construction of Biju Patnaik Sanskriti Bhavan remaining a non starter*

The Odisha Public Works Account Code provided for preparation of estimate on a realistic manner after proper field survey and inspection of the site.

The Culture Department decided (January 2004) to set up the Biju Patnaik Sanskriti Bhavan, a cultural centre at Berhampur and selected a patch of Government land measuring 1.253 acre on which the Chief Minister laid the foundation stone during January 2004. The Odisha Industrial Infrastructure Development Corporation (IDCO) was selected and entrusted (January 2008) the task of constructing the building by the Department. The Commissioner-cum-Secretary of the Department accorded administrative approval for the building for an estimated cost of ₹ 1.01 crore in February 2008 and released

<sup>177</sup> Amapani, Jaipatna and Junagarh under Th Rampur.

₹ 90 lakh<sup>178</sup> under State Plan to IDCO during February 2008 to November 2009. The Collector, Ganjam however, formally allotted the land in favour of the Culture Department only after 59 months of laying of the foundation stone (December 2008). The Department sanctioned (October 2010) additional funds of ₹ 45 lakh for the project which was however lying in the shape of bank draft with the Director of Culture (November 2011) after drawing the same from the treasury as IDCO had not spent the funds paid to it earlier. Drawal of money not required for immediate disbursement and in anticipation of future expenditure in violation of the provision of Odisha Budget Manual as well as the Odisha Treasury Code<sup>179</sup>

Test check of records (June 2010) of Director of Culture revealed that it was only in December 2008 that a joint survey of the site undertaken by the departmental officials and the IDCO disclosed that the site was situated in a low lying area filled with municipal garbage and sewage water for which the soil strata had been disintegrated. IDCO, after consulting a geo-technical consultant, changed (December 2008) the structural design of the proposed building to provide deep isolated footings as a safety measure and revised the estimate to ₹ 1.98 crore. The Culture Department also approved (March 2009) the same. We however noticed in audit, that though IDCO had intimated (February 2010) to the Director of Culture that it had awarded the work to a contractor at a contract price of ₹ 1.93 crore, yet the work had not commenced. The Chief General Manager of IDCO, after visiting the site, observed (February 2010) that the building requires further change in design specification<sup>180</sup> and construction could be undertaken only after removing the garbage and filling the site with sand which would lead to cost overrun, he recommended alternatively for a change of site. The Director, Culture, however insisted (March 2010) that IDCO furnish another revised proposal with requirement of additional funds for construction of the building on the same site, so that the matter would be placed before the Government for a decision. The IDCO was yet to respond to the above (October 2011). Thus, the Director's failure to properly inspect and survey the site before selecting it during 2004, led to the construction of the Biju Patnaik Sanskriti Bhavan remaining a non starter for over seven years as of December 2011 and ₹ 1.35 crore remaining blocked with IDCO and the Director.

The Director stated (August 2011) that the matter was being brought to the notice of the Government for revision of the estimate and to expedite the construction of the building. The reply is not tenable since seven years have already been elapsed since the date of the foundation stone laid by the Chief Minister.

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<sup>178</sup> 15 February 2008: ₹ 30 lakh, 19 January 2009 : ₹ 40 lakh and 12 November 2009 : ₹ 20 lakh

<sup>179</sup> Odisha Budget Manual (Rule 141) and Odisha Treasury Code Volume 1 (SR 242)

<sup>180</sup> Pile foundation with reinforced cement concrete floor slab as ground floor cannot rest on garbage which would increase the cost of the project



### 3.13.2 *Incomplete construction of Kalamandal building on a disputed land*

Orissa Delegation of Financial Powers<sup>181</sup> required that construction of Government projects are to be undertaken on litigation free land.

The Government of India (GoI) introduced (June 1993) a scheme for setting up of a multi purpose cultural complex, viz. 'Kalamandal' under the auspices of the Odisha State Council of Culture (OSCC), an autonomous body under the Culture Department, on equal fund sharing basis by the GoI and the State Government to be released to the OSCC. The Odisha Industrial Infrastructure Development Corporation (IDCO) was selected and entrusted with execution of the project in December 2005.



Interrupted construction work of Kalamandal building on a disputed land at Bhubaneswar

During audit (August 2009) of the records of the Director of Culture, we noticed that the General Administration (GA) Department had alienated 9.63 acres of land at Bhubaneswar in favour of Culture Department in two phases<sup>182</sup> during 2003-07 and given (February 2004 and August 2006) possession of the same to the OSCC for undertaking the work of the said Kalamandal project. The OSCC received ₹ 3.40 crore<sup>183</sup> from the GoI and State Government during 1996-2009 of which rupees one crore was paid (2003-07)<sup>184</sup> to IDCO for construction of the building at an administratively approved (December 2005) cost of ₹ 2.55 crore. Subsequently, the estimate was revised to ₹ 4.60 crore by inclusion of an additional component 'artisan village' with the approval (April 2007) of GoI. The IDCO awarded (July 2006) the work to a contractor and while the work was in progress, the local police authorities interrupted (13 November 2006) the work on the basis of Odisha High Court judgment (27 October 2005)<sup>185</sup> which held that the land in question was under the legal possession of one private person. The matter still remained sub-judice (November 2011).

However, as seen from the 'Bhulekh' land records web portal of Odisha<sup>186</sup> the record of right (RoR) of the earmarked land continued to be recorded in the name of Odisha Government and no change of ownership of the land had been effected in the RoR as of November 2011.

<sup>181</sup> Foot note 7(viii) below Rule 13

<sup>182</sup> February 2004 : 5 acres and August 2006 : 4.63 acres

<sup>183</sup> (i) **GoI share** : ₹ 2.30 crore (1996-97 : ₹ 25 lakh, 2003-04 : ₹ 75 lakh, 8 April 2008 : ₹ 1.30 crore), (ii) **State Government share**: ₹ 1.10 crore ( 30 December 2005 : ₹ 25 lakh and 18 January 2008 : ₹ 85 lakh)

<sup>184</sup> July 2003 : ₹ 50 lakh and October 2006 : ₹ 50 lakh

<sup>185</sup> in the case of WP (C) 8282 of 2004, the judgment of which was delivered on 27 October 2005.

<sup>186</sup> <http://bhulekh.ori.nic.in>

However, the work was stopped (November 2006) by which time an amount of ₹ 72.73 lakh had already been spent<sup>187</sup> on the project towards building and compound wall. Besides, IDCO had also spent ₹ 5.89 lakh on watch and ward of the incomplete project as of June 2011. Thus, lack of adequate and proper due diligence by the Culture Department in verifying the title of the land before commencement of the work led to a potential wasteful expenditure of ₹ 78.62 lakh.

The Director stated (August 2009) that the Department was not aware of proceedings of the civil suit in the Odisha High Court. He added that a civil appeal has been filed in the Supreme Court by the Government and the Supreme Court while granting (April 2009) leave viewed that the matter needs to be reconsidered by the High Court. Further action is awaited (November 2011).

The issues were demi-officially referred (July 2011) to the Principal Secretary to Government; reply has not been received (January 2012).

### **3.14 General**

## **FINANCE DEPARTMENT**

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

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its stewardship role seriously.

Section 13 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 mandates the Comptroller and Auditor General of India (C&AG) to audit all expenditure incurred by the State Government. Section 18 of the said Act mandates the C&AG to inspect various offices of the State Government responsible for keeping of initial or subsidiary accounts. The Regulations on Audit and Accounts, 2007, issued by the C&AG under Section 23 of the Act, serve to operationalise the provisions of the Act in so far as the scope, extent and procedure of audit is concerned.

We conduct periodical inspection of Government departments and their field offices according to the procedure laid down in the Regulations on Audit and Accounts, 2007 (Chapters 13 and 14) to test check a few transactions on sample basis. During these inspections, we verify the quality and timeliness of maintenance of important accounting and other records as per prescribed rules and procedures and express opinion not only on the truthfulness and fairness of the accounts so maintained but also on the economy, efficiency and

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<sup>187</sup> Compound wall : ₹ 43.99 lakh, Building ; ₹ 28.74 lakh

effectiveness aspects of the transactions connected with such accounts. These comments and opinions are incorporated through Inspection Reports (IRs) which are sent to the Heads of Offices and the next higher authorities.

Regulations 195 and 196 of Regulations of Audit and Accounts, 2007 require that each audited entity is to maintain proper record relating to receipt of IRs and progress of their settlement and may initiate action for settlement of audit observations with reference to the audit memos issued during audit without waiting for formal receipt of the IRs from the Audit Office. Regulation 197 requires that the officer in-charge of the audited entity is to send the reply to IR paragraphs to the respective Audit office *within four weeks* of its receipt. Even if it is not feasible to furnish the final replies to some of the observations in the IRs within the aforesaid time limit, the first reply was not to be delayed and an interim reply was to be given indicating the likely date by which the final reply would be furnished. In the case of an IR that relates to Public Works department, the reply is to be sent through the next higher authority along with the observations of that authority (Regulation 198). Thus, all defects and acts of omissions and commission are expected to be attended to promptly and compliance reported to the Accountant General (Civil Audit) / Accountant General (Commercial, Works and Receipt Audit) after taking due executive / administrative action to set right / remedy such defects / acts. We even send a half-yearly report of pending IRs to the Secretary of each department to facilitate monitoring of the audit observations / comments / opinions and their compliances by the departments.

A review of the IRs issued upto March 2011 pertaining to 3854 offices of 35 departments showed that 37869 paragraphs relating to 12623 IRs were outstanding at the end of June 2011. Of these, 3833 IRs containing 9499 paragraphs had not been settled for more than 10 years (*Appendix-3.8*). Even the first reply from the Heads of Offices which was to be furnished within four weeks was not received in respect of 2047 IRs issued up to March 2011. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix-3.9*. *The five major defaulters were Panchayati Raj, Health and Family Welfare, Women and Child Development, Water Resources and School and Mass Education departments.*

Serious irregularities commented upon in these IRs had not been settled as of June 2011 like non compliance with rules and regulations, improper expenditure and expenditure without justification, persistent / pervasive irregularities and failure of oversight / governance. The details are in *Appendix-3.10*. *We observed that many of these serious irregularities as brought out in Audit did not receive proper attention of Government.*

Apart from the above standing mechanism, Triangular Committee (TC) meetings, consisting of representatives of the administrative departments, the office of the Accountant General (Civil Audit) / (Commercial, Works and Revenue Audit) and Financial Advisors of the respective Departments are also being held for speedy settlement of the outstanding IRs and paragraphs after detailed deliberation and verification of records in support of the actions taken

to address the audit observations. Accordingly, 106 TC meetings were held during 2010-11 at different district headquarters in which a total of 648 IRs and 3525 paragraphs relating to 704 offices of 15 departments could be settled. However, we observed that this mechanism could have instead slowed down the standing mechanism prescribed for sending replies to Audit which was four weeks from the date of receipt of such IR. *There were incidences of offices not even furnishing the first reply to an audit paragraph / observation in the regular course within prescribed four weeks but waiting until the sitting of a Triangular Committee meeting for furnishing a reply.* This practice is not very fruitful for settling audit paragraphs / observations as Audit would require some reasonable time to cross-check and verify the contentions contained in the replies furnished by the office with the evidence collected by Audit during the audit process, as also fresh examination of some more records and documents, if necessary, before reaching a final conclusion about the merit of the audit paragraph/observation *vis-à-vis* the reply furnished by the department / office. It is difficult for Audit to take such a decision on the spot in the TC meeting, as it could then be error-prone and risky. Such a practice is also not conducive to maintaining the sanctity and seriousness of the audit process as a significant part of the overall accountability structure. This mechanism is therefore, not effective in its present format. These facts were also reiterated (23 December 1978 and 20 March 1987) by Finance Department.

*There is therefore a need to impress upon the Heads of Offices and Departments that a Triangular Committee (TC) meeting could be held only when at least the first reply to such audit observations / comments has been received, which can then be verified by Audit before discussing the same in the TC meeting.*

Following course of action is recommended:

- a) The first priority for the offices inspected should be to furnish replies to Audit on the spot failing which, within the stipulated period of four weeks from the date of receipt of IRs.
- b) Audit observations / comments should be discussed in the meeting of officers at the district office / Heads of Department (Directorate) and Secretariat level for taking corrective action and action so taken intimated to Audit.
- c) For TC meeting to be fruitful and effective, the Heads of Office Heads of the Departments / Secretaries should be impressed to furnish at least the first reply to the audit observations / comments contained in the IRs indicating corrective action taken before the actual sitting of such meetings.

- d) Recovery of advances and outstanding dues brought out by Audit may be effected as soon as possible, as prolonged delay may make the possibility of such recovery remote.

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

Serious irregularities noticed in audit are included in the Audit Reports of the Comptroller and Auditor General of India (C&AG) that are presented to the State Legislature. According to the Finance Department instructions (December 1993), the Administrative Departments are required to furnish the explanatory notes on the transaction paragraphs, reviews / performance audits etc., included in the Audit Reports within three months of their presentation to the State Legislature. Regulations on Audit and Accounts 2007 issued by the Comptroller and Auditor General of India outlines (Regulation 212) the manner in which the Departments should furnish replies to the Public Accounts Committee (PAC). The explanatory notes of the Departmental Secretaries to such Audit Report paragraphs / Performance Audits should carry the approval of the Secretary and state:

- 1) whether a written reply on the draft audit paragraph was sent to the Accountant General (Audit) and if not, the reasons for not doing so;
- 2) the action taken to fix responsibility on the individual(s) responsible for the loss, failure, infructuous expenditure, etc; and the likely time frame within which such action is expected to be completed;
- 3) the current status of recovery of any amount due to Government as pointed out in the audit paragraph;
- 4) the action taken or proposed to be taken on the suggestions and recommendations made in the audit paragraph;
- 5) the result of review of similar other cases, and the action taken;
- 6) the remedial action taken or proposed to be taken to avoid occurrence of similar cases in future, to streamline the systems and to remove system deficiencies, if any.

In the Apex Committee meeting (5 May 2011), the Chief Secretary instructed that Action Taken Notes on outstanding PAC Recommendations and compliance on audit paragraphs of C&AG Report were to be submitted within two months.

However, it was noticed that in respect of Audit Reports from the year 1997-98 to 2009-10 as indicated below (Table-3.6), 17 out of 38 departments, which were commented upon, did not submit explanatory notes on paragraphs and reviews as of September 2011.

**Table 3.6: Position of Paragraphs and reviews**

*(In Number)*

Year of Audit Report	Total number of paragraphs including paragraphs on State Finances and Allocative Priorities and Appropriation etc.	Individual paragraphs/reviews/others			Number of performance audits / Reviews and individual transaction audit paragraphs for which explanatory notes were not submitted (September 2011)	
		Individual paragraphs	Reviews/Performance Audits	Others	Individual paragraphs	Reviews
1997-98	97	58	6	33	1	2
1998-99	92	58	6	28	1	-
1999-00	83	48	6	29	-	1
2000-01	83	47	7	29	1	1
2001-02	61	29	4	28	2	1
2002-03	59	33	6	20	1	3
2003-04	60	31	6	23	3	2
2004-05	49	21	6	22	-	1
2005-06	61	29	7	25	-	-
2006-07	65	36	6	23	6	2
2007-08	59	29	6	24	12	4
2008-09	66	32	6	28	26	3
2009-10	53	21	5	27	21	5
<b>Total</b>	<b>888</b>	<b>472</b>	<b>77</b>	<b>339</b>	<b>74</b>	<b>25</b>

Source : As per records of the AG(Civil Audit) and AG(CW&RA)

The above pendency position persisted despite the same being demi-officially intimated (September 2011) to the Chief Secretary by the Accountant General (Civil Audit), Odisha. It was informed to him that in many cases, the replies furnished by the Department to the PAC on the C&AG's paragraphs / performance audits had not even been seen and approved by the Departmental Secretaries. Only the replies of the Heads of the Departments had been enclosed as compliances. In many cases, the replies / compliances are submitted a day before the PAC meeting is scheduled or in the meeting itself. This resulted in not only we being unable to examine such replies / compliances further for information of the PAC, but also indicated the callous attitude adopted by the Departments to the legislative procedures prescribed in the Constitution and Rules of Procedure and Conduct of Business in the Odisha Legislative Assembly.

The 74 individual transaction audit paragraphs on which compliance has not been submitted to the Odisha Legislative Assembly can be categorised under (i) non-compliance with rules and regulations (24), (ii) audit against propriety / expenditure without justification (22), (iii) persistent / pervasive irregularities (8) and failure of oversight and governance (20). The department-wise analysis as in the *Appendix-3.11* shows that the departments largely responsible for non-submission of explanatory notes were departments of Water Resources, Health and Family Welfare, Works, Panchayati Raj, Forest & Environment, followed by Fisheries & Animal Resources, School & Mass Education etc.

### 3.14.2.1 *Response of the departments to the recommendations of the Public Accounts Committee*

The Public Accounts Committee Reports / recommendations are the principal medium by which the legislature enforces financial accountability of the executive to the Legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs). The Odisha Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all departments of the State Government to submit ATNs on serious suggestions, observations and recommendations made by PAC for their consideration within six months after presentation of PAC Reports to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. The time limit for submission of ATNs had since been reduced to four months instead of six months by OLA (April 2005)<sup>188</sup>. In Chief Secretaries meeting (May 2011), this time limit has been further reduced to two months.

However, out of 1353 recommendations (*Appendix-3.12*) relating to Audit Report (Civil) made by the PAC from the first Report of 10<sup>th</sup> Assembly (1990-95) to 40<sup>th</sup> Report of 13<sup>th</sup> Assembly (2004-09) final action on 185 recommendations were awaited (September 2011). The departments largely responsible for non-submission of ATNs were Water Resources, Rural Development, Health & Family Welfare, Law, General Administration followed by Revenue and Disaster Management and other departments.

### 3.14.2.2 *Monitoring*

The following Committees have been formed at the Government level to monitor the follow up action on Audit Reports and PAC recommendations.

#### *Departmental Monitoring Committee*

Departmental Monitoring Committees (DMCs) have been formed (between May 2000 and February 2002) in all the departments of the Government headed by the Departmental Secretaries to monitor the follow up action on Audit Reports, PAC recommendations and Inspection Reports and are required to hold the meetings in each quarter and send the proceedings of such meetings to audit. Out of 38 departments of the State Government, 22 departments<sup>189</sup> did not send any proceedings whatsoever for the year 2010-11.

<sup>188</sup> Rule 213-B(1) of Rules of procedure and Conduct of Business in the Odisha Legislative Assembly

<sup>189</sup> **Name of the Departments :** Commerce, Energy, Forest and Environment, Health and Family Welfare, Higher Education, Industries, Information Technology, Law, Odisha Legislative Assembly, Parliamentary Affairs, Planning and Coordination, Public Enterprises, Public Grievance and Pension Administration, Revenue and Disaster Management, Sports and Youth Services, SC and ST Development, Science and Technology, Transport, Tourism and Culture, Water Resources, Works, Women and Child Development,.

### ***Review Committee***

A Review Committee had been formed (December 1992) comprising Principal Secretary, Finance Department, Accountant General (Civil Audit), Accountant General (Commercial, Works & Receipt Audit) and concerned Departmental Secretaries to review the progress as well as the adequacy of action taken on C&AG's Audit Reports and recommendations of PAC in order to facilitate the examination of such Reports/Recommendations by the State PAC.

The Review Committee meeting chaired by the Chief Secretary was convened last on 6 January 2009. It was decided in the meeting that all the Administrative Departments should reconcile the position of pendency with the Accountants General, Odisha on the Action Taken Notes, compliance to paragraphs of C&AG's Audit Reports (Civil) and Revenue Receipts and list of excess expenditure pending for regularisation for different years and take follow up action within the prescribed time frame by holding DMCs. However, as indicated earlier, 22 out of 38 departments of the State Government did not hold any DMC.

### ***Apex Committee***

An Apex committee comprising eight members was formed (December 2000) at the State level under the Chairmanship of the Chief Secretary with the Secretary, Finance Department as permanent member and Secretary of five other departments (Water Resources, Home, Panchayati Raj, Agriculture and Revenue as members and Additional Secretary, Finance (Audit & Accounts) as member convener. The committee was to (i) review the functioning of the DMC, and to ensure timely submission of compliance to Accountants General,

Odisha and to Public Accounts Committee, (ii) review periodically the action taken on C&AG's Reports by the department of the Government and (iii) sort-out bottlenecks for prompt action to be taken by all the departments of the Government on audit observations. The committee would sit half-yearly. The committee in its meeting (May 2011) where all Departmental Secretaries were present reviewed the position of holding of DMC meetings during 2010-11 which fell short of the target as many of the Departments did not convene the same at all despite pendency of compliance to paragraphs of C&AG's Audit Reports, Inspection Reports and ATNs on PAC Reports. Following decisions were taken in the meeting:

- All the departments to hold Departmental Monitoring Committee meetings once in every month;
- ATNs on recommendations of PAC should be submitted within two months.
- All the departments to attend to the draft paragraphs immediately on receipt of the same from the office of the Accountants General;
- Compliance to paragraphs in the Inspection Reports of the Accountants General is to be attended promptly and triangular committee meetings should be held regularly to settle outstanding Inspection Reports / paragraphs.



Despite such instructions, compliance to paragraphs of C&AG's Audit Reports relating to earlier years and 185 ATNs on PAC recommendations (10<sup>th</sup> to 13<sup>th</sup> Assembly) were pending with the departments as indicated in the *Appendix-3.11 and 3.12* (November 2011).

Bhubaneswar  
The

**(Amar Patnaik)**  
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Countersigned

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